

BUDGET WORKSHOP (2005-2006)

BOARD OF COUNTY COMMISSIONERS

May 18, 2005

A Budget Workshop of the Board of County Commissioners was held at the Murdock Administration Complex in Room 229, Port Charlotte, Florida. The following members were present: Vice Chairman, Thomas G. Moore, Commissioners Adam Cummings, Thomas G. D'Aprile and Matthew D. DeBoer. Also in attendance were County Administrator Bruce D. Loucks, Chief Deputy Board Services, Tommy Q. White, and Supervisor of Minutes, Diane J. Nice. **Chairman Sara Devos and County Attorney, Janette Knowlton, were not present. The meeting was called to order at 1:37 P.M.**

Preliminary Budget Overview

1. Presentation of preliminary FY 1005/2006 Budget

Ray Sandrock, Interim Budget Director, indicated the purpose of the workshop is to provide a preliminary review of the FY 2006/07 budget; the Departments have completed preparing budgets and the calculations have been entered into the budget. Department budget reviews with Administration have been completed; the budgets are currently being "rolled up"; a workshop is scheduled on June 8, 2005 for the CIP budget; the major focus will be on the Public Safety General Fund with financial impacts related to Hurricane Charley; current rates for the Florida Retirement System were used; updated rates will be provided in June and adjustments will be done at that time; there has been no premium increase for Health Insurance but rates reflect a 10 adjustment for building a rate stabilization factor; IAFF increases are based on the contract; controllable expenses are relatively flat, with some exceptions; fuel and utilities costs increased based upon FY 05 actual trends; self insurance increases are to fund a reserve level from \$2 Million to \$4 Million. **Commissioner DeBoer** requested an explanation of controllable expenses. Mr. Sandrock advised travel and education expenses. Mr. Sandrock explained a conservative approach was taken regarding General Fund Revenues; the projection of ad

valorem tax revenues at this time is flat but could increase after the Property Appraiser's certification in July 2005; 1% increase in property evaluations would equate to \$550,000 in the General Fund; the one-half cent sales tax is tied to local spending for building expenses related to recovery or residential purchases of furniture and appliances; and estimated \$2 Million this year and then the one-half cent sales tax revenues are expected to normalize starting next year.

General Fund - Major Variances

Mr. Sandrock outlined major variances resulting from major increases in funding needs. \$3.6 Million for BOCC salaries and wages; FRS and FICA increases will be adjusted upon receipt of the bill in June 2005; there is an increase in health insurance to build a stabilization fund; the next three increases are tied to the Sheriff for law enforcement as a result of the loss of Federal Inmate Revenue, corrections, and courts budget; \$422,029 for Supervisor of Elections for voting equipment upgrades, software, hardware, personnel and operating costs. **Commissioner DeBoer** asked if the Supervisor of Elections was looking for an outright purchase or over time. Mr. Sandrock indicated it would be over time. **Commissioner DeBoer** recalled a previous offsetting cost. Mr. Shandrock explained that was to purchase the entire system and this is an upgrade to a new card and swiping system, and a lot of upgrade features; \$811,291 for BOCC Operating Expenses; \$150,000 for Uncollectable Debts by EMA which will be reviewed during the budget process; \$136,959 for the Clerk of The Circuit Court pursuant to a 3.2% increase; for a subtotal of major increases of \$11,759.

Mr. Sandrock reviewed major decreases in funding: \$500,000 for phosphate; \$415,000 for Department of Juvenile Justice; \$425,000 for voting machines since the last payment was made in FY05; \$200,000 for computer purchases as the purchases were completed in FY05; \$785,014 for Transfer to Fine and Forfeiture as part of the Article V costs; and a difference of \$6.9 Million after factoring in new General Revenues. **Commissioner DeBoer** requested confirmation on passage of the Bill regarding the Department of Juvenile Justice. Kelly Schoemaker, Assistant County Administrator, indicated it did not pass to her knowledge, and indicated Bitner & Associates would present a legislative update on

May 24, 2005. Mr. Sandrock said the major variance amounts reflected do not include new staffing requests. **Commissioner Cummings** commented on the phosphate budget and funding if appeal is filed. Mr. Sandrock indicated the Attorney's Office is looking for Board direction on funding for next year and stated options will be brought to the Board. Mr. Sandrock explained the \$6.9 Million difference between major increases and major decreases in funding needs could be covered by a .56 mill increase as reflected in Page 6, "Millage Rates" of the 2006 Preliminary Budget Review.

General Fund Reserves

Mr. Sandrock reported on the likelihood of the projected FY06 Reserves holding the FY05 level; \$7 Million was placed in the General Fund Reserves at the end of the year; those funds are available for recovery related uses or how the Board directs; and it is usually easy to determine the ending balance but this year there are department runovers as a result of hurricane items. **Commissioner DeBoer** indicated that each year the Contingency Fund was used up. Mr. Sandrock confirmed about \$2 Million was carried forward.

