



# Leon County

## Board of County Commissioners

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County Administrator

HERBERT W.A. THIELE

County Attorney

October 4, 2010

Members of the Board of County Commissioners  
Leon County Courthouse  
Tallahassee, Florida 32301

Honorable Chairman and Commissioners:

I am pleased to present the adopted FY 2010/2011 budget. The budget of \$244,130,080 represents a \$3,035,854 million decrease (-1.23%) from last fiscal year. Since FY 2007/2008, the Board has reduced the budget by \$40.1 million or 14.25%.

The preparation of the budget involved the continued constraints of the recession and ongoing market adjustments associated with real estate. This included another decline in property valuations in the amount of \$227 million on top of last year's \$1 billion decline. County, Constitutional, and Judicial offices worked together to evaluate where resources could be reduced while still maintaining the quality services that citizens require.

Major highlights of the budget include:

- Providing property tax relief to citizens by reducing overall property tax collections by \$1.8 million from last year
- Maintaining appropriate levels of reserves, while utilizing fund balances to support recurring operating expenditures in addition to one-time capital funding
- The restructuring of the Growth and Environmental Management Department involving the elimination of nine positions to compensate for a decline in permitting activity
- Maintaining the employer/employee health share cost at a 90/10% ratio

### **Community Investments and Job Creation**

#### *Economic Development and Local Economic Capital Funding*

The Board has taken several strategic steps in recent years to focus its limited resources on maintaining jobs, investing in the community, and creating local infrastructure improvements.

The FY2011 budget demonstrates the Board's ongoing support of community investment projects through the realignment of \$2.6 million, set aside for capital federal stimulus grant matches, into necessary stormwater and transportation projects during the June 22, 2010 budget workshop.

In addition to advance funding these projects, the Board showed its commitment to the community by budgeting \$17.2 million in capital project improvements of which 50% is dedicated to transportation and 10% to culture and recreation. Leon County has recognized the importance of creating a quality cultural and recreation environment as a key component to economic development. FY 2011 funding includes constructing community rooms at the Huntington Oaks Plaza and the refurbishing of the plaza's façade. These projects will be coordinated with the expansion of the Lake Jackson Library, adding a much needed amenity to for the northwest portion of the County.

In the previous year's budget process, the Board enacted a local economic capital funding program in the amount of \$14.3 million. Projects included funding for the completion of Buck Lake Road, Northeast and BL Perry Library branch expansions, and the Eastside and Lake Jackson Libraries. During the current fiscal year, these projects were started, and the County purchased the Huntington Oaks Plaza, the site for the Lake Jackson Library. Additionally, the County has committed \$23.2 million to the Public Safety Complex that will house joint dispatch, the County's Emergency Operations Center (EOC), the State's Regional Traffic Management Center and the headquarters for the functionally consolidated Fire/EMS Department. The ground breaking for the facility is anticipated to begin in the summer of FY 2011 and be completed and occupied by fall of 2012.

Based on an analysis performed through the Economic Development Council, that takes into consideration previously funded capital projects, the total construction job creation will be in excess of 800 jobs.

The effect of these projects has been beneficial to the citizens of Leon County by infusing local funds into capital projects which assists in providing needed jobs in the community. In addition, due to the slowdown in the construction industry, bids received for these projects have been below estimates, which provide the community these capital projects at reduced costs.

### **Fiscal Constraints**

#### *Property Taxes*

The adopted FY 2010/2011 budget includes the budget year and four planned years. Pursuant to Florida Statute, the Board adopts only the budget year and not the planned years. The out-years are provided for information only and are adjusted accordingly during the actual year of implementation.

This budget continues to provide property tax relief to our citizens. Overall, property tax collections for FY 2010/2011 will be \$1.8 million less than last year. These savings are a direct result of two factors: (1) the Board maintaining the current combined millage rate of 8.35 (7.85 countywide and 0.50 Emergency Medical Services MSTU); and (2) a decline in property values by \$227 million. If property values continue to decline with no corresponding change in the millage rate, collections for the next cycle will also be reduced. The effect of these two variables on property tax collections will need to be deliberated by the Board during the development of the FY 2011/2012 budget.

The FY2010/2011 budget utilizes \$4.0 million in fund balance to support services. Fund balances will grow annually through the under spending of appropriations and the over collection of forecasted revenues (mainly resulting from the statutory requirement to budget at 95% of forecast). Given these parameters, the utilization of \$4.0 million is not an unreasonable allocation. However, historically the fund balances that have accumulated have been utilized for one-time capital project funding. Out-year budgets contemplate the use of fund balance in the amount of \$3.8 million per year. Even with this contemplated use of fund balance, and a moderate 1% increase in property values, the Board may need to consider an increase above the rolled-back millage rate in FY12. This will be necessary in order to cover operating costs associated with cost-of-living, health care, retirement and to fund the operating costs associated with the branch library expansion. Another option is to further reduce services in other County programs or consider alternative revenues.

Over the past three years the Board has reduced 72 positions (including previous positions associated with contracted visitor services) from its workforce, by reorganizing stormwater, transportation, growth management, tourist development and administrative functions. This restructuring has allowed the Board to reduce costs while minimally effecting service levels to the community. The Board will have to carefully consider any further reductions which would impact service delivery, and possibly leave citizens wondering why they are paying taxes for low quality services.

