



# SANTA ROSA COUNTY BOARD OF COMMISSIONERS



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## MEMORANDUM

**TO: Board of Commissioners**

**FROM: Hunter Walker, County Administrator**

**DATE: July 13, 2013**

**SUBJECT: FY 2013-2014 Santa Rosa County Recommended Budget**

Pursuant to the applicable Florida Statutes, transmitted herein is the recommended Santa Rosa County Budget for fiscal year 2013-2014. This proposed budget represents the general operating framework for provision of all county services for the forthcoming year and is the County Administrator's proposed plan of implementation and recommended levels of service.

The purpose of this memorandum is to provide the Board with a broad overview of the coming fiscal year proposed budget by highlighting areas of change or impact. To that end, not every fund or expense category will be addressed, but can and should be dealt with in considerably more detail during subsequent budget workshops and public hearings. Following are those issues or initiatives of significant change or impact.

### BUDGET OVERVIEW

The FY2013-2014 Santa Rosa County Budget is balanced, sustainable, responsible and reflective of current economic conditions. The broad or overarching goal remains provision of the highest or best level of service in the most effective manner with the most efficient use of resources.

The total budget, which comprises all funds including the operating funds, the proprietary/enterprise funds and all other functions and transfers is estimated at \$99,481,496 an increase of \$521,763 from the FY2012-13 total budget of \$98,959,733.

The operating budget consists of the General Fund, the Road & Bridge Fund, and the Fine & Forfeiture Fund comprising the general government functions of Santa Rosa County. The FY 2014 Budget for the general government is projected at \$76,307,734 an increase of \$1,254,754 over FY2013 Budget.

The broad changes in revenue and expenditure will be outlined in the remainder of this transmittal.

### **OPERATING BUDGET REVENUE**

The operating or general government budget revenue is derived from three (3) primary sources: ad valorem or property taxes, state shared revenues, and locally generated revenues. These three (3) sources are reviewed in some detail below.

**Ad Valorem (Property) Taxes:** The primary source of revenue historically reserved for local general purpose governments and school boards is the ad valorem or property tax. Florida is no exception with property tax comprising approximately 60-65% of the revenue mix for counties and municipalities.

The value of taxable property in Santa Rosa County for FY2013-2014 increased by \$107,190,128 according to the Office of Property Appraiser and reflects just over a 1.4% increase from FY2012-2013 property value. The proposed FY2013-14 Budget is developed utilizing the current millage rate of 6.0953 mills which yields \$44,740,914 in property tax revenue, which is \$653,356 more than the FY2013 budget.

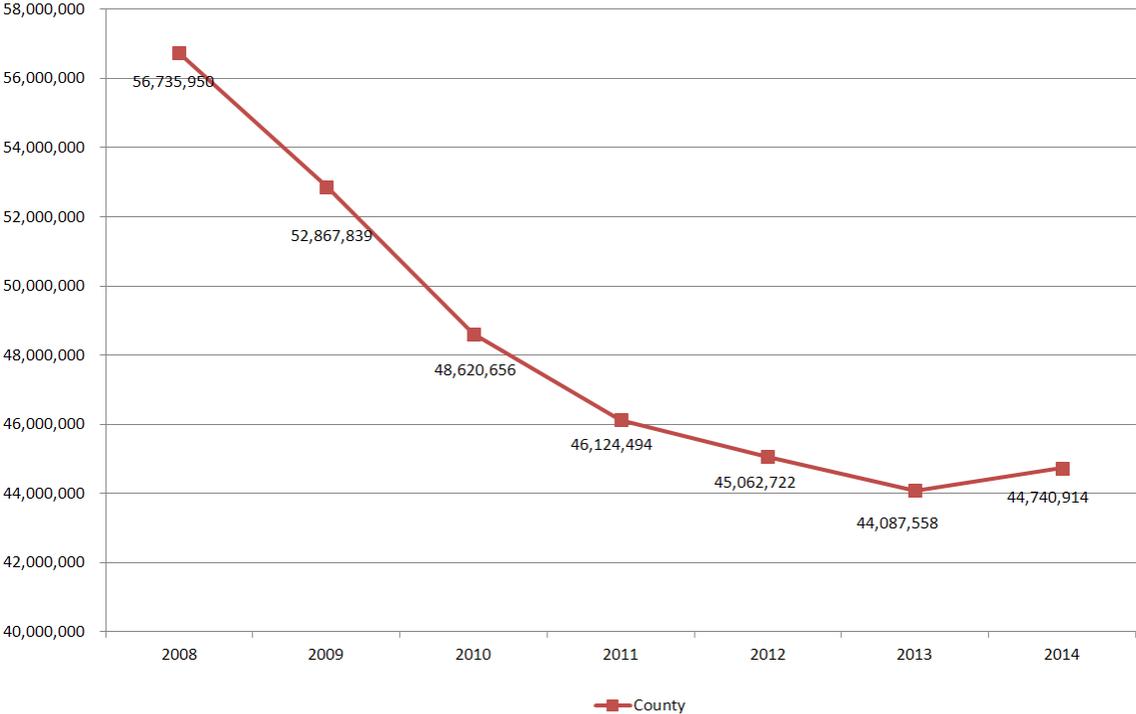
FY2013-2014 marks the first increase in property tax revenue following six consecutive years of reductions. The FY2007 Budget included \$58,648,856 in property tax revenue as compared to the estimated revenue in the 2013-2014 budget of \$44,740,914. This modest increase of 1.4% in value and revenue seems to be more or less reflective of those experienced by the other sixty-six (66) Florida Counties as was the six year decline experienced by all Florida counties and local governments around the country.

