Board of County Commissioners
Leon County, Florida

Workshop on Fiscal Year 2007 / 2008 Tentative Budget/Five Year Plan and Capital Improvement Projects

9:00a.m. – 5:00p.m., Wednesday, June 27, 2007
9:00a.m. – 5:00p.m., Thursday, June 28, 2007
9:00a.m. – 5:00p.m., Friday, June 29, 2007

If Necessary:
9:00a.m. – 5:00p.m. – Monday, July 2, 2007
9:00a.m. – 5:00p.m. – Tuesday, July 3, 2007

Leon County Board of County Commissioner Chambers
Leon County Courthouse, 5th Floor

This document distributed: June 20, 2007

Board of County Commissioners
Workshop

Date of Meeting: June 27, 2007

Date Submitted: June 21, 2007

To: Honorable Chairman and Members of the Board

From: Parwez Alam, County Administrator
Alan Rosenzweig, Assistant County Administrator
Scott Rossi, Budget Manager

Subject: Budget Workshop

Statement of Issue:
For the Board to review the tentative proposals related to balancing the FY07/08 Operating and Five Year Capital Program.

Background:
In anticipation of the upcoming legislative session and budget process, on December 12, 2006, the Board conducted a workshop on Property Tax Reform. At this time the Board endorsed a series of proposals providing targeted property tax reform.

At the February 13, 2007 meeting the Board adopted a calendar for the FY2007/2008 budget process and provided preliminary policy guidance for the development of the operating and capital budget.

On February 27, 2007, the Board conducted a workshop to discuss the on-going property tax reform efforts. At this time, the County instituted a 120 freeze on hiring, capital projects and travel and training. The Chairman also requested all Constitutional Officers participate in this effort.

On May 22, 2007, the Board conducted a preliminary budget workshop and received budget information relating to tentative expenditure and revenue information.

As a result of the legislative special session, the Board scheduled budget workshops for June 27 – 29, and July 2 and 3 if necessary.

Analysis:
The analysis section of the workshop packet is divided into the following sections:

1. *Approach to the Budget Workshops*
2. *Budget Discussion Items*
3. *Overview of Property Tax Reform*
4. *Impacts to Homeowner*
5. *Principles and Goals Utilized in Developing Budget Balancing Recommendations*

6. *Expenditure Overview*
7. *Revenue Overview*
8. *Joint Dispatch and Radio Communications Funding*
9. *Balancing*
10. *How We Compare*
11. *Constitutional Amendment*
12. *Position and Travel Freeze*

1. Approach to the Budget Workshops
The budget workshops are scheduled for June 27 through 29, with July 2 and 3 available if necessary. Due to the magnitude and volume of information the Board is considering, staff has developed the following outline. Given the uncertainty of how much time individual items may take, it is difficult to allocate a specific period of time that each will occur.

- Overview of Budget
- Budget Discussion Items (detailed list provided below)
- Budget Reduction Deliberation
- Constitutional Officers (scheduled for June 28th 9:00 AM; due to a scheduling conflict the Sheriff has requested coming to the Board on June 29th at 9:00 AM)
- Finalization of Tentatively Balanced Budget

2. Budget Discussion Items
The following are the budget discussion items:

1) Consideration of Funding for the Remaining Gum Road Target Planning Area (TPA) Projects: Aenon Church Road Sidewalk and Revisions to the FEMA Flood Plain Map
2) Status Report on the Anticipated Budgetary Impact of SB 1088 which Requires the County to Provide Facilities and Communications Services to Criminal Conflict and Civil Regional Counsels
3) Acceptance of the Public Safety Coordinating Council's 2006 Annual Report and Recommendations
4) Approval of Watershed Management Policy Board Budget for FY2008
5) Recommended Revisions to Economic Development Programs and Funding
6) Discretionary Funding for Fiscal FY07/08
7) Report on the Tourist Development Council and Council on Culture and Arts (COCA) Grant Program Review Process and Recommendations Related to Funding Support
8) Funding Recommendations for Cost of Living Adjustments (COLA), the Sheriff Salary Study, and Human Resources Recommended Reclass of Positions and Pay Adjustments
9) Elimination of the General Revenue Subsidy of the Solid Waste Enterprise Fund
10) Primary Health Care funding
11) Discussion of the County's Fund Balance and Recommended Revisions to the Existing Policy
12) Consideration of the Capital Improvement Program
13) Program and Service Reductions

3. Overview of Property Tax Reform
At the June 26, 2007 meeting, the Board will have received a report on the special session and property tax reform (Attachment #1). Based on the new legislation and without any extraordinary votes by the commission, the Countywide millage rate for next year will be 7.05. **Please note, as of**

the writing of this item an official calculation methodology for next year has not been provided by the Department of Revenue nor is there an enrolled bill. Staff has utilized the unenrolled bill language and presentation materials prepared by the legislature to calculate the property tax revenue available for next fiscal year.

