**Board of County Commissioners**

**Workshop**

|  |  |
| --- | --- |
| Date of Meeting: | August 4, 2011 |
|  |  |
| Date Submitted: | August 1, 2011 |
|  |  |
| To: | Honorable Chairman and Members of the Board |
|  |  |
| From: | Timothy P. Barden, Interim County Administrator  William Wright, OMB Analyst |
|  |  |
| Subject: | 4th Budget Workshop for the Tentative FY2011/2012 Budget |

**Statement of Issue:**

This serves as the 4th workshop regarding the Tentative FY2011/12 budget submitted to the Board on July 15, 2011.

**Background:**

The first in this series of workshops was held on March 10, 2011. The last workshop was held on June 23, 2011. These workshops have provided the Board the opportunity to give staff direction in the process as well an opportunity for the public to voice their opinions and concerns regarding the upcoming budget.

*First Budget Development Workshop:*

During the first budget development workshop, the Board provided initial direction for the FY2011/12 Tentative budget including a desire to maintain or decrease the County millage rate and decrease overall general fund budget by 5% to accommodate an anticipated reduction in ad-valorem revenues as predicted by the Property Appraiser.

*Second Budget Development Workshop:*

On May 5, 2011, the Board held the second budget development workshop of the FY2011/12 budget cycle. This workshop provided the Board with mid-year revenue and expenditure update of the current year budget and a legislative update on state revenue funding to be expected during the upcoming fiscal year.

*Third Budget Development Workshop:*

On June 23, 2011, the Board held the third budget development workshop (Attachment #1). This workshop included a list of areas for consideration by the Board in the development of the FY2011/12 tentative budget. This list included the following:

1. Line Item Funding for Outside Agencies
2. Staff Furloughs
3. Increased Employee Participation in Health Care Premiums and Reduction to Flex Contributions
4. Direction to Constitutional Officers to Share in Cuts prescribed by the Board
5. Program/Service Reductions (including staff layoffs)
6. Millage rate options below the rolled back rate

At the Third Budget Development workshop held on June 23, 2011, the Board gave direction to complete the FY2011/12 Tentative Budget utilizing an 8.75 millage rate. In addition to the workshop, the Board also held a public hearing on June 21, 2011 to discuss and ultimately approve an increase to the Communication Service Tax(CST) from 1.84% to 5.22% and the implementation of a Public Service Tax(PST) at a rate of 10%. Since the direction given by the Board at the 3rd budget development workshop and public hearing, the FY2011/12 Tentative Budget has been balanced and presented to the Board and Constitutional Officers on July 15, 2011.

This the Fourth Budget Development workshop schedule for the FY2011/12 budget cycle. This workshop will provide the board with an update to the Tentative FY2011/12 budget and address items not discussed at previous workshops. The 4 main topics of discussion for this workshop will be the following:

* Summary Budget Comparison FY2006/07 to FY2011/12
* Highlights from the Tentative Budget
* Health Insurance Premium Options
* Capital Improvement Plan Updates

**Analysis**

**Summary Fiscal Year Comparison from FY2006/07 to FY2011/12**

The FY2011/12 tentative general fund budget is $195,138 less than the FY2006/07 budget. The follow table provides a brief summarization of the comparison of allocations between fiscal year 2006/07 and 2011/12. (The full table is included in Attachment #2).

Table 1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 06-07 to 10-11 Budget / Actual Review |  |  |  |  |  |
| Office | 06-07 Budget | 10-11 Budget Amended | 11-12 Proposed | % Change 10-11 Amended | Proposed Budget Total + / - Over 06-07 FY |
| BoCC Budget | 8,838,339 | 6,533,177 | 6,304,321 | -3.50% | -28.67% |
| less amounts moved to other funds | (2,232,691) | - | - |  |  |
| BoCC Budget | 6,605,648 | 6,533,177 | 6,304,321 | -3.50% | -4.56% |
|  |  |  |  |  |  |
| Clerk | 442,134 | 432,993 | 416,568 | -3.79% | -5.78% |
| Prop Appraiser | 945,388 | 939,681 | 935,298 | -2.95% | -1.07% |
| Sheriff | 9,644,185 | 9,992,156 | 9,797,070 | -5.73% | 1.59% |
| Sup of Elections | 386,241 | 320,647 | 326,348 | 1.78% | -15.51% |
| Tax Collector\* | 623,732 | 683,434 | 672,585 | -1.59% | 7.83% |
| Total Budget GF & Constitutionals | 20,880,019 | 18,902,088 | 18,452,190 | -4.52% | -11.63% |
| Less amts moved or added | (2,232,691) | - | - |  |  |
| Net Total Budget GF & Constitutionals | 18,647,328 | 18,902,088 | 18,452,190 | -4.52% | -1.05% |

\*Includes the addition of the Drivers’ License Bureau to operating budget

The table above prepared by the Clerk’s office, represents *actual* operating budgets. Reserves and funding transfers from other sources have been removed to reflect an actual net budgeted amount. These figures are presented to the Board to provide a point of reference and illustrate where funding changes have occurred in the past five years.