Property tax reforms by the Florida Legislature followed immediately by the severe economic downturn of the past several years have significantly reduced ad valorem or property tax revenue for Santa Rosa County, which as noted previously is reserved for local government in Florida.

Page vi, in the Introductory Section of the Budget document, presents a 10-year Ad Valorem Tax and Taxable Property Value history for not only the Board of County Commissioners, but the School Board and three municipalities as well.

Given the decrease in property values over the past six budget years, the modest 1% increase is a welcomed bit of news that hopefully points to a stabilization of property values. The following graph depicts the curve of property tax during that period.

**Property Tax Revenue: 2008 through 2013**



**State Shared Revenue:** These revenue sources are collected by the State of Florida and distributed to the sixty-seven (67) counties based upon a statutory formula. The Florida Department of Revenue has projected its estimates for these revenues noting that they are based on the Spring 2013 Revenue Estimating Conferences and have been reviewed by the Santa Rosa County Office of Management and Budgets Director.

- o County Revenue Sharing: The Florida Department of Revenue (DOR) estimates a 5.5% increase in the amount of \$310,609 to \$3,114,629. This DOR estimate is generally congruent with local estimates based on historical data.

- o Local ½¢ Sales Tax Program: this State shared revenue source is approximately ½¢ of the State of Florida 6¢ sales tax collected in and around Santa Rosa County and the State is estimated a increase of 6% to \$6,196,808.
- o State Shared Fuel Taxes: The State of Florida shares roughly 3¢ of its 23¢ per gallon of gasoline tax with the counties through two revenue distributions: the Constitutional Fuel Tax (2¢) and the County Fuel Tax (1¢). These are estimated to increase to an aggregate amount of \$3,014,170 as compared to the \$2,905,000 in current budget (FY13).

As with property tax, State shared revenue has trended lower in last number of years, but as outlined above is projected to rebound for the upcoming fiscal year. With the exception of the relatively flat fuel tax revenue, the other State shared revenue is positively related to economic improvement and activity.

**Locally Generated Revenue**: there are a number local revenue sources, but only a handful are financially significant:

- o Communications Tax: This is a tax collected by the State and distributed to counties on telecommunications services including cable television, telephone, etc. Since its consolidation and distribution by the State in 2001, this revenue source has grown annually - until FY2010. The proposed FY2013-2014 budget uses estimate of \$1,262,349 which decreased \$107,327 from the estimate of \$1,369,676 included in FY2012-2013 budget.
- o Building Permits: These fees have been reduced for the past several years as is indicative of the weak housing market both locally and nationally. FY2010 improved by 21% over FY2009, but that increase only lasted as long as the Federal Stimulus Program. The current budget (2012-13) budgeted \$974,700 which has trended upward all year and has been projected at \$1,140,000 for FY2012-13.
- o Sheriff's charges for Housing Prisoners: This revenue is derived from charging a per diem rate to Federal prisoners for use of secure bed space at the Jail. Projecting this revenue is very difficult, but an estimate of \$1,672,000 has been included in the proposed budget.

