



# SANTA ROSA COUNTY BOARD OF COMMISSIONERS



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## MEMORANDUM

**TO:** Board of Commissioners

**FROM:** Hunter Walker, County Administrator

**DATE:** July 13, 2012

**SUBJECT:** FY 2012-13 Santa Rosa County Recommended Budget

Pursuant to the applicable Florida Statutes, transmitted herein is the recommended Santa Rosa County Budget for fiscal year 2012-13. 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 FY2012-013 Santa Rosa County Budget is balanced, sustainable, responsible and reflective of current economic conditions. The broad or overarching goal is to provide 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 \$98,046,217 a reduction of \$1,962,700 from the FY2011 total budget of \$100,008,917.

The operating budget consists of the General Fund, the Road & Bridge Fund, and the Fine & Forfeiture Fund which are all of the general government functions of Santa Rosa County. The FY 2013 Budget for the general government is projected at \$74,588,285 an increase of \$1,329,905 over FY2012 Budget.

This increase is attributable to the arrangement the County entered into with Santa Rosa Medical Center (SRMC) and the Florida Agency for health Care Administration (ACHA) to enable the hospital to utilize a favorable Medicaid reimbursement rate. This expense increase was offset by commensurate increase in the revenue from the SRMC lease.

Parenthetically, the State of Florida mandated reconfiguration of the Medicaid billing for County residents in hospitals and nursing homes is estimated \$1.0 million in the proposed FY2012-2013 Budget which is \$250,000 more than FY2011-2012. I believe this is a conservative figure and is sufficient. County staff is working through the disputed backlog billing for Medicaid charges from 2000 through September 30, 2012 with ACHA and the final settlement will be handled via the Board as would any other non-recurring expense.

#### **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 value of taxable property in Santa Rosa County for FY2012-013 decreased by \$135.9 million according to the Office of Property Appraiser and reflects a 1.8% decrease from FY2011-012 Budget. The proposed FY2013 Budget is developed utilizing the current millage rate of 6.0953 mills which yields \$44,087,558 in property tax revenue, which is \$828,507 less than the FY2012 budget.

FY2012-13 marks the sixth consecutive year of reductions in property tax revenue from \$58,648,856 in FY2007 to the aforementioned \$44,087,558 in the proposed FY2013. These reductions continue to be more or less reflective of those experienced by the other sixty-six (66) Florida Counties and quite frankly counties around the nation.

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. Historically ad valorem or property tax is reserved for local government in Florida, both counties and school districts, and

as such comprises sixty-five percent (65%) of the Santa Rosa County operating revenue for its general government.

The proposed millage rate is 3.11% less than the rolled-back rate (RBR) of 6.2911 mills. The rolled-back rate is the rate which would provide the same tax dollars as the prior year. A look at the last six (6) years is instructive:

<u>Fiscal Year</u>	<u>Taxable Value</u>	<u>Tax Revenue</u>	<u>RBR</u>	<u>% Change</u>
2007/2008	\$9,308,147,209	\$56,735,950	6.5541	-3.262%
2008/2009	\$8,673,541,680	\$52,867,839	6.7096	-6.818%
2009/2010	\$7,976,745,407	\$48,620,656	6.7179	-8.034%
2010/2011	\$7,567,223,011	\$46,124,494	6.4844	-5.134%
2011/2012	\$7,393,027,769	\$45,062,722	6.3301	-2.302%
2012/2013	\$7,233,041,605	\$44,087,558	6.2911	-1.845%

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.

As property values have generally fallen over the past several years nationally and statewide, it is certainly not unexpected that the same would impact Santa Rosa County. If there is good news, it is that the decrease in property values appears to be moderating and surely at some point will stabilize.

**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 2012 Revenue Estimating Conferences.

- o County Revenue Sharing: The Florida Department of Revenue (DOR) estimates a 3.78% increase in this revenue to \$2,951,600. 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 modest increase of 1.01% to \$5,850,140.