**Tentative Budget Highlights FY2011/12:**

Revenue

Ad-Valorem revenue was decreased an additional $22,000 following the July 1st taxable value estimate provided by the Property Appraiser. The additional reduction was absorbed by Board controlled departments. This was an additional .02% drop from the estimate previously presented to the Board at the 3rd budget development workshop, bringing the total decrease in ad-valorem revenue from the previous fiscal year budget to -$971,278 or -9.7%.

In an attempt to prepare a budget demonstrating solid fiscal responsibility, changes were made to the use of the budgeted fund balance and interfund transfers from special revenue funds and budgeted reserve. The elimination of any budgeted fund balance (previous year budget $210,000) and the $817,025 or 92% reduction of interfund transfers (previous year budget $887,417) combined with $480,000 in budgeted reserve (previous year budget $130,458) contributed to a revenue shortfall of $2,298,303.

Several local revenue sources were also lowered for FY2011/12 due to underperforming mid-year results this year. Planning and Community Development revenues decreased collectively by $76,000 or 56%. Code enforcement revenues decreased by $10,000 or 50%. Building Department revenue fell sharply this fiscal as well and the total revenue for the building department was decreased by $47,649 or 15%.

Anticipated jail bed revenue was decreased from $2,400,000 to 2,100,000 to provide for an additional 10% of revenue collected to be put towards reserve as directed by the revised rainy day fund ordinance.

State Revenue Sources increased by $1,320,501 or 29% primarily due to the addition of a Public Service Tax (PST) and an increase to the Communication Service Tax (CST).

While the implementation of the PST and the CST helped offset the $2,298,303 anticipated reduction in revenue from the previous fiscal year, a budget deficit of $409,629 still existed. This was primarily due to budgeting $480,000 in reserve. The funding gap was resolved by distributing the remaining budget shortfall among all General Fund supported programs and Constitutional Officers. The following outlines the reductions made by the Board to achieve a balanced FY2011/12 Tentative Budget.

FY2011/12 Tentative Budget Reductions:

1. An additional 1.94% Reduction to the following Constitutional Officer Budgets:
   1. Sherriff’s Department – $193,739
   2. Clerk of Court – $8,078
   3. Property Appraiser – $18,137
   4. Tax Collector – $13,043
2. An additional 2.16% Reduction
   1. Board controlled departments & Supervisor of Elections – $156,598 plus additional drop in ad-valorem revenue of $22,000.

The FY2011/12 tentative budget was balanced through the cooperation from all departments and Constitutional Officers

1. The overall reduction to the County general fund Budget from FY2010/11 to FY2011/12 was $1,120,418 or 5.6%. This was achieved *without* an increase to the millage rate which remained 8.7500 creating a reduction in property taxes in the amount of $971,277 or 10% from the previous fiscal year.
2. The total number of FTE’s eliminated from the FY2011/12 tentative budget was 27, included the following:
3. 7 General Fund Positions
   * + - Public Services Director
       - Public Safety Director
       - Grants Coordinator
       - Administrative Assistant
       - Planning Tech
       - Paramedic
       - Facilities Management-OPS
4. 3.5 Building Department Positions
5. 7 Sheriff’s Office Positions
6. 9.5 Housing Department Positions
7. An increase to General Administration is directly related to the Board’s desire to both build up reserves and increase cash fund balance for the next fiscal year. The total amount of budgeted reserve is $480,000 which if not spent will fall to fund balance at the end of the year.
8. The Building Department budget was decreased by 49% from FY2011/12 through the loss of 3.5 positions and a decrease in operating costs.