- o Local Option Gas Tax: This is a locally enacted fuel tax that generates 6¢ per gallon of gas sold within our county. For the last four years, we have collected just over \$3.6 million and will fall just below that amount this year if the current trend holds. The state is projecting \$3.65 million and our projection is \$3.57 million.
  
- o Electric Franchise Fee: This is a five percent (5) fee placed on all electric bills and remitted to the County by electric utilities. Historically this revenue source increased annually, always yielding more revenue than budgeted. This current year an estimated at \$6,064,230 and its trending below that amount, thus the FY2013-14 budget estimate has been reduced to \$5,585,000.

In summary, the FY2013-2014 proposed operating funds budgeted revenue is projected to increase by approximately \$1.3 million over projected revenue included in the FY2012-2013 budget. Again, they are projections for what will happen in the next eighteen (18) months or so, but it is an encouraging sign for revenue to increase which hopefully is the result of an improving economy.

#### **OPERATING BUDGET EXPENDITURE**

Santa Rosa County, like most other general purpose local governments is a service organization with the most significant portion of its budget allocated for personnel costs. Therefore, the most effective strategy in controlling expenditures is to control personnel positions and attendant costs including salary, health insurance, FICA, retirement, etc.

For the past seven (7) budget years the Board of Commissioners and the five Constitutional Offices including the Sheriff, Clerk of Courts, Supervisor of Elections, Property Appraiser and the Tax Collector have essentially held constant at the existing level of expenditures due to the attendant reduction in available revenue. Salaries have been held constant during that time with the only changes due to increases in employee health insurance costs, Florida Retirement System (FRS) contributions, etc.

This year the five (5) Constitutional Officers included salary adjustments in their budget submissions reflecting either a cost-of-living adjustment or reinstatement of merit pay increases which had been suspended during the past seven years. These projected increases were not included in my preliminary or recommended FY2013-2014 budget and I will speak to that later in this transmittal.

The largest increases in expenditures included in the FY2013-2014 Budget recommended by the County Administrator are attributable to increases in employee health insurance premiums and a considerably larger increase in state mandated contribution to the Florida Retirement System (FRS) for all county employees. In response to on-going actuarial studies of the retirement system, the Florida legislature mandated large increases in the contribution formulas for each class of the system in order to ensure the viability of the system. The increases differed across classes, the largest increase was the special risk category or class which includes sworn law enforcement officers and disproportionately impacted the Sheriff budget. The State had not modified these rates through the last number of years when revenue was constricted, so the "catch up" is significant and very impactful on proposed budget.

The following chart is a summary of the projected expenditures for the offices and functions of the Board of Commissioners and each of the Constitutional Officers.

	2012/2013 <u>Budget</u>	2013/2014 <u>Requested</u>	2013/2014 <u>Recommended</u>
BOCC Departments	\$ 26,840,021	\$ 28,386,239	\$ 26,909,213
Clerk to the BOCC	\$ 1,231,235	\$ 1,446,598	\$ 1,311,901
Property Appraiser	\$ 2,792,220	\$ 2,915,251	\$ 2,891,762
Tax Collector	\$ 2,194,459	\$ 2,280,600	\$ 2,280,600
SOE	\$ 822,065	\$ 1,005,470	\$ 1,005,470
Sheriff	\$ 29,865,795	\$ 32,877,449	\$ 30,778,778

The Sheriff had the largest increase in expenditures, primarily in personnel related expenses. The aforementioned employee health insurance and FRS contributions increased the Sheriff budget by \$795,000. Additionally during the current fiscal year the Board authorized the Sheriff to establish a unit specifically to focus speeding and other traffic problems around the County. Given the Board action, a four (4) person unit is included in the recommended budget at an estimated cost of \$196,309.

Also included in the recommended budget for the Sheriff is \$265,948 to establish an in-house IT or computer department, a function which had been contracted out in previous years with deteriorating effectiveness. The Sheriff indicated that the net cost increase of the in-house staff was approximately \$40,000 over the contract services to the current provider, however other cost increases in overall operating expenses prevented the \$219,000 IT savings reduction in Sheriff operating expenses.

