

**BOARD OF COUNTY COMMISSIONERS - STRATEGIC FINANCIAL REVIEW**

**MAY 19, 2008**

A meeting of the Board of County Commissioners was held at the Murdock Administration Complex in Room 119, Port Charlotte, Florida. The following members were present: Chairman D'Aprile, Commissioner Moore, Commissioner Cummings, Commissioner Duffy, and Commissioner Loftus. Also in attendance were Interim County Administrator Baltz, County Attorney Knowlton, and Deputy Clerk Manley. The following members were absent: None. The meeting was called to order at 10:00 AM, followed by the Pledge of Allegiance.

Overview of process to date

1. Update on revenue shortfall

Raymond Sandrock said the focus for the next few days would be on department reviews but before doing that he would like to review some of the strategies, beginning with an overview of revenue shortfalls.

Mr. Sandrock indicated that revenue shortfall would continue being a moving target as we go through this process affected by four (4) key elements such as Amendment 1, which is the second \$25,000 in homestead exemption, with an \$8 million impact and Property de-valuation, which we estimate to be 10%, or an estimated \$14.5 million impact, and which is the most volatile and unknown. Mr. Sandrock explained that we recently identified shortfalls in other revenues such as State-shared sales tax, franchise fees, communication fees, and gas taxes, with an estimated \$4 million impact. Mr. Sandrock reported that there would be an increase in some budgets, such as the Sheriff's budget with a \$1.1 million increase from 2008 to 2009. Commissioner Duffy inquired if some of the budgets that went down, such as the Clerk of Court, counter-acts the Sheriff's budget increase. Mr. Sandrock replied affirmatively, and advised the Supervisor of Election's budget also went down.

Chairman D'Aprile asked why the Sheriff's budget went up \$1.1 million. Mr. Sandrock said he has not done a complete analysis but general conversation indicates one component would be a 3%

salary increase assumption. **Chairman D'Aprile** indicated that one counter-acts the other and we are at an equal standing but we would like to see a more positive or plus side on our budget rather than negative or equalization side.

Mr. Sandrock explained this goes back to the \$147 million ad valorem part of the budget where approximately 50% is on Board of County Commissioner (BOCC) departments and approximately 50% on other constitutionals; that for the most part on constitutionals when one goes up one goes down and they are basically flat, leaving the burden of dealing with the revenue shortfall on the BOCC departments and why we have developed some strategies to deal with this.

**Commissioner Cummings** clarified the amount cut out of the BOCC budget in the last two years, and stated he would be interested in knowing if the same level of service can be provided while doing that.

In reviewing Revenue Shortfall Unknowns listed on page 2 of the packet material Mr. Sandrock indicated that dialogue continues with the Property Appraiser and de-valuation is still estimated at 10%, pointed out the preliminary certified tax roll would be submitted June 1, 2008, and the final certified tax roll submitted July 1, 2008. Mr. Sandrock advised that if we continue with the same plan we currently have health care costs could possibly increase by 15-20%, but a savings could be seen if we move toward another strategy, such as the clinic. Mr. Sandrock stated there has been no decision on the Board side regarding salary increases, we all know what is going on with fuel costs, and we continue to hear about State cuts and mandates that could have impacts at the local level. Mr. Sandrock explained we are all working to solve a problem where the complete problem has not been clarified or is not yet known.

## 2. Review strategy for dealing with the shortfall

Mr. Sandrock summarized the proposed strategy through a combination of one-time savings and on-going items reflected on page 3 of the packet material by way of re-direction of part of the .6 mill in the Capital Projects Fund into the General Fund, savings from this year's budget, largely due to attrition as a result of official elimination of the frozen positions that were

in place over the last year, re-direction of funds for Capital projects that were delayed or eliminated at the Capital Improvements Program (CIP) meetings, Growth Management fees that the Board recently approved, potential health care cost savings, and department reductions, which has a target of \$8 million.