#### *Other Revenue Sources*

During the development of the FY 2011 tentative budget, the Board instructed staff to not consider raising the non ad valorem assessments for stormwater or solid waste. Due to the weak economy, the Board also directed staff to not consider implementing the available five-cent gas tax. Consequently, the transportation program is receiving general revenue support in the amount of \$1.9 million in FY 2011. Without additional revenue support, this subsidy is projected to grow to \$4.5 million in by FY 2015.

The stormwater and solid waste funds will receive \$3.2 million and \$1.3 million, respectively, in general revenue support. Recognizing the difficult economic conditions and the affect on many households, the Board has been sensitive to adding additional fees on property owners. However, the Board's "Guiding Principles" adopted in FY 2008 say that these services should pay for themselves and any subsidy should be minimized.

The current solid waste assessment of \$40 has never been raised since its inception in 1991. The \$20 stormwater assessment has not been raised since its implementation in 1995. To achieve the goals of the "Guiding Principals", service level reductions may be required if the assessment levels remain the same.

During the recession, the County saw a drop in the amount of state shared revenue provided from statewide sales tax collections. Early indications show that these resources will remain level for the next fiscal year. This has to be qualified though due to the Deepwater Horizon oil spill. State estimates for shared revenue were established before the spill event, and it is still unknown what the short and long term affect this event will have on sales tax collections. These revenue sources will be monitored closely, and any budgetary impacts will be brought to the Board's attention immediately.

*Building Inspection and Growth and Environmental Management*

Due to the recession, the Department of Growth and Environmental Management has continued to see a significant decline in revenue associated with building permits and development fees. To control costs in the department, a total of nine positions were eliminated from the budget; 3.25 in Building Inspection and 5.75 in Growth Management, producing a savings of \$668,521. Additional reductions were not considered due to a base level of resources needed to provide permitting and inspection activities to the public.

Even with these savings, both Building Inspection and Growth Management will utilize remaining fund balances to maintain basic service levels. Also, for the first time, a general revenue subsidy in the amount of \$160,000 was provided to the Building Inspection Division to cover the costs associated with providing internal services such a payroll, human resources, and management information systems.

If building and development activity do not increase through next year, the Board will need to contemplate further service level reductions for this Department or consider continuing general revenue support.

**Long Term Outlook and Challenges**

The recession and continuing weak economy, combined with property tax reductions have placed the County in a tenuous position for future years. In order to continue to provide quality services that the citizens of the County expect, the Board appropriated \$4 million in fund balance for FY 2011 of which \$3.1 million is for recurring operating expenditures. Generally, the use of fund balance for recurring expenses is not considered a best practice; however, after the Board examined the current levels of reserves, and weighed the impacts of the weak economy, the \$4 million appropriation was deemed appropriate. It is important to note that current reserves are still above the minimum levels established by the Board.

Out-year budgets also reflect the utilization of \$3.8 million in fund balance on a recurring basis. The Board will need to evaluate reducing this dependence on fund balance over time and returning to budgets that are fully funded through recurring revenues. The utilization of fund balance at increasing levels to fund recurring operating expenses is not a sustainable practice. The continued use of fund balance for this purpose will place a strain on reserves, and may affect the County's current AA bond rating, and the cost of borrowing for future needs.

Even by appropriating fund balance to sustain existing service levels, ad valorem collections will not provide enough future resources to fund services using the current millage rate and assuming moderate increases in property valuations. For budgeting purposes, out-years reflect property values increasing by 1% in FY 2012, 2% in FY 2013, and 3% in FY 2014 and FY 2015. Associated millage rates needed to balance the budget for FY 2011 through FY 2015 range from 8.4825 in FY 2012 to 8.3804 in FY 2015.

In annually establishing a millage rate, the Board needs to consider property tax reform legislation, passed in 2008 and 2009, that implemented various voting thresholds to address property tax collections. Under the law, the Board (on a simple majority 4-3 vote) can establish a millage rate that enables the collection equal to the prior year plus the growth in per capita income and new construction. **The legislative intent of this simple majority vote**

**is to allow for the collection of additional revenue to address the normal increase in costs for operating government (e.g. raises, healthcare, retirement, and inflation).**

This process acknowledges that property values may not only increase, but may decrease over time like the 2009 and 2010 housing decline we are currently experiencing. **The focus therefore is not on property value or the millage rate, but on the amount of property taxes being collected, and how much is necessary to fund the operations of government.** Higher voting thresholds allow for greater property tax collections, which could be utilized to support different levels of service (i.e. new branch libraries) or to offset other revenue declines.

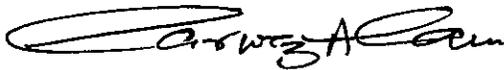
In FY 2012, the Eastside, and Woodville branch libraries will require additional staffing and operating expenses of approximately \$750,000. These new libraries will compete against other programs for existing County resources. The Board will need to consider either reducing other services or adjusting the millage rate to provide the revenue need to fund expected services to constituents.

#### **Conclusion**

Detailed fiscal analysis of County funds and information regarding County Departments, Constitutional and Judicial Offices are provided in the following pages. In reviewing the details, one will see the specificity with regard to the actions taken by the Board at meetings, workshops and retreats.

Board actions over the past year have placed the community in a strong position to move forward. Even with this sound foundation, due to the present economy and citizen's anxiousness about the future, Commissions will have to plan prudently to preserve the groundwork that has enabled this government and the citizens it serves to weather incidents such as property tax reform and the recession while still providing quality services. This base needs to be maintained for future unforeseen events that may place additional burdens on our community.

Sincerely,



Parwez Alam  
County Administrator