As indicated in the previous chart, the projected increase in the Sheriff Office is \$912,983. This does not include the requested merit pay increases nor a proposed salary increase for each sworn officer of \$1,000 to make the department more competitive for perspective officers based on salary. They could not be included at the current millage rate. Additionally \$622,663 in equipment (primarily replacement vehicles and computer equipment) was removed from the recommended operating budget and will be funded from one-time funds as done in the past several years.

The Supervisor of Elections (SOE) also had a significant increase in projected expenses primarily due to the 2014 election cycle and state and federal election requirements/mandates. Specific increases in operating supplies, printing, postage, etc. are typically attributable to the election year cycle. Also, mandated expansion of early voting generated additional personnel costs in overtime and part-time poll workers; and handicapped accessibility mandates required leasing of additional voting equipment countywide. The Supervisor also included request for merit increases which are not included in the preliminary/recommended budget due to lack of revenue at current millage.

The Clerk of the Courts, the Property Appraiser, and the Tax Collector generated increases were in the three to five percent (3-5%) range largely attributable to health insurance and FRS increases and any operating expenses they requested. Each had included merit increases in the original requests, but were not included in the preliminary/recommended FY2013-14 budget as outlined above.

Lastly, the expenses for the departments and the functions of the Board of Commissioners were reduced slightly, even though these departments experienced the same employee health insurance and Florida Retirement System increases mentioned previously. Some departments were increased while some decreased based on need and requirements.

Overall, the largest reduction in expenses came in the communications category as the result of the implementation of the Voice-Over IP system replacement of the legacy PBS telephone system, generating an estimated \$300,000 in annual savings. This reduction was due not only to the obvious efficiencies of the new system, but also due to the more effective management and ultimately the reduction of these communications cost. I also removed the capital purchases included in the operating budget request and proposed to develop priority list and fund from one-time funds as done the past several years. This includes everything from replacement of the roof at the Gulf Breeze library, to replacement of carpet in Administrative Center, to replacement vehicles for Mosquito Control and Animal Services.

In summary the expenditures of the general government increased by approximately \$1.7 million, driven primarily by increase to Florida Retirement System contribution and employee health insurance premiums. Other increases, with the exclusion of those associated with election year requirements, were small overall and in my judgment reflect the prudence and stewardship of the Board departments and Constitutional Officers.

### **BALANCING THE BUDGET**

The bottom line in balancing the budget is, as I said at the beginning of this message, it must be sustainable and accurately reflect current economic conditions. The Board of Commissioners, through this office, has ensured that through the recent economic downturn all budgets were truly balanced with recurring expenditures matched by recurring revenue. The requirement of the State of Florida that counties budget expenses at 100% and revenues at 95% ensures that contingencies will be met.

The recommended or proposed FY2013-2014 Budget is balanced based on the current millage of 6.0953. I had noted earlier, the property tax millage is essentially the only revenue the Board has complete discretion in establishing. Also as noted previously each Constitutional Officer requested reinstatement of merit pay given the seven years without increase, which could not be accommodated within the existing millage.

I certainly agree with the need for salary adjustment, whether merit pay as outlined in the existing plan or a cost-of-living adjustment of some percentage especially in light of the seven years of suspension of the merit pay system or cost of living adjustment.

The Human Resources Department estimates that reinstatement of merit pay would cost approximately \$1,350,000 for all employees and a three (3%) cost-of-living adjustment would cost approximately \$1,405,000 for all employees. Those numbers have been adjusted to include the FRS increase. Also if the Board chose to approve the \$1,000 per sworn officer as recommended by the Sheriff, that cost is estimated by that department at \$350,000.

To fund the reinstatement of the merit system for all county employees an increase in the millage from current 6.0953 mills to 6.2793 is required. To also include the \$1,000 adjustment to sworn law enforcement officers the millage would have to be increased to 6.3297.

## **Summary**

As always, this proposed or tentative budget is a work in progress. Budget workshops have been scheduled for the Board of Commissioners to review in detail the proposed budget and ensure that the programs, initiatives, and funding levels are congruent with its goals, objectives and policies. These will be even more important than usual given that the proposed budget includes again reductions which may or may not be aligned with Board priorities or policies.

I am appreciative as always of the assistance and cooperation of the Board Department Directors and the Constitutional Officers and I look forward to crafting the final budget at the direction of the Board of Commissioners.