

PRELIMINARY FY 06/07 BUDGET WORKSHOP

BOARD OF COUNTY COMMISSIONERS

May 31, 2006

A Budget Workshop of the Board of County Commissioners was held at the Murdock Administration Complex in Room 119, Port Charlotte, Florida. The following members were present: Vice Chairman Thomas C. D'Aprile, and Commissioners Adam Cummings and Matthew D. DeBoer. Also in attendance were County Administrator Bruce D. Loucks, County Attorney Janette S. Knowlton, and Deputy Clerk Gail Manley. **Chairman Moore, Commissioner Devos, and Chief Deputy Board Services White, were not present for the meeting. Commissioner Cummings was not present for this portion of the meeting. The meeting was called to order at 1:33 P.M.**

Preliminary Budget Overview

1. Presentation of preliminary FY 07 Budget

Raymond J. Sandrock, Budget Director, indicated today's agenda is a preliminary budget workshop; July 1st is the critical date in the budget process when the certified property evaluations are received; a complete countywide budget is not available yet, and at this point forecast and projections are being used; and until the revenue number is known on July 1st no new positions are being considered. Mr. Sandrock pointed out the budget process has become almost a year-round process; budget season begins in December; department budgets and CIP budgets are developed in January and February; each department reviews its budget with administration, including requests for new positions or activities, but no decisions are made until July 1st when property evaluations are available; MSBU hearings are in July; the first major all-fund budget workshop is in July; and final budget hearings are in September. Mr. Sandrock corrected an error on Page 3, Budget Assumptions - Personnel Costs, FRS - not anticipating increases, and advised that there is a slight increase of about 8.7%; indicated there was a significant decrease in the Health

Insurance, which he would discuss separately; and explained the CIP, currently running at about 4%, is monitored, and pay increases are looked at throughout the year. Mr. Sandrock reported fuel costs and electricity are not necessarily big items as a percentage of the total budget, but the increases themselves are rather significant; this year's fuel budget is \$1.2 Million and next year is projected to be \$2.1 Million; the price for gas currently at the County fueling stations is \$2.64, which is less than market conditions, but at the same point in time last year the price was \$1.99, so fuel cost is difficult to project, and a modest increase has been put in. Mr. Sandrock indicated the guidance on electricity costs from Florida Power and Light (FPL) was between 25%-30%; the actual electricity for all funds last year was \$3 Million, this year it is forecast to be \$3.2 Million, and next year a little over \$4 Million. Mr. Sandrock explained as the rates increase the franchise fees the County receives for the use of County right-of-ways increase on the revenue side and offsets the expense increase. Mr. Sandrock stated this year an 8% increase assumption is being used on the General Fund, in contrast to last year when 0% was used, because that time period was post-Hurricane Charley and there was no idea of what was to happen. Mr. Sandrock advised the first estimate received from the Property Appraiser is 10.50% on the General Fund; that the 8% increase equates to \$5.5 Million; if 10.50% is used, there would be an additional \$7.2 Million; and pointed out that 1 mill in the General Fund equates to \$15 Million annually. **Commissioner DeBoer** clarified that this is an 8% increase in the revenues based upon property valuations, and not an 8% increase in the taxation rates. Mr. Sandrock advised that was correct. Mr. Sandrock explained franchise fees are revenues derived from utility companies for use of County right-of-ways; are split between the General Fund and the Public Safety Fund; and a \$1.1 Million increase is anticipated in FY07. Mr. Sandrock indicated State Shared Sales Tax is a formula heavily based upon population and has been on the rise over the past couple years as more expenditures are made locally for repairs to resident's homes and furniture and supplies purchased. Mr. Sandrock stated the County receives \$17.7 annually; that is anticipated to normalize, or trend back to where it was a year or two ago, which would mean a reduction of as much as \$2 Million; and advised those projections come from the