**Commissioner Cummings** noted that of the \$28 million the savings from this year's budget is one-time, which is used to offset operational costs next year; that operational costs are recurring costs and the following year in order to cover the same expenses with no increase another \$4 million of revenue must be found or another \$4 million cut because there is an automatic hole built into the following year. **Commissioner Cummings** pointed out the same is true of the Capital Projects re-direction because the millage re-direction is where we were cutting out a revenue stream, the Capital Projects re-direction is the cash that had built up in the projects we are cutting and is a one-time cash reserve, and that out of \$28 million, \$15 million of that is a one-time cut, meaning next year when we come into the budget cycle if we have no inflationary increase whatsoever, just to stay in the same place we must either raise another \$15 million of revenue or cut another \$15 million of expenses just to stay even, so we are pushing this year's problem into next year and starting with a \$15 million deficit and not knowing what the State may impose upon local governments next year.

(**Mr. Sandrock and Commissioner Cummings** continued discussion of Capital Project re-direction and millage re-direction.) **Mr. Sandrock** stated that he and **Commissioner Cummings** were largely in agreement on the one-time savings and indicated they could discuss it further.

**Mr. Sandrock** stated there are some items on the capital side that would not be one-time and of the savings this year there is an element from the staff that would not be one-time. **Commissioner Cummings** advised he would be interested in seeing the break out of the one-time because he has a hard time believing that it is less than at least \$10 million of the two combined. **Mr. Sandrock** said he would not disagree but as far as the strategy goes it is a mix between one-time and ongoing and agreed that **Commissioner Cummings** identified the two one-time areas that must be re-looked at and another source found for next year. **Commissioner Cummings** said there will be a hole next year to be filled,

probably in excess of \$10 million. Mr. Sandrock agreed that is a reasonable estimate and indicated the only other way to address the problem if they did not entertain raising the millage rate is to look at operational budgets as the key source for making reductions to hit this level. **Commissioner D'Aprile** stated the conversation he just heard is an indication that we are looking at raising the millage rate, which he is not agreeing to, and indicated revenues for new projects that came aboard and not yet on the tax rolls have not been determined. **Commissioner Cummings** pointed out that when estimates are done on the new tax base it includes estimates for new growth for this year and indicated there has not been speculation that the tax base would grow substantially next year. **Commissioner D'Aprile** agreed it has not shown that right now but he is optimistic there will be an increase as building trade continues in the right direction.

**Commissioner Duffy** reminded the Board of recent conversations on impact fees and how dangerous it is keeping them low because of anticipated additional revenue from building construction. **Commissioner Moore** opined Charlotte County Utilities (CCU) could indirectly become a revenue source in lieu of taxation.

Mr. Sandrock reviewed the anticipated use of the .6 mills reflected on page 3; commented on developing a strategy to pay off the Murdock Village debt over a twenty (20) year period; indicated if cash reserves on hand are used to help pay off Murdock Village and with the revenue shortfall a ten (10) year loan could be obtained to pay for the jail, with an annual payment of \$2.8 million, and explained there would be an interest rate advantage doing it this way; and advised that \$3.5 of the .6 mill would be used toward the revenue shortfall.

**Chairman D'Aprile** clarified that the jail loan would be ten years because there would be no other revenue coming in to pay off that loan but the Murdock Village loan could be paid down or paid off if part or all of Murdock Village is sold, and that the twenty (20) years is based upon nothing at all being done. Mr. Sandrock replied affirmatively and stated that would be another discussion if something happens with Murdock Village and what the Board wants to pay at that time.

**Commissioner Cummings** pointed out that one of the things to be prepared for when making payments toward Murdock Village, even though it causes less money to be expended because additional interest is not being acquired, it makes the budget appear to go up; that when the \$11 million is spent to make the debt go down it shows up as an \$11 million increase in the budget that year; and explained that anytime the balance sheet is changed it shows up in the cash flow and we need to be prepared that it will look like an \$11 million increase even though in the long run we are spending less money. Mr. Sandrock agreed. **Commissioner Cummings** stated this is a perfect example of shifting liability as an asset.

Mr. Sandrock said clarity of valuations will be known July 1, 2008 and the revenue shortfalls associated with that; and indicated that perhaps at that point if de-valuations come in higher than 10% we may have to go back and look at other department scenarios.

### 3. Review of focus groups

Mr. Sandrock reported there were two focus groups, the Resident Focus Group and Staff Focus Group; that the Resident Focus Group was made up of fifteen members, three appointed by each Commissioner; and that the five meetings of two hours each held in March and April resulted in a lot of input and feedback. Mr. Sandrock advised that memos were sent to each Commissioner that listed all ideas presented by the residents and staff; that ideas from both groups would be reviewed and incorporated as we go along; and reviewed ideas from the Resident Group which they were 100% in favor of looking at.