For FY07/08, Leon County is required to take last year's tax levy reduced by 5%. The County is allowed to collect the additional tax revenues on new construction. The following is the specific information for Leon County at this time:

- The Property Appraiser's June 1st estimate for taxable value for Leon County is $16,203,068,835. This is an increase of $1.471 billion or a 10% increase over last year. The Property Appraiser's Office will provide a final certified value on July 1st.
- New construction for 2006 was $335,994,366.
- If the County were allowed new construction and personal income growth for next year, the total increased revenues would have been approximately $6.6 million.
- Given the values and the new construction, the total tax levy for budgeting purposes FY07/08 will be $108,481,482 or a reduction of $2.5 million over last year's budget. This is a total reduction of $8.1 million over normal growth.

The property tax impacts for the EMS MSTU are similar to the Countywide millage rate. EMS is required to take last year's levy reduced by 3% plus the revenues on new construction. Given these parameters, the millage rate would be 0.45. Over the past several years, additional funds have been accumulated to provide the necessary resources to construct the EMS Facility. Currently, EMS is housed in a temporary mobile home structure on the Public Works site. The Capital Projects discussion item provides additional information relating to the EMS facility. To address the reduced millage rate, the budget contemplates utilizing approximately $2.5 million of the projected $4.2 million year ending EMS fund balance. These funds will only be used to support the construction of the facility and a portion of the vehicle replacement program. The need to support the vehicle replacement program in only required for next year as the out-year replacement schedule can be funded through recurring resources.

It is recommended that the building not commence construction until the outcome of the January 2008 referendum is known. If the referendum passes, the Board may need to readdress the entire EMS program including either reductions in service levels or increases to the millage rate through extraordinary votes.

4. Impact to a Homeowner

As discussed above, without any extraordinary votes of the Board, the Countywide millage rate and EMS together will be 7.5 for FY07/08. Table 1 shows property tax payments and corresponding savings for a homesteaded property. For a homesteaded property with a taxable value of $300,000 in FY06, the total tax savings from the prior and current year millage reductions would be $361 or a savings of 15%.

Table 1: Tax Savings Based on Millage Reductions

	FY06	FY07	FY08 Proposed
Countywide	8.54	7.99	7.05
EMS	0.5	0.5	0.45
Healthcare	0.12	0	TBD
Total	9.16	8.49	7.50
$150,000 Home			
Taxable Value*	$150,000	$154,500	$159,132
Property Taxes	$1,374	$1,312	$1,194
Savings		$62	$118
2 Year Savings			$180
$300,000 Home			
Taxable Value*	$300,000	$309,000	$318,270
Property Taxes	$2,748	$2,623	$2,387
Savings		$125	$236
2 Year Savings			$361
$500,000 Home			
Taxable Value*	$500,000	$515,000	$530,450
Property Taxes	$4,580	$4,372	$3,978
Savings		$208	$394
2 Year Savings			$602

** Assumes an increase in value under the save our homes cap of 3% for the past two years.*

5. Principles and Goals Utilized in Developing Budget Balancing Recommendations
Leon County Policy No. 93-44 Fiscal Planning, adopted in November 2004, provides fiscal planning practices for the County (Attachment #2). Item number 5 of the policy states:

> *The County will establish fiscal planning practices to: Provide that expenditures which support existing capital investments and mandated service programs will be prioritized over those other supporting activities or non-mandated service programs.*

This policy provides two key principles used in developing the recommendations to balance the budget:

A) Maintain existing infrastructure
B) Fund mandated services

In addition to these two overarching principles, the following are additional goals utilized in developing the funding recommendations:

C) When possible accommodate reductions in force through the use of existing vacancies and/or attrition.
D) Eliminate the general revenue subsidy supporting the Solid Waste Management fund (a separate budget discussion item has been prepared to address this issue)

E) Significantly reduce the general revenue subsidy in support of the Transportation Trust Fund (this is addressed in the capital projects budget discussion item)
F) Evaluate the County's fund balances and provide recommendations for the utilization of existing balances to support FY07/08 and future budget cycles without jeopardizing the financial health of the County (this is addressed in a separate budget discussion item)

In support of the above, two significant actions taken were taken to better position the County to address the current year tax reform efforts: In recent years capital projects have been funded through recurring revenues and the hiring/capital projects freeze implemented in February 2008.

Table 2, shows the growth in ad valorem collections versus the total recurring general revenue support for capital projects. As reflected in the table, though Leon County experienced additional property tax revenue a significant portion of these funds were committed to infrastructure improvements. By directing additional funds towards capital the County was not starting new programs which would have on-going operating expenses. As many of these projects were only partially funded or included in the capital projects freeze, the funds are now available to be redirected to help address the property tax reform initiative. **Most importantly from a fiscal perspective, the on-going need to provide recurring funds for capital projects can be eliminated or reduced through changes in the capital program.** A separate Budget Discussion Item will address in detail the entire capital program and recommended changes.

Table 2: Countywide Ad Valorem and Capital Projects Funding

	Budgeted Ad Valorem	Change in Ad Valorem	General Revenue Support of Capital Projects
FY05	$87.7	$7.3	$2.4
FY06	$99.8	$12.1	$5.2
FY07	$110.9	$11.2	$9.6
FY08*	$118.5	$7.6	$0
FY08**	$108.5	($2.5)*	$0

**Based on the recent legislation a County's future growth is capped by new construction and personal income, or approximately 5% to 7%. Based on 6% growth, the County's FY08 revenue would have been $118.5 million. Added to the $2.5 million reduction, the actual lost revenue to Leon County for FY07/08 is $10.1 million.*
*** Actual reduction in budgeted ad valorem revenue over last year's adopted budget*

In addition to the capital projects freeze, the County also instituted a hiring freeze in February 2007. The hiring freeze has allowed the County to create 60 vacancies. Over the past four months staff has begun reducing services as needed to address the vacancies:

- The library has ceased participation in the inter-library book loan program and stopped the jail library program.
- Animal Control response times for calls for service have increased.
- Rights-of-way drainage easements are behind scheduled maintenance.
- Public Works is experiencing considerable delays in subdivision plan approval and development review.

- Housing inspections are being delayed.
- The implementation of moving county "hard copy" documents into an electronic format has been slowed.
- Response times for computer support have increased.

As can be seen from the above the list, a significant portion of the impact results in reduced response times and slower implementation. Depending upon the individual citizen or employee the impacts of the vacancies may appear to be nominal. Internally existing employees are attempting to prioritize and absorb additional work; however, this usually will require other efforts to languish.
Though the hiring freeze has provided a significant fiscal benefit to the County as it addresses reductions, the property tax reform efforts will require the County to eliminate funding for a number of programs and positions. Through the program and service reduction process the County will provide a better understanding to the public of the impacts and where specific reductions in service will occur. A separate budget discussion item addresses the specific budget reductions.

6. Expenditure Overview
Table 3 presents the operating expenditure changes necessary to maintain constant level of service throughout the entire organization. The table reflects that the majority of the increases are associated with the Constitutional Officers and other required payments. The table also reflects that the County reduced the travel and training expenditures $116,000 (14%) through the development of the tentative budget.

Table 3: Changes to General Revenue Supported Appropriations

	Increase over FY06/07
Constitutional Officer Increases (includes all benefit and COLA adjustments)	$7,684,972
Cost of Living Adjustment (COLA) Board Employees	$1,430,690
Increased payments (Medicaid, Medical Examiner, DJJ, Fire, Parks)	$1,436,421
Increased cost in benefits for Board Employees (Retirement/Health/Life)	$816,810
Other Contractual Obligations (ie GPS monitoring)	$423,617
Regional Conflict Council – new state unfunded mandate	$300,000
Gum Road Target Planning Area (TPA)	$250,000
Human Resources Pay Plan Studies and Reclasses	$115,617
Water Atlas	$50,000
Judicial Offices	$27,630
Decrease in travel and training expenses	($116,001)
Decrease in one-time line item funding	($304,000)
Decrease in Risk Allocation Charges	($615,243)
Total Increases	$11,500,513

Notes: Table does not include any capital project expenditures and only includes programs that require general revenues (ie does not include Building Department or Tourist Development Council).

Attachment #3 provides program and budget information for all County departments. The attachment includes descriptions of programs provided; statutory responsibilities; advisory committees supported; benchmarking measures; performance measures; appropriation requests; and staffing detail. .

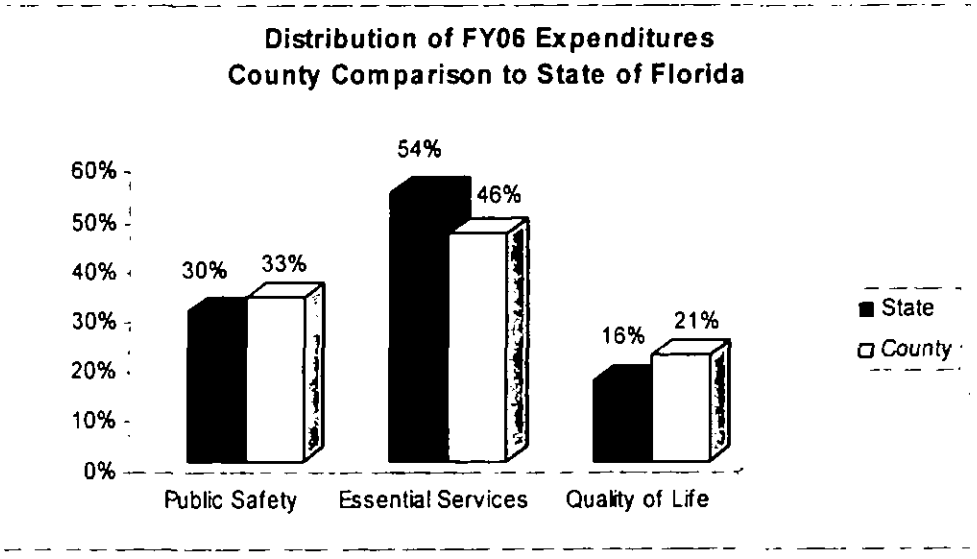
Attachment #4 provides a detailed break-out of the County budget into a series of categories:

- Mandatory ($126,139,664): Required expenditures per the Florida Constitution, Florida Statutes or the County Charter. For purposes of this exercise, there maybe certain functions that have components that are non-mandatory, but the amounts are not significant enough to break-out. Although an expenditure is included in the Mandatory category, the County does not necessarily need to continue to provide the service at its current level.
- Non-Mandatory ($26,682,058): Expenditures which are not required.
- Support Functions ($17,861,175): Includes departments and programs that provide services that benefit all of County government. As with the mandatory category, portions of these functions can be performed at a lower level of service.
- Budgeted Reserves ($3,120,678): Includes budgeted reserves for raises and contingencies.
- Self-Supported ($29,047,017): Programs that have a dedicated revenue stream and therefore do not receive general revenue for support.

In addition to the above, there are other ways to organize and present aggregate information regarding the budget. The Florida Association of Counties hired Fishkind and Associates, Inc. to provide analysis on county spending using the State of Florida Uniform Chart of Accounts as a basis (Attachment #5). The data is categorized into three areas:

- Public Safety: examples, Law Enforcement and Fire Protection
- Essential Services: Debt payments, EMS, Transportation, Courts, Constitutional Officers (excluding Sheriff)
- Quality of Life: Parks, Libraries, Economic Development

As reflected in the chart below, Leon County's expenditure patterns are similar to the rest of other Florida counties. This analysis indicates that the majority of Leon County's expenditures are related to public safety and essential services, while quality of life funding is the smallest. In FY08, the County's distribution remains consistent as follows: 33% Public Safety, 47% Essential Services and 20% Quality of Life.



7. Revenues

The majority of Leon County government is funded through property taxes. Table 4 provides a summary of all other revenues. Dedicated revenues (such as Solid Waste fees) are also included in the table as the Solid Waste fund currently receives a general revenue subsidy.