State and are expected within the next month. **Commissioner DeBoer** opined, based upon comments by the Director of Economic Development from Enterprise Florida at a meeting he attended, that the economy would not roll back and this year will continue to have a conservative increase. Mr. Sandrock explained Communications Services Tax is a state and locally imposed tax on cell phones, cable, and satellite, and about \$5.1 Million is received annually from this source; all revenue sources are monitored on a monthly basis, and recent trends indicate no increase projected next year. Mr. Sandrock advised the Major General Fund Revenues section rolls all the revenue sources together and depicts what the total revenue increase might be, given what is known today, and with the conservative property evaluation assumption. **Commissioner DeBoer** requested clarification of why there is a half a million-dollar decrease in the local one-half cent section. Mr. Sandrock explained that number is projected downward based upon the trends seen over the past few months; that guidance and projections are received from the state and will take the guess-work out of it, but at this point it is based upon trends. **Commissioner DeBoer** opined that perhaps enough of the construction recovery has been done to now have an effect. Mr. Sandrock explained that Page 10 reviews General Fund expenses that are increasing, offset with expenses that are decreasing, and commented on the following items:

- 1) Sheriff-Law Enforcement - one-third of the Sheriff's Law Enforcement Budget in the General Fund is to support the 5-year strategic plan.
- 2) Sheriff - Corrections - all of the Sheriff Corrections Budget is charged to the General Fund, rather than to the Public Safety Fund; the Public Safety Fund does not include the incorporated area of the County and City of Punta Gorda, and with Corrections being in the General Fund it is spread over all the taxpayers in the County; major items are the continued loss of Federal Inmate Revenue, and expenses in getting ready for the jail expansion, which is tied to the projections of when the jail expansion would be completed, and advised if there is any slippage in that date, which he believes is October 1, 2007 for the first phase to be completed, there would be some shifting.

- 3) Sheriff - Courts Budget - for salary & fringe benefits.
- 4) Supervisor of Elections - computer and equipment upgrades required for the state.
- 5) Clerk of the Circuit Court - a very small increase.
- 6) Property Appraiser - this is an estimate based upon Ad Valorem collected.
- 7) BOCC Operating Expense - this is a large item, but is a netting of many line items; and a line-item budget book will be given to each Commissioner in the next few weeks.
- 8) Other Contractual Services - new Information Technology (IT) initiatives.
- 9) BCC Personnel - for Florida Retirement System (FRS) and staff costs.
- 10) Technology - not part of the replacement program for computers, but rather for new software and hardware requests from departments.
- 11) Electricity - previously addressed.
- 12) Rent-Buildings - for the Taylor Street facility and the Sheriff's Department at the Promenades Mall location.
- 13) Maintenance - Software - includes IT Licenses, the computer maintenance management system, and Crystal Reports updates.
- 14) Tax Collection - based upon an estimate.
- 15) Fuel - previously addressed.
- 16) Equipment - there are various items, and will be detailed for the Commissioners.
- 17) Self-insurance costs - getting to a \$6 Million reserve level to cover future claims.
- 18) Aids to private organizations - these are the not-for-profit requests received every year, and a booklet will be provided the Commissioners detailing each request.
- 19) Transfer to Fine/Forfeiture - a transfer which includes some revenue and expense changes, normal increases in operating costs related to the Court, and some decrease in probation revenues that was possibly tied to recovery and post-hurricane.

Vice Chairman D'Aprile requested clarification that if Ad Valorem increases go up the Property Appraiser receives an increase in budget. Mr. Sandrock advised it is based upon the total property evaluation, and only an estimate has