Mr. Sandrock stated there were twenty one front line employees involved in the Staff Focus Group; that twenty one meetings were held, which included participation by himself and Dr. Herb Marlowe; and that members of the Staff Focus Group then went out and had departmental meetings. Mr. Sandrock advised that the focus group reached out to approximately twenty five percent (25%) of the employee population; reviewed the top ideas from the Staff Focus Group; and pointed out that most were energy conservation programs. **Commissioner Loftus** thanked staff and department heads for their efforts in energy conservation. **Commissioner Duffy** said she liked the idea of

conducting performance audits on a scheduled cycle and inquired if was cost feasible to do this and how long it would take to implement. Mr. Sandrock explained that Dr. Marlowe continues to be involved in identifying the process, determining who should conduct the process, and where the function should be located, and stated it would be brought back to the Board with a recommendation. **Commissioner Duffy** commented on comprehensive review of vehicles, energy efficiency, use, appropriateness, and possible savings if certain employees used their own vehicles and put in for mileage. Assistant County Administrator Kelly Shoemaker explained that that they are currently looking at vehicles that are not being used due to elimination of positions and at Fleet as a whole, not only from the standpoint of which positions need vehicles but also Fleet operations; that they are working with Fleet to gather more information on what other counties and cities do regarding their Fleet; and pointed out that part of the problem is we have a lot of specialized and large equipment that must be cared for and they are trying to find a balance. **Commissioner Duffy** stated she was thinking specifically about smaller vehicles.

**Chairman D'Aprile** commented on Fleet maintenance. Ms. Shoemaker advised that much of the maintenance is done in-house but some of the specialized equipment goes out for service. **Chairman D'Aprile** expressed concern that some of the services for vehicle maintenance done in-house is more costly than if it were done outside. Ms. Shoemaker stated that was currently being analyzed. **Chairman D'Aprile** offered assistance if needed.

4. Department Reviews:

Ms. Shoemaker explained that a format was developed in order to be consistent with each of the departments, reviewed the Department Review Categories reflected on page 7 of the packet material, and indicated that to get to this point Budget, Administration, and the Departments have done a full review, are showing recommendations for reduction, and that direction from the Board will be requested at the end of each department review. Mr. Baltz advised that the goal is to find a total of \$8 million of savings or reductions toward the shortfall during the departmental reviews.

a. Facilities Construction & Maintenance

Mr. Sandrock explained the format shown on page 8 is the first page to be seen in each department review and will reflect the total budget for the department, the ad valorem portion of funding for the department, and recommended reduction. Mr. Sandrock stated that the difference between the first and second lines is that there are other revenues coming in to the General Fund that support operations, such as State-shared sales tax, franchise fees, and communication fees; that those fees are allocated to each of the operations; and that we are trying to determine the ad valorem funding for each department. Mr. Sandrock reported that Facilities identified \$1.5 million in reductions, which is 15% of the ad valorem budget; explained that 15% will not be seen in each case as we go through departments; but will fluctuate dramatically because we tried to come forward at this time with the best set of recommendations. Mr. Sandrock reported that Facilities' three (3) major divisions are Project Management, Maintenance, and Security. Mr. Sandrock stated that Maintenance is the largest of the three areas; that a significant part of that budget could be viewed as uncontrollable because we are operating and maintaining major facilities across the county, some of which have very fixed costs to operate; but that there is an element to the maintenance, repairs and maintenance associated with levels of service and upkeep, where decisions could be made. Mr. Sandrock advised Security is related to the Administration Center, Justice Center, and East Port and that Project Management are the folks that have guided the many capital projects that have taken place through rebuilding or new facilities over the past few years, and is an area where there will be staffing level changes to reflect current work loads, similar to what happened with Building Construction Services.

**Commissioner Cummings** inquired if this department was one where a reduction here could create a reduction in another departmental budget as well. Mr. Sandrock replied affirmatively. **Commissioner Cummings** asked where other departments are paying for their services, if much of that is ad valorem funding or does it tend to be all over the place. Mr. Sandrock said it could be all over the place but in this case it would be mostly ad valorem funding because most of the cuts were in Project Management or that the ad valorem budgets for the most part are responsible for funding the upkeep of facilities.