- 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
- o Constitutional Fuel Tax (2¢) and the County Fuel Tax (1¢). These are estimated to decrease to an aggregate amount of \$2,905,000 as compared to the \$3,007,700 in current budget (FY12).
- o State Aid to Libraries: For a number of years the State of Florida provided State Aid to Libraries which has been a great benefit to Santa Rosa County. Due to a change in the State formula for distribution of these funds the Santa Rosa County grant for FY2012-13 is \$155,290 which is a reduction of \$186,710 from the FY2011-12 amount of \$342,000.

State shared revenue has trended lower in last number of years and would be expected to generally continue that pattern in the future. Obviously economic recovery at the State level should positively impact the shared revenue, just not this year.

**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. That year we lost 8.8% from FY2009 and FY2011 is trending down 8.3% from FY2010. The proposed FY2012-2013 budget uses estimate of \$1,369,676 which has increased from \$1,270,150 in FY2011-2012.
- 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 (2011-12) budgeted \$855,000 which has trended upward all year and has been projected at \$1,026,000 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 a conservative estimate of \$1,410,000 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 \$3.6m 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 FY2012-13 budget estimate has been reduced to \$5,585,000.

In summary, the FY2012-13 proposed operating funds budgeted revenue is not significantly different than FY2012, but it is down. Property tax revenue is down, State shared revenues are mixed, and locally generated revenues are somewhat up. This mixed result, while somewhat confusing, is at least an improvement over the past three or four budgets wherein essentially revenue sources were reduced and in some cases reduced significantly.

#### 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.

Again this year, the five Constitutional Offices including the Sheriff, Clerk of Courts, Supervisor of Elections, Property Appraiser and the Tax Collector have been requested to hold constant at the current level of expenditures. The expenditure requests from the Constitutional Officers is substantially the same, with the only change essentially the inclusion of the employee health insurance adjustment.

The Board of County Commissioners positioned its departments and functions to deal with anticipated reductions in revenue as early as January 2007 when it enacted a hiring freeze considerably ahead of most other local governments. The few positions which have been filled have been closely scrutinized by this office and have been

deemed operationally critical or absolutely vital for maintenance of public health/safety or our core functions.

In the FY2008 budget thirty (30) positions were eliminated; in FY2009 forty-eight (48) positions were eliminated; in FY2010 twenty-one (21) positions were eliminated; in the FY2011 budget twelve (12) positions were eliminated; and the current FY2012 Budget included the elimination of six (6) additional positions.

Since enactment of the hiring freeze in 2007, the functions and departments of the Board of Commissioners have reduced the number of personnel by 117 positions, with only one added position, that being in the County Attorney's office. These cuts represent a twenty-seven percent (27%) reduction in workforce.

While the bulk of these deleted positions were accomplished through employee attrition, i.e. retirement or resignation, there are a number that were the result of reductions-in-force. Had the Board and management not been proactive and consistent in the implementation of the hiring freeze and use of attrition, a far larger number of employees would have to be terminated.

As County Administrator I am extremely pleased with the senior management staff in dealing with a twenty-seven percent (27%) reduction in personnel over a six year period with, to this point, relatively negligible impact to customer service or levels of service. Processes have been streamlined, refined and eliminated in order to provide service effectively and efficiently. However, I remain concerned that these levels of service may be more difficult to sustain through time.

The proposed FY2012-13 budget does not include the addition of personnel positions, but for the first time in a number of years does not eliminate any existing positions. The FY2012-2013 budget does include premium increase for employee health insurance, but does not include a cost-of-living adjustment for employees. Again, I am concerned about the sustainability of this through time.

Most controllable or discretionary operating costs have been analyzed closely, such as travel, contract services, office & operating supplies, training, etc. and reduced where possible. There are a number of non-discretionary or uncontrollable costs including employee health insurance, utilities, fuel, repair and maintenance of vehicles, buildings and equipment which have all been increased accordingly.

## 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, that 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.

### 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.