been used until the Property Appraiser's budget is received in July. Mr. Sandrock pointed out that in the Tax Collection percentage, the Board pays the collection fees for the School Board and the City of Punta Gorda. **Commissioner DeBoer** clarified that those are both fee offices, so it does not really matter what budget they send because they still receive that percentage of the collections. **Commissioner DeBoer** inquired what percentage of the annual payroll BCC Personnel on line 9 was. Mr. Sandrock stated it was between 6%-7%. Mr. Sandrock reported in the General Fund Expense Decreases there is nothing in the budget for the Phosphate legal cost, but that could change if the Board directs funding be put in for the project; there is a decrease of approximately \$1.1 Million for Health Insurance in the General Fund because the prior year debt was paid off and reserves established; and explained Health Insurance, Building Improvements, and Improvements-other than Buildings, are items where expenditures were made last year and because they fell off and are not being made next year, a variance is seen. (**Commissioner Cummings was present for this portion of the meeting.**) Mr. Sandrock stated the Reserves shown on line-item five is a "catch-all", and a decrease of \$7.4 Million, but expects as the July evaluations are received that number will be a comfortable level. Bruce D. Loucks, County Administrator, explained that the Reserves were set up this year with excess revenues from an increase in assessed evaluation to deal with hurricane issues, and that this money has been spent over time for hurricane recovery costs. **Commissioner DeBoer** requested an explanation of why there is a decrease of Health Insurance being shown of \$1,073,323 Million on Page 11, but on Page 10 there is shown an increase necessary for self-insurance costs of \$497,895. Mr. Sandrock advised there are two self-insurance funds and two different reserves. **Commissioner Cummings** recalled previous discussions on a percentage agreed upon. Mr. Loucks stated there was an informal policy of 3%-5% for contingency reserves. **Commissioner Cummings** reported there is growing interest in the region for putting money together for an area-wide Environmental Impact Statement (EIS), and indicated Sarasota County has conceptually agreed, contingent upon others joining in. **Commissioner DeBoer** said he would agree at this point to \$250,000 as long as it is kept general for the EIS. **Commissioner Cummings** said it is all still preliminary at this point,

but \$250,000 would be an acceptable compromise. **Commissioner DeBoer** said for planning purposes he would rather not call it "Phosphate Legal Costs", but instead find something more generic, and it would be a good idea to have something that shows a good-faith gesture and that Charlotte County is ready to proceed. Janette S. Knowlton, County Attorney, explained that at the June 13, 2006 meeting she would request an Executive Session be set for June 22, 2006, which will give an idea of costs for next year. **Vice Chairman D'Aprile** inquired if Sarasota and Lee County indicated a timeframe on funding. **Commissioner Cummings** stated Lee and Sarasota Counties are looking to Charlotte County in deciding how things will proceed, and he expects the matter to come up on the agenda soon as to whether or not Charlotte County will participate in the process. **Vice Chairman D'Aprile** indicated he has no problem putting even \$500,000 in funds for studies of this nature, but that the others must match funds and put their funds up first because Charlotte County has done a great deal already, benefiting not only Charlotte County, but other Counties and agencies. **Commissioner Cummings** stated there are many proposed participants, which include the Counties, Florida Institute of Phosphate Research, Department of Environmental Protection (DEP), and others. Mr. Sandrock said the current combined General Fund Reserves for FY06/07 is \$7.6 Million, which is in line with reserve levels of several years ago before the hurricane; that Budget is working closely with the Facilities Department in looking at the gap, which is defined as what it costs to build a building, less the insurance, less the FEMA contribution. Mr. Sandrock explained the adopted contingency reserve for the year was \$12.5 Million, but funds have been used and the amended contingency reserve is \$9.6 Million; all of that is expected to be used this year, and there is a need to build the reserves for next year, but that determination has a lot to do with final outcome with insurance and FEMA, and a lot of issues must be worked through before those levels are known. Mr. Sandrock reported the countywide millage rate is 5.3709, which includes the General Fund, Capital Projects Fund, and the Health Unit; the countywide millage cap is 10 mills; and Charlotte County is 8th lowest in 67 counties. **Commissioner DeBoer** inquired if that statistic only compares the reported millage rates and does not take all of the assessments that Charlotte County has and extrapolates them into an overall millage. Mr. Sandrock