Mr. Sandrock commented on specific reduction ideas by Facilities such as installing timers on jail showers to reduce shower times at the jail. **Commissioner Cummings** inquired if there was input on this from Corrections. Andrew Baker replied affirmatively and indicated it would probably be tested as a pilot program initially. **Commissioner Moore** inquired who was taking credit for the savings of the jail. Mr. Sandrock stated it would be part of Facilities. Mr. Sandrock reviewed general Expense Reductions reflected on page 9; indicated that where reductions are shown the categories have not been eliminated; that there are some areas where continued education is required, but we are taking a look at what needs to be done and what can be delayed; and reported that reductions in operating costs for the leased trailers that were out back by Facilities and removed were the monthly lease, utilities, and special equipment leases inside the trailers. **Commissioner Loftus** stated he would like consideration to be given when going to meetings that staff go in one vehicle opposed to separate vehicles when possible. Mr. Sandrock explained these are the kind of areas that they have asked departments to go back and review.

Mr. Sandrock reviewed Service Reductions and commented on cutting down on cleaning services except in public areas and restrooms, which will still be done five days per week; indicated that in County facilities we are currently cleaning two days per week and recommendation is to go from two days to one day per week.

Mr. Sandrock reviewed One-time Capital Items not re-budgeted listed on page 11 and questioned if these could be considered true reductions. **Commissioner Cummings** inquired if hallway tinting at the Administration Building was going to be darker tint or replacing the tinting that currently exists. Mr. Baker explained it would be darker tint but since there would be work done on the windows as part of the FEMA Grant it is hoped the tinting would become part of that project. **Commissioner Cummings** opined that the way to turn it from a one-time savings on those type capital decisions is to change the repair and replacement policy and it would then be recurring. Mr. Sandrock agreed. **Commissioner Duffy** asked if the computer equipment referenced was only for Facilities. Mr. Baker replied affirmatively. **Commissioner Duffy** asked how often mulching is done at the Administration Building and who was responsible for the landscaping on the roads in front of the Administration

Building. Mr. Baker explained that mulching of the entire complex is usually done twice a year at a total cost of \$10,000; that there are many reasons to do that, such as maintaining the integrity of the landscaping and avoiding soil erosion; that things like this would be addressed if further reductions are needed; and that roadway landscaping is through Public Works. **Commissioner Loftus** inquired if rubber mulch has been considered. Mr. Baker replied affirmatively and explained that various ground cover would be looked at as current contracts expire.

Mr. Sandrock advised that as of this past week three vacant positions, Project Manager, Sr. Security Officer, and a Tech III position, were eliminated and that proposed for next year are reducing Project Managers from six to three, dependent upon work load, and one Administrative position. Mr. Sandrock stated that if the Board approves this recommendation the ideas would be formerly incorporated into the budget system, and advised that time is of the essence as far as the schedule goes.

**Commissioner Loftus** agreed this is the right direction but would like comments made by the Board incorporated as well. **Commissioner Moore** inquired if the unfilled accountant position shown on the FY2008/2009 manning chart is a position that is budgeted but not filled. Mr. Baker advised that is a contracted position to work on FEMA hurricane recovery money. Ms. Shoemaker pointed out that if there is a time where we must do a lot of analytical work and provide a lot of paperwork to FEMA the position would be used; and reported it is contracted on an "as needed" basis and reimbursed through FEMA. **Commissioner Moore** requested clarification that the two frozen positions are budgeted but not filled. Mr. Baker explained they are maintenance positions for the build out of the jail, not the current jail, and are budgeted positions.

**Commissioner Moore** questioned why frozen positions are budgeted. Mr. Sandrock advised a large number of frozen positions were scrutinized to determine which would come to the Board to be eliminated and un-budgeted; that there are other positions to be further scrutinized before they are brought to the Board for elimination; and explained that "eliminate" means to un-budget and de-authorize. Mr. Sandrock indicated if we have frozen positions normal policy is to keep the funding in place in the

event we need to fill those positions but the moment it is determined the positions are no longer needed we will ask the Board that they be de-authorized and removed from the budget. Ms. Shoemaker advised that it is anticipated we will need to fill those frozen positions in FY 2009.