Table 4: Major Revenues for Funds Supported by General Revenues

	FY07 Budget	FY08 Preliminary
Ad Valorem (General Fund/Fine)	110,996,675	108,471,049
½ Cent Sales Tax	12,306,401	11,855,050
Gas Taxes	8,820,718	8,894,741
State Revenue Sharing	4,726,299	5,003,650
Public Service Tax	4,499,224	5,132,660
Communications Services Tax	3,401,836	3,824,315
Interest	2,096,840	2,774,665
Environmental Permits	2,186,243	2,204,851
Non-Ad Valorem Assessments	737,014	834,661
Bank of America Rental Income	1,569,017	1,396,057
City Payment for GIS	1,181,625	1,188,305
Probation Fees	889,960	1,183,816
Constitutional Officer Excess Fees	1,140,000	237,785
Sub-Total	**154,551,852**	**153,001,605**
Other General Revenues	8,465,180	8,118,386
Total General Revenues	**163,017,032**	**161,119,991**
Decrease FY08		**(1,897,041)**

8. Joint Dispatch and Radio Communications

At the June 26, 2008 meeting the Board will have considered an agenda item relating to the creation of a Joint Dispatch MSTU and the overall long term funding for the joint dispatch program and radio communications (Attachment #6). As reflected in this item, the tentative budget has been developed to include $2.0 million in recurring revenue to support the planned new radio system. Based on a preliminary review of the radio communications proposals provided by the vendors, a new radio system could cost in excess of $23 million. The proposals are currently being reviewed.

9. Balancing

As noted in the beginning of this item there were a number of specific approaches staff utilized in making recommendations to balance the FY07/08 budget. One of the most significant efforts involves the elimination of general revenue support for capital projects on a recurring basis. Based on staff's recommendations for the FY07/08 capital program, no recurring revenues will utilized to support capital projects next fiscal year. Taking into consideration the increase operating requirements, decreased revenues, funding for radio communications and elimination of general revenue for capital projects, **the total current shortfall in the budget is $5,756,082.**

10. How We Compare

Annually, the Office of Management and Budget conducts a state wide survey to compile budgets and staffing information (Attachment #7). The highlights of the survey are as follows:

- **Leon County has the 6th lowest budget per capita**
- **Leon County ranks the 16th lowest in positions per capita**
- **Leon County has 27th highest percentage of property exempt from taxation (42%)**

Among comparable Counties:

- **Leon County has the lowest net budget per capita**
- **Leon County has the lowest number of positions per capita**
- **Leon County has the 3rd highest percentage of property exempt from taxation (42%)**

11. Constitutional Amendment

If the January referendum passes, the legislature has calculated the additional reductions to Leon County as $33.5 million. It is recommended that over the next several months the Board develop a detailed budget reduction list that will be implemented if the referendum is successful. This detailed list should be adopted by resolution and presented to the public as information they should consider in evaluating their support of the referendum. If the referendum passes, the Board will proceed with implementing the adopted resolution.

In light of the current situation, the Board may wish to consider holding one town hall meeting in July as opposed to individual district meetings. This preliminary meeting could provide the public with tentative budget information for FY07/08 and the beginning of a community discussion regarding the constitutional amendment. Over the summer and early fall additional materials will be developed and individual meetings may be more appropriate.

12. Position and Travel Freeze

To continue to position the Board in the best possible fiscal position to address possible impacts of the referendum passing, the County Administrator will maintain the hiring freeze through June 1, 2008. Only positions that are absolutely essential to County operations will be filled. If in the event the referendum fails, the June 1, 2008 date allows for the next legislative session to occur; which may then involve another approach to property tax reform being considered. In addition, the travel and training freeze will also be in effect for all activity not related to maintaining a license, certificate or as a requirement for local travel reimbursement.

Options:

1. Accept staff's report.
2. Conduct one town hall meeting in July 2007, as opposed to individual meetings, and conduct individual meetings during the late summer and early fall.
3. Endorse the County Administrator's continuation of the hiring and travel training freeze through June 1, 2008. (Note: Only positions that are absolutely essential to County operations will be filled.)
4. Board Direction.

Recommendation:

Option #1, #2 & #3

Attachments

#1 June 26, 2007 Property Tax Reform Agenda Item
#2 Leon County Policy No. 93-44, Fiscal Planning
#3 Departmental Information
#4 Mandatory, Non-Mandatory Expenditure Request Table
#5 Impact of Proposed Roll Back of Ad Valorem Tax Revenues on Florida's Counties
#6 June 26, 2007 Joint Dispatch MSTU Public Hearing Agenda Item
#7 Comparative County Data

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Additional Information