stated that was correct, and that the MSBUs are a unique part of Charlotte County's system. Mr. Sandrock advised that the Sheriff's Law Enforcement Budget is \$36.7 Million; major issues are salary increases for existing staff and associated benefits such as FICA, Health Insurance, Workers Compensation, and the 5-year strategic plan, which includes hiring of 14 new Law Enforcement Personnel; and that the Law Enforcement Budget equates to a 10.9% increase over this year's budget. **Vice Chairman D'Aprile** inquired if, in keeping with the 5-year strategic plan, that included the 14 new Law Enforcement Personnel and all equipment, vehicles, etc. Mr. Sandrock replied affirmatively. **Commissioner DeBoer** asked if the 10.9% was over approved or adjusted budgets. Mr. Sandrock replied it was over approved budget. Mr. Sandrock explained there is an increase in the Sheriff Corrections & Expansion budget due to operational costs, which is coupled with the decrease in the Federal Inmate Revenue and the cost of new personnel at the jail. **Commissioner DeBoer** inquired what the schedule was for bringing the new facility on line. John Davenport, Charlotte County Sheriff, advised the first phase would be the visitation, work release area, and the start of the special management for the special needs population, and his understanding is the startup date was fast-tracked to October 1, 2007, and staff hiring should begin in January 2007. **Commissioner DeBoer** inquired when opening another pod what the training time was for direct supervision. Sheriff Davenport said staffing, Academy and Field Training Officer (FTO) training takes about 8 months. Mr. Sandrock explained Contracted Services of \$1.6 Million is not-for-profits FY06/07 requests, which is about 1% of the General Fund Budget; that he will furnish each Commissioner a booklet by Friday, June 2, 2006 detailing each request. Mr. Sandrock stated the major categories are Aging and Disabilities, Crisis and Crisis Stabilization, Children, Youth and Families, Health, Mental Health and Wellness, Arts, Culture and Environment, Disaster Recovery, and Veterans. Mr. Sandrock advised the largest contribution from the County of \$501,000 goes to Children, Youth and Families, and the second largest contribution of \$472,000 goes to Health, Mental Health and Wellness; indicated the graphic on page 18 shows a three-year comparison and that these services are increasing significantly every year; and explained new requests this year are over \$400,000. Mr. Sandrock reported there have been overall increases in all

the different organizations, but there have been new requests under mental health from Catholic Charities, Diocese of Venice for \$60,000 and Southwest Florida Addiction Services, Inc. for \$218,000. **Commissioner Cummings** expressed concern that the large jump in these costs is the County picking up costs of the state walking away from mental health issues. Mr. Sandrock stated the booklet being furnished should help clarify some of the issues. **Commissioner Cummings** said he forgot that Charlotte Mental Health was pulled out of this fund, and inquired if the increase occurred in spite of pulling that out, or if it is actually worse than it appears. Mr. Sandrock said it is actually worse because Charlotte Mental Health is in addition to what is shown. **(Additional discussion ensued regarding increases, overall trend line, and efforts being made to handle mental health issues through smaller local programs.)** **Commissioner Cummings** stated he believes the services are not exact duplications of what were G. Pierce Wood services, but believes an effort is being made with smaller local programs to find different ways to address the same issues, and would like to track that because in many ways it is an unfounded mandate, but that there is no choice in dealing with that type of public safety. **Commissioner DeBoer** clarified that the intent is for a separate analysis to track the increase in general mental health problems since the closure of G. Pierce Wood. **Commissioner Cummings** replied that was correct, grouped by category to determine where the increases show up. Mr. Sandrock advised that Page 19 summarizes the significant increases of the not-for-profits, up \$400,000 from FY06; that the Board may want to look at establishing an annual maximum, and based upon the funding level and importance, a separate workshop could be held to get into more detail; that it is necessary to ensure there is no funding for duplication of services; and that comparables from other Counties and at what levels those Counties are funding is being looked at. **Commissioner Cummings** stated it might be that mental health issues are getting to the point they need to be dealt with in a separate budget line, and a policy for goals and objectives established in that category. **Commissioner Cummings** pointed out it is the Board's decision in the end, but suggested that the folks already working on this issue for the County now draft a rough policy of what they think should be done. **Commissioner DeBoer** stated he was in favor of having a

workshop. **Vice Chairman D'Aprile** stated it is very easy to duplicate in this area and a workshop would help weed out duplication of payments. Mr. Sandrock advised that there is nearly \$10 Million in FY05/06 General Fund Reserves, plus \$5.5 Million of cash carried forward reserves necessary for continued operations until new taxes are received each year; it is important to work closely with Facilities to be certain we are covered for next year; a reserve policy is currently being developed; and July 1st is a critical date in bringing this issue into clarity. **Commissioner DeBoer** requested clarification that each year the \$5.5 Million rolls forward. Mr. Sandrock replied affirmatively. **Commissioner DeBoer** stated it appears the General Fund Contingency Account is down to less than 5% based on revenues, not the budget, because to him, when talking about contingency reserves, it has to do with new money, not what is carried forward. Mr. Sandrock said for FY07 right now the reserve level is a little over 5%, but he would not be happy carrying that level. **Commissioner DeBoer** explained 5% is pretty low for contingency, and it should be closer to 10%. Mr. Sandrock agreed, and stated if property evaluations come in higher than anticipated he hopes the contingency level can be increased. Mr. Sandrock advised that once there is clarity on the insurance and FEMA issues, maybe the final gap to fund projects will not be as large as presently anticipated and the reserve can be built up to where it should be. **Commissioner Cummings** agreed, and stated that because of the uncertainty in still completing the recovery effort, the reserve should be kept higher than whatever the target would normally be. **Vice Chairman D'Aprile** inquired what was still needed for recovery. Mr. Sandrock indicated he would cover that in the last 4 or 5 pages; and that the contingency reserve must increase before July 1st. **Commissioner Cummings** said most of the cash carry-forward would be spent between now and October 2006, and it could not be counted as a contingency because it is meant to be expended until the revenue stream picks up. Mr. Sandrock said anticipates a change in the numbers when we come back at the Budget Presentation on July 12th. Mr. Sandrock explained that with the expenditure increases and revenue projections right now no new positions could be considered, and reserves would be minimal, but it is really a wait and see until July 1st. **Commissioner Cummings** said he hopes a serious look will be given at increasing capacity for doing some planning above

and beyond permit reviewing; that there is a long list of neighborhood plans that not enough progress is being made on; there is only one person available to work on the neighborhood plans, which should be of the highest priority for prospective planning for the future because it is in the infill areas and where the people who pay the tax money live and should receive the services; and that the capacity needs to increase by hiring staff people or bringing on consultants. **Commissioner DeBoer** said the difficulty always comes down to dollars, and if the Property Appraiser's preliminary guesstimate comes in correct \$2.5 Million might be added to the revenue stream, which would not even bring the contingency up to 5%; and stated he wanted to mention that because when talking about adding more positions, you are talking about increasing the tax rate. Mr. Sandroock explained in the Health Insurance Fund the prior fund debt of \$5 Million has been paid off; a rate stabilization fund of \$3 Million for future premium increases has been established; the insurance premiums are paid by the County and by the employees; the County portion funded the payoff of the debt and the rate stabilization fund, not the employee contribution, so the benefit of the reduction goes to the County because the County paid toward those efforts, and is a 21%-23% average decrease, or a savings over all funds of \$3.1 Million; the recent claim experience has been very positive, and indications are there will be no rate increase next year as well. Mr. Sandroock explained the Public Safety Fund funds the Building Department, which is supported by its own fees, Community Development Department, which includes Code Compliance, Land Development, Land Information, and two-thirds of the Law Enforcement Budget; and reiterated that the Public Safety Fund does not include the incorporated part of the County or Punta Gorda. Mr. Sandroock said based upon an 8% Ad Valorem assumption, \$2 Million additional revenues would be brought into the Public Safety Fund; Building Permit Fees are projected to be up \$4 Million; and other fees down \$1.5 Million. Mr. Sandroock explained franchise fees are split between the General Fund and the Public Safety Fund; that the majorities are in the Public Safety Fund, but some of those fees will be shifted to the General Fund. **Vice Chairman D'Aprile** asked if the present numbers were projected or factual. Mr. Sandroock said everything except the 8% Ad Valorem is factual. **Vice Chairman D'Aprile** inquired if the additional revenue to be received from