**Health Insurance Premium Options**

Each year health insurance is reviewed and options are presented to the County by its broker. The updated quotes for health insurance premiums were not available during the development of the tentative budget and are being presented to the Board now for further consideration. In addition to CHP, our broker provided an additional option of going with a different carrier, United Health Care (UHC). Our insurance broker provided a list of Pros and Cons for switching from our current CHP provider to UHC (Attachment #3 & 4). The chart below outlines three options for the Board to consider and associated costs.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Premiums** | **Employee Contribution** | **BOCC Contribution** | **\*Deductible** | **Employee Contribution With % increase** | **Total Employee Annual Costs** |
| **Current CHP** |  |  |  |  |  |  |
| Single | 441.92 | - | 441.92 | 0.00 | - | - |
| Employee+Spouse | 919.39 | 180.20 | 739.19 | 0.00 | 180.20 | 2,162.40 |
| Family | 1,215.27 | 291.90 | 923.37 | 0.00 | 291.90 | 3,502.80 |
|  |  |  |  |  |  |  |
| **CHP with 1% Increase**  **Option I** | |  |  |  |  |  |
| Single | 446.34 | - | 446.34 | 0.00 | 4.42 | 53.04 |
| Employee+Spouse | 928.58 | 180.20 | 748.38 | 0.00 | 189.39 | 2,272.68 |
| Family | 1,227.42 | 291.90 | 935.52 | 0.00 | 304.05 | 3,648.60 |
|  |  |  |  |  |  |  |
| **CHP with 4% Increase**  **Option II** | |  |  |  |  |  |
| Single | 459.60 | - | 459.60 | 0.00 | 17.68 | 212.16 |
| Employee+Spouse | 956.17 | 180.20 | 775.97 | 0.00 | 216.98 | 2,603.76 |
| Family | 1,263.88 | 291.90 | 971.98 | 0.00 | 340.51 | 4,086.12 |
|  |  |  |  |  |  |  |
| **UHC**  **Option III** |  |  |  |  |  |  |
| Single | 436.57 | - | 436.57 | 250.00 | - | 250.00 |
| Employee+Spouse | 908.25 | 180.20 | 728.05 | 500.00 | 180.20 | 2,662.40 |
| Family | 1,200.55 | 291.90 | 908.65 | 500.00 | 291.90 | 4,002.80 |
| \* The deductible cost would only be incurred when a medical expense actually occurred. | | | |  |  |  |

Currently the County is using Option II which contains the lowest co-pay to the employee. The schedules of co-pays for each plan are presented as an attachment to this agenda item.

Each of these options requires an increase in costs to either the Board or the employee. Since employees have not had a Cost of Living Adjustment (COLA) in the last two years and recently had to absorb a 3% increase in Florida Retirement System (FRS) contribution, it is staff’s recommendation that the Board approve Option II. This will minimize additional impact on employees, particularly all BOCC employees who are experiencing furlough days in the current fiscal year. Whichever option the Board decides, staff is recommending that the funding come from the budgeted reserve. The following chart is a breakdown of the additional costs for the BoCC and each Constitutional Office for Options I and II.

|  |  |  |  |
| --- | --- | --- | --- |
| Health Insurance Premium Adjustment | | | |
|  | Current Cost | Option 1-1% | Option II-4% |
| BOCC | $ 407,295 | $ 4,837 | $ 19,126 |
| Supervisor of Elections | $ 11,640 | $ - | $ - |
| Clerk of Court | $ 62,068 | $ 620 | $ 2,482 |
| Sheriff's Dept. | $ 1,052,210 | $ 10,522 | $ 42,088 |
| Tax Collector | $ 51,496 | $ 515 | $ 2,060 |
| Property Appraiser | $ 75,670 | $ (685) | $ 1,543 |
| Total | $ 1,660,379 | $ 15,045 | $ 64,465 |
| Reserve Totals | $ 480,000 | $ 464,955 | $ 415,535 |

**Capital Improvements Projects Update**

*Updates to FY2011/2012 CIP*

The FY2011/12 Capital Improvement Plan (CIP) has been reduced considerably from FY2010/11, almost $2,000,000 less has been budgeted from county funded projects. This reduction is designed to help the County build up adequate cash reserves. Each fund which contains capital projects has been limited to existing projects that have been put on-hold or projects supported by grant funding. All other cash balances have been pushed to reserve to help with the overall fund balance of the County’s FY2011/12 budget. Since the submission of the Tentative Budget on July 15, 2011, staff has reconsidered the implementation of any new projects and taken several projects off the table for FY2011/12. These projects include the following:

|  |  |  |  |
| --- | --- | --- | --- |
| Project | Fund | Fund Name | Amount |
| Correctional Facility Building Enhancements | 307 | Impact Fees | $ 50,000 |
| Law Enforcement Building Enhancements | 307 | Impact Fees | $ 75,000 |
| Community Center Improvements | 307 | Impact Fees | $ 175,000 |
| Community Center Improvements | 317 | One Cent Sales Tax | $ 150,000 |

*Capital Improvement Projects Fund 300*

The Capital Improvement Projects fund includes two grant funded projects for FY2011/12, $392,368 designated to the Community Center and $60,000 for Library Expansion. Also included this fiscal year will be a $30,000 transfer from the general fund designed to help with maintaining County facilities. This account may be used for general repairs and emergencies.