**Commissioner Duffy** asked why so many accounting positions were needed in this department. Mr. Sandrock explained that this department has more accountants because of what it has undergone the last few years with hurricane Charley and the future risk in the construction aspect such as money we get from FEMA that would have to be returned if we do not have the proper record keeping; stated that it is a balance decision of the risk of potential future loss of having to return FEMA funds versus cutting back on contracted work or administrative work; and that there is a heavier support here because of project loans and FEMA. Mr. Baker pointed out that invoices on the larger projects are typically several hundred pages, which must be reviewed page-by-page to be certain the amount being charged is the correct amount, and is a shared service between Project Management and the Accountants.

**Commissioner Duffy** inquired if there was a Project Manager from Facilities and a Project Manager from Parks and Recreation on each building. Ms. Shoemaker explained that the Project Manager within Parks and Recreation oversees all of the Parks and Recreation projects and plays a smaller role in regards to being a liaison between the Parks and Recreation portion and the Facilities portion, but Project Management at Facilities is there to build the building. Ms. Shoemaker pointed out that they are not finished with proposals in regards to staffing levels, which would continue over the next year. **Commissioner Loftus** said he understands the need for accountability but expressed concern with so many accountants and questioned the possibility of consolidating accountants from other departments. Mr. Sandrock asked if there was general agreement for the Facility reduction recommendations. Mr. Baltz stated that as they go through the review unless they hear contrary from the Commissioners they will proceed with the reductions as presented by staff. (**Board consensus was given for staff's Facility reduction recommendations.**)

b. Information Technology / GIS / Telco

Ms. Shoemaker reminded the Board that the format for each department is the same; indicated that the total budget for Information Technology (IT) is \$6.6 million, the ad valorem portion is \$2.8 million, and the recommended reductions equal \$1.8 million, or 65% of the ad valorem budget; and advised that the two divisions are Information Services (IS) and IT Operations. **Commissioner Cummings** asked what the other primary revenue streams were. Mr. Sandrock stated it was State-shared sales tax, communication fees, franchise fees, and in this case charges to other departments by IT if they are installing a new project such as the Computerized Maintenance Management System (CMMS). **Commissioner Cummings** asked if sales tax, the Fire/EMS system, and connecting the fiber to all satellite campuses were a large portion of the budget. Mr. Sandrock said a large portion of the revenue is that IT supports every other department in the County, whether it is day-to-day service or implementing a new system. **Commissioner Cummings** asked if payments from other departments to IT was the lion's share of the other revenues. Mr. Sandrock advised it was one of the more significant ones. **Commissioner Cummings** clarified that the \$2.8 million is what is directly ad valorem funded from the General Fund for this department and does not include payments from other departments. Mr. Sandrock replied affirmatively and summarized how the \$2.8 million was arrived at. Mr. Sandrock indicated reductions made and true impact to ad valorem is a little harder to define here versus other departments; and pointed out that impact to the ad valorem budget may not be quite 65% because a lot of where the revenue source comes from would be from other areas such as Charlotte County Utilities (CCU).

In reviewing efficiencies on page 13, Ms. Shoemaker reported there has been telephone savings due to vendor negotiations and work completed in-house versus through the use of a contractor, such as the Disaster Recovery Plan and System Audits (telephone, network, and security systems). Ms. Shoemaker advised IT would continue analyzing the use of a contractor in lieu of staff, obsolete software is not being renewed, and the off-site tape storage site is no longer needed due to the backup system. Ms. Shoemaker reviewed expense reductions on page 14 and reported IT is continually looking at reducing the operating expense budget through travel, books, subscriptions, reducing education to a

level where we are comfortable with re-certifications, and indicated there is less of a need for fiber infrastructure in the next fiscal year. **Commissioner Cummings** clarified that Ms. Shoemaker was referring to the fiber lines being laid to other buildings but not the fiber we are running through the building where more can be done with wireless. Ms. Shoemaker replied affirmatively. **Commissioner Cummings** inquired if that was because we basically have the fiber capacity needed for the foreseeable future or the band with requirements not increasing in those satellite operations. Linda Yarchenko explained that fiber has been installed to the buildings where needed and when new buildings are built fiber will be stretched at that time. **Commissioner Cummings** clarified it is anticipated we have sufficient available band that in looking at the growing needs in the various departments we are still a good ways out to the future before the demand curve starts crossing our capacity line. Ms. Yarchenko replied affirmatively.