New Requests - General Fund

Mr. Sandrock advised the primary requests are for seven positions in the Roadway Beautification program to be managed by Public Works and 21 new positions for bringing new park facilities on line, specifically, Oyster Creek, Bayshire, and Sunrise Parks and operating capital. Laura Kleiss Hoeft, Parks, Recreation and Cultural Resources Director, mentioned many of the 21 positions are for the West County Pool, including a supervisor and part time lifeguards. **Commissioner DeBoer** questioned if these are additional or previously before the Board. Mr. Sandrock said they were additional. **Commissioner DeBoer** concluded the \$1.8 Million in new requests should be added to the General Fund Reserves, Preliminary Budget Review, Page 7, to determine the increased millage rate.

Public Safety Fund Overview

Mr. Sandrock reported Revenues are increasing by \$7.2 Million, of which \$5.2 Million is the beginning balance as a result of building permit revenues from this year; in spite of adding 27 positions, the balance is increasing based on the volume of work since Charley; and the \$1.2 Million in Other Fees would be from ongoing building permits for next year. Mr. Sandrock said expenditures there are increasing by \$3.9 Million; \$1.8 Million is attributed to Community Development for annual increases plus a full year cost of 27 new positions added this year and \$2 Million for two-thirds of the Sheriff's Law Enforcement budget. **Commissioner Cummings** commented on the importance of making a heavy investment in the Sheriff's Office. **Commissioner DeBoer** said he would not disagree.

Public Safety Fund Reserves

Mr. Sandrock said the Building Reserve is projected to increase by \$3 Million from \$2.3 Million to \$5.3 Million that may be used for up to \$5 Million in renovations to the Murdock Library by the Building Department, software of approximately \$1 Million and the new two-story Community Development Building which is estimated at about \$5.2 Million of which forty five percent of the Building Reserve will be used. **Commissioner Cummings** asked if contingencies in this Fund would have the same effect as General Fund contingencies used for amounts that are down each year as carry forwards. Mr. Sandrock said funds are carried forward and monies were added where contingencies were recovering.

**Community Development - New Requests for Fiscal Year
2006**

Mr. Sandrock said this is not tied to the building side. The request is for \$413,405, and 5 positions. This is not included in the budget at this time.

New Requests - Other Funds

Mr. Sandrock said requests have been made for 12 positions in Utilities, 5 positions in Fine & Forfeiture (4 Pretrial Officers and 1 Probation Officer), and 2 positions in Charlotte Landfill for approximately \$1.2 Million.

Commissioner DeBoer said the Board is being told to increase the millage rate and requested details for the \$701,000 in positions for the 12 Utilities.

Health Insurance Fund

Mr. Sandrock advised extra money has been accumulated to repay the \$3.9 Million loan to Utilities; and another \$1.5 Million will be added FY06 to provide stabilization for future premium increases.

Hurricane Financial Impacts

Mr. Sandrock summarized total expenditures to date of \$75 Million including \$54 Million for debris cleanup and \$21 Million for fencing and signs, initial restoration, and initial engineering/design of buildings.

Hurricane Reimbursements

Mr. Sandrock reported reimbursements total \$51 Million including \$25 Million from insurance proceeds, \$5.9 Million from Florida Department of Transportation revenues, \$19.3 Million from FEMA and \$.8 Million from the State of Florida; between expenditures and reimbursements, there is a gap of \$24 Million which is being closely monitored; and the County is able to manage this gap through existing fund balances. **Commissioner Cummings** inquired if the \$24 Million debt was based on the assumption that the worksheets currently under review will be approved and compared the \$34 Million difference from the \$20 Million FEMA reimbursement and the \$54 Million debris cleanup cost. Mr. Sandrock indicated FEMA is reviewing other worksheets and the reimbursements and expenditures are mismatched; a great deal of insurance reimbursement has been received; most of the expense has been for debris to be reimbursed by FEMA; as more money is received from FEMA it will close the gap; at that time the rebuilding phase will begin more intensely and the expenses will be more for rebuilding, so the County will be looking for additional insurance. **Commissioner Cummings** asked if some of the insurance funds were applied toward cleanup, because by category the figures didn't appear to "add up." Mr. Sandrock said the insurance was ahead to begin vs. expenditures for debris, and funds have not been allocated back in that category, and expressed the belief that the County will get a lot of

the \$35 Million back. **Commissioner Moore** requested Mr. Sandrock for verification that the County had \$50 Million for insurance claims, \$25 Million has been recovered to date, and the County might receive all or part of the remaining \$25 Million. Mr. Sandrock responded affirmatively. **Commissioner C'Aprile** asked about the 5% gap and if the insurance money would cover that. Mr. Sandrock said it would not, but reserves are then used.