*Fund 307 Impact Fees:*

Most projects within the impact fee fund have been tabled in order to help maintain a positive cash balance for the entire County budget. One project is included which will expand the public library in the amount of $71,551. This project is recommended due to the fact that expenditures in impact fees for libraries help meet the spending requirements regarding our State Library funding grant. The rest of the projects which were postponed will return during FY2012/13 once economic conditions improved.

*One Cent Sales Tax Committee*

The One Cent Sales Tax Committee met once during the tentative budget process. The committee reviewed the past expenditures and projected revenue and discussed the current financial position of the County. The committee was briefed by the Deputy Clerk of Court who informed them the County was struggling with cash solvency and that the One Cent Sales Tax was an area that could benefit from a one year hiatus from projects. The Committee took this information and a review of current obligations existing within the fund such as loan payments and projects, and concluded that a one year moratorium on spending for projects would help build cash balances within the fund.

*One Cent Sales Tax Fund 317*

Public Safety-The Sheriff’s Department and Emergency Medical Service will not purchase replacement vehicles through the One Cent Sales Tax Fund during FY2011/12. The committee agreed this area of funding was critical to the lifecycle replacement program of vehicles for the Sheriff’s Department and revenues should be reviewed mid-year to determine if funding could be reinstated for new vehicles for the Sheriff’s Department.

Transportation/Roads- $340,000 has been budgeted to complete the Old Shell Point Road Paving which is scheduled to be completed during the upcoming fiscal year. Current obligations include approximately $750,000 in loan payments previous road improvement projects.

Public Facilities- Public Facilities projects including the Community Center will not funded through the One Cent Sales Tax Fund during FY2011/12 in an attempt to build reserves. The only current obligation includes $285,484 in loan payments for the courthouse.

Parks and Recreation – The only project slated for FY2011/12 within Parks and Recreation area of Fund 317 is an $8,300 grant match to be transferred to Fund 188 Tourist Development Council for a scenic byways project which will total $25,000 in match funds over the next three years.

*Fire MSBU*

This year’s CIP plan also includes $80,000 in the Fire MSBU fund for replacement of vehicles, $200,000 Loan for station 8 refurbishing and 47,000 in loan payments.

*Road Paving Fund 362*

The County is seeking funding for several projects including County Road 365 Widening and Resurfacing, Emmett Whaley Widening and Resurfacing and Rehwinkle Road Widening and Resurfacing as well as Safe Routes to Schools Sidewalk. All projects combined total $3,984,019. These projects are subject to grant funding from the SCOP and SCRAP programs.

*Wastewater Fund 435*

SRF Loan in Wastewater for transmission line of $1,062,001 within Public Works. This project will be funded through a loan agreement between the County and the Florida Department of Environmental Protection through the utilization of the State Revolving Fund program executed October 20, 2009.

*Solid Waste Fund 440*

In light of recent developments concerning the proposed $196 solid waste assessment recently approved by the Board, the solid was fund will need to be re-addressed and a new budget formulated to accommodate the adjustments the new assessment will bring. Staff is currently in negotiations with the vendor on this contract. Once the contract costs are finalized, staff will be able to prepare a budget based on the projected revenue of the assessment as well the anticipated expenditures.

*Capital Improvements Summary*

While the County is continuing to push forward for much needed Capital Projects, this fiscal year will provide somewhat of a decrease from previous year spending with regards to our Capital Improvement Program. All projects included in the FY2011/12 plan are grant funded except for the following; Fund 180 vehicle replacement and loan for VFD Station 8 Rebuild; Fund 300 Repair and Maintenance; Library Expansion within Fund 307 Impact Fees. Attached is a revised CIP Summary for Board review. (Attachment #5)

**Summary**

In summary, this workshop is provided for the Board to hear presentations by staff, receive input for the citizens and to provide Staff/Constitutional Officers any other direction prior to the formal budget hearings that are scheduled for September 6, 2011 and September 19, 2011. This workshop provides the Board an opportunity to review recommended changes to the FY2011/2012 tentative budget prior to those public hearings. The public hearings will be advertised per TRIM requirements and will provide additional forums for public input to the Board regarding the budget. At the first public hearing, the Board will adopt the tentative millage rate and tentative budget. At the final budget hearing the Board will once again have an opportunity will be hear public input regarding the budget and then adopt a final millage rate and final budget for FY2011/2012.

The only direction staff is seeking from this workshop is which health insurance option to pursue for FY2011/12.

Option 1 – 1% increase to current health care costs

Option 2 – 4 % increase to current health care costs

Option 3– Switch insurance to United Health Care.

**Attachments:**

1. June 23, 2011 Workshop Item
2. Budget Comparison FY06/07 vs. FY11/12
3. CHP Schedule of Copayments
4. Pros and Cons of CHP v. UHC
5. Revised Capital Improvement Project