Ms. Shoemaker stated that IT has moved to a "maintenance mode", which is defined as no replacement or upgrading of equipment and no new projects for two years; and indicated that while some critical equipment will still need replacing the idea is to move toward maintenance and repair of current equipment rather than replacing with new. **Commissioner Cummings** inquired how long it would take to get back to where IT was four or five years ago when a large amount of money was paid to get the County systems up to current level of technology. Ms. Yarchenko advised it is anticipated it would be two years before servers and storage would require replacing; and indicated that IT is re-defining what the needs of the County are for PC's, looking at many different options, and has placed the PC replacement program on hold. **Commissioner Cummings** stated he is more comfortable staying a certain time period behind the edge of technology and maintaining rather than keeping everything the same and having to pay a lot of money to run normal operations because of major changes in software and hardware. Ms. Yarchenko agreed and stated that is why IT would give the Board a report of technology after a two-year time frame. Ms. Shoemaker explained that the idea is to work on a plan for phasing in the purchase of new equipment or technology and bring it back to the Board, not coming back with the need for everything at one time. **Commissioner Cummings** asked what the typical obsolescence period is on this type equipment. Ms. Yarchenko said it is three

years and that IT is comfortable that it is in a good position for the next two years.

**Commissioner Duffy** questioned how much temporary help is hired. Ms. Yarchenko advised that temporary help is hired during the replacement program, if IT gets behind on certain clerical, or for purchasing needs, and explained that IT purchases technology for all the departments and does all telephones and cell phone and there are times when temporary help is needed for those clerical situations. **Commissioner Duffy** asked if there is still a budget for temporary help. Ms. Yarchenko advised all budgeting for temporary help was removed. Ms. Shoemaker advised in order to make up the \$40,000 in Service Reductions reflected on page 15 of the information packet less specialized software development would be done. Ms. Shoemaker explained that the Geographic Information System (GIS) website core product would be finished October 2008 and IT would be able to work on that at a slower pace regarding required updates, reflecting a "maintenance mode." **Commissioner Moore** requested further clarification of what is not being done in the GIS. Ms. Yarchenko advised the GIS website is being upgraded to reflect the better improvements being done, such as different layers and reports, but it will be slower putting up the different department information because it must all be done in-house with staff. **Commissioner Loftus** inquired if IT had been working to get CCU data online. Ms. Yarchenko replied affirmatively and advised it should be completed this year.

Ms. Shoemaker indicated that under One-time Capital Expenses that do not need to be re-budgeted a number of major projects were completed under Network Infrastructure, such as switch upgrades, blade server upgrades, and tape drive library; that IT has worked on the Disaster Avoidance Synchronization and completed the DMMS-Phase I; and that a vehicle was purchased this year and will not be necessary next year. **Chairman D'Aprile** asked what vehicle was necessary in IT and if there had been one before. Ms. Shoemaker explained IT has a van to transport equipment and that this is a replacement vehicle.

**Commissioner Duffy** requested further clarification of the 65% reduction of the ad valorem budget. Mr. Sandrock explained that the reduction is a percentage of the ad valorem amount but more research was required to determine the true ad valorem reduction

because so much of this department is charged out to other departments for work done by IT. (Additional conversation ensued regarding the percentage determination.) Chairman D'Aprile requested direction from the Board. Board consensus was given to accept staff's recommendation on Information Technology reductions. Mr. Sandrock advised dates that additional meetings would be held and departments that would be reviewed at each meeting. Commissioner Cummings opined the average new development should not be counted on to bring in more revenue than it pays in taxes because history says otherwise.

ADJOURNED: 11:30 AM

Signature on file in Commission Minutes  
Chairman

ATTEST:

BARBARA T. SCOTT, CLERK  
OF THE CIRCUIT COURT AND  
EX-OFFICIO TO THE BOARD  
OF COUNTY COMMISSIONERS

By: Signature on file in Commission Minutes  
Deputy Clerk

gm