Unknown Factors

Mr. Sandrock said the items are only estimates but the \$3.5 Million which will be the County's 5% share of FEMA costs is fairly accurate; the \$8 Million to \$10 Million deemed ineligible by FEMA would be mainly for private property debris and stumps; the amount of mitigation funds approved by FEMA is a positive thing, but the amount is difficult to determine; and the hardening and other building costs in excess of insurance and FEMA are unknown as this time and may change based upon Board decisions. **Commissioner Cummings** concluded \$11.5 Million minimum will be needed and asked how much has been budgeted and how much will need to come from contingencies. Bruce D.Loucks, County Administrator, mentioned the solid waste fee increase, along with certain other sources of revenue, need to be factored in to address other eligible roads and some subsidizing would be necessary from contingencies. James A. Thomson, Environmental and Extension Services Director, said the solid waste fee increase should cover about 50% of the anticipated or unknown cost. **Commissioner Cummings** said a comparison of Page 19 and Page 7, "General Fund Reserves, Reserve-Cash Carried Forward", shows that operating funds are needed so there is not a true contingency. Mr. Sandrock replied that was correct. **Commissioner Cummings** concluded \$18 Million will be necessary without having to borrow money from one place or another and create debt the following year. Mr. Sandrock said there are reserves in other funds that will be established from last year of about \$16 Million although some are restricted and some may have been rolled into operational balances, such as capital projects. **Commissioner Cummings** requested the amount of the 50% from Landfill. Mr. Loucks estimated about \$3 Million to \$3.5 Million may be generated over a five-year period, depending upon tonnage, which may be used to cover some of the non-reimbursable and ineligible costs. **Commissioner Cummings**

asked if that was a total of \$3 M, \$600,000 per year, over five years. Mr. Loucks replied yes. **Commissioner Cummings** opined other Reserve funds might be needed. Mr. Sandrock explained as a result of Board actions last year money was put aside for reserves, such as in General Reserves, Public Safety Fund and the Capital Improvement Program Fund.

FY06 Budget Challenges

Mr. Sandrock reviewed the list of "as we move forward" issues including property valuations, long-term cost of hurricane recovery, keeping pace with the exploding growth, new facility costs, maintaining levels of service to the public, prioritization of new staffing requests, consideration of millage rate increases, and budget cuts. **Commissioner Cummings** stated the "sleeper" in this group is keeping pace with the exploding growth, there are lessons to be learned from the growth surge of the 1980's, and the County should attempt to invest on the front end to avoid future difficulties.

Other Aid Potentials

Mr. Sandrock said there is available \$2.8 Million in State funds for revenues lost from decreases in property evaluations, which will depend on the true loss and the Property Appraiser's certification in July. **Commissioner DeBoer** said it would depend on how it is worded, that it could be tied to and decrease the evaluation to last year which means Charlotte County is based on being flat and would not get any funding. Mr. Sandrock said the County should proceed cautiously in this area. Mr. Sandrock reviewed the \$18 Million mitigation funding for new projects, which includes projects identified by the County City and School District.

Positive Points

Mr. Sandrock noted the positive points included: (1) establishment of reserves during the FY05 Budget process in the amount of \$16 M to minimize financial exposure, (2) continued growth and rebounding property valuations which provide future revenue beyond next year, and (3) Board, staff and community understanding and support while transitioning through difficult times. **Commissioner**

D'Aprile complimented Mr. Sandrock and his staff for an optimistic, positive budget.

2. Sheriff's FY 2006 Budget Request and Board Questions

Mr. Sandrock indicated this part of the agenda was related to the Sheriff's Budget and noted Sheriff Davenport and many departmental staff members were present for questions. **Commissioner D'Aprile** indicated he was told at the last meeting of the Fraternal Order of Police there was a great number of turnovers with people leaving the Sheriff's Department and asked for an explanation. John Davenport, Charlotte County Sheriff, said part of the problem was due to traumatic experiences from the hurricanes and four or five were lost to North Port, which is an exploding community with better pay; this type of situation is faced frequently. Sheriff Davenport said there has been some slowdown of this in recent months and believes the Charlotte County Sheriff's Office will be okay, that the Charlotte County Sheriff's Office is fairly competitive in salaries right now, and the benefits are good, but salaries will need to be reviewed over the next couple of years because surrounding counties are starting to increase their salaries over Charlotte County.

MEETING ADJOURNED: 2:20 P.M.

Signature on file in Commission Minutes

Thomas G. Moore
Vice 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

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