impact fees had been factored in. Mr. Sandrock stated impact fees are not included in that area. Mr. Loucks advised impact fees would be discussed at the Capital Improvement Program Workshop on June 7, 2006. Mr. Sandrock explained Public Safety Fund Expenditures are increasing by \$2.7 Million, broken down by operational increases within the Community Development Department of \$684,341; a decrease of \$1.3 Million is actually a transfer used to renovate the old library building, now the new Building Department; and pointed out two-thirds of the Sheriff's Law Enforcement Budget is included here. **Commissioner DeBoer** asked what was included on the operational increases for Community Development. Mr. Sandrock explained it is a series of individual line items that will be reflected in the line-item book to be furnished the Commissioners. Mr. Sandrock advised on Public Safety Fund Reserves, the Building Reserve is anticipated to be in the \$10 Million range for FY06/07, largely due to new construction and the large volume of hurricane permits over the last couple years; future uses for these reserves being discussed is a new computer software system, and possibly funding for a portion of the new Administration Building, which will be discussed at the CIP meeting on June 7, 2006. Mr. Sandrock said other contingency reserves would likely adjust upward after July 1st. Mr. Sandrock indicated the last few pages reflect an update on hurricane recovery issues; total revenues received to date are \$97.6 Million; the largest amount is \$47.1 Million from FEMA, which mostly has to do with debris; \$30 Million of the \$50 Million coverage was received for insurance proceeds; \$11.8 Million received from FDOT Revenues for cleanup on state roads; \$3.2 Million from USDA for canal cleanup; \$2.8 Million in State Revenue Aid; \$.1 Million from Miscellaneous Donation; and \$2.6 Million is the 5% match from the State against FEMA. **Commissioner Cummings** inquired if the insurance proceeds were still ongoing. Mr. Sandrock advised the insurance issue is still ongoing; the consultants indicate we should be well above the \$50 Million limit, but we cannot go back to FEMA until confirmation is received because FEMA is willing to consider any gaps we have between what insurance gives us and the cost within certain parameters, but won't consider that or go to closeout so those points can be argued until the insurance issue is nailed down. Mr. Sandrock said as expenses are incurred the insurance company advances more money toward the \$50 Million cap; and

we hope to demonstrate that we have gone past the cap and that a check should be cut for \$20 Million. Mr. Sandrock advised total expenditures are \$107 Million, \$57 Million was for debris, and \$50 Million is the rebuilding; that is the number that will continue to grow and the number we need continued insurance, FEMA funds, and reserves for. Mr. Sandrock reported the gap between total expenditures and reimbursements is now \$10 Million, compared to \$30 Million-\$40 Million a year ago, so the gap has been closed; we are trying to maximize insurance reimbursements, and reserves must be considered for the difference between expenses paid with today's dollars versus FEMA's reimbursement with yesterday's dollars. **Commissioner Cummings** explained that was only current expenditures, not anticipated full expenditures; that when Mr. Sandrock says there is a total \$10 Million gap, that's between what has already been spent, not what is expected to be spent completing the reconstruction, because otherwise the insurance company could not be convinced \$20 Million is still owed. Mr. Sandrock agreed. Mr. Sandrock advised potential future reimbursements are insurance up to the full insured amount of \$50 Million, or an amount due of \$20 Million; explained we are on solid ground to argue \$4 Million due for closeout on FEMA for debris; and \$10 Million is obligated by FEMA for building projects, but not received; and explained that unlike debris where we have expenditures quickly, and FEMA gives the money quickly, this is for building projects, and as we build we can put in for reimbursement. **Vice Chairman D'Aprile** asked what the period of time was to fulfill the obligations. Mr. Sandrock advised initially it was 18 months, but a 12-month extension was granted. **Vice Chairman D'Aprile** asked if we would accomplish what is needed within the deadline and receive the monies. Mr. Sandrock said further extensions can be requested if needed; that there is a good tracking system in place, and as critical dates get close extensions are requested, as each one must be done individually for each project. Mr. Sandrock explained as a general summary, July 1st is a critical date; new positions will be looked at after that date; reserve levels need to be clarified, and by that time State Revenue forecasts will be known.

MEETING ADJOURNED: 2:50 P.M.

Signature on file in Commission Minutes
Thomas C. D'Aprile
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

gm