



# MANATEE COUNTY FLORIDA

September 15, 2011

Board of County Commissioners  
Manatee County Government  
1112 Manatee Avenue West  
Bradenton, FL 34205

Dear Chairman and Members of the Commission:

The coming fiscal year will be the fifth consecutive year we have had to progressively reduce the size of our county government as we hold the line on tax rates in the face of declining property values. The adopted budget provided a \$7 million property tax reduction for county property owners. We expect to be able to continue our focus on customer service and maintain other qualitative improvements made in recent years. Some unexpected developments will allow us to temporarily moderate the pace of program reductions and diminish the magnitude of budget reductions originally anticipated. Nevertheless, our longer range forecast still shows a requirement for future budget reductions and with each successive year the reductions cut closer to the heart of our most important county programs. Many of the reductions adopted for FY12 and FY13 are due to reductions in workload and will not require serious disruptions to county programs but we will continue to gradually roll back budgets to produce savings. Even though the reductions are not as great as originally expected, if these reductions were not made now, larger and more difficult reductions will be required in future years.

Development of the biennial budget for FY12 and FY13 has been somewhat different than the development of budgets for the years immediately preceding this. Previously we had no idea how deep the decline in property values would go. Now we have a pretty good estimate (as long as there is no "double dip" recession) of when the declines will hit bottom, as we showed in the March 22, 2011 budget work session. The scenario presented on March 22 projected the "bottom" in property values would hit the tax rolls for FY13 (next year), thus ending the uncertainty as to how low the taxable values might go. However, the scenario, as updated on July 29, also showed at least \$4.8 million in further budget reductions would be required over the next three years and approximately \$50 million in budget stabilization reserves would have to be used over the next

four years until revenues and expenses would return to equilibrium. Our budget shows “decision unit” reductions of \$3.9 million, (additional reductions were made in areas such as capital and non-departmental budgets), but we have also provided funding for a number of unavoidable cost increases such as fuel costs, the State Medicaid Match mandate and employee health benefits.

A significant amount of the unavoidable cost increases for FY12 and FY13 can be neutralized by some restructuring of funding sources in this budget. Throughout the process, we continued to refer back to the four year scenario to highlight the requirement that we make the budget reductions now, rather than delaying them and increasing shortfalls in future years.

The adopted net budget for FY12 is \$462,382,708 (including Port Manatee, \$11,052,397), which is \$21,862,097 less than the FY11 adopted net budget (including Port Manatee). Cumulatively, the county budget (excluding Port Manatee) has declined by \$139,360,056 over the past five years. Property tax rates for county operations will remain at levels adopted in FY11. The County Commission chose to advertise an increased tax rate to provide 20 new deputies for the Sheriff, but was able to rescind the tax rate increase when a compromise to fund 10 deputies was made possible by updated property tax values.

In balancing this budget with a \$7 million reduction in property taxes we looked in all corners of the budget and created assumptions for the

future recognizing we are in the middle of a trend that will continue for a few more years. When the current trend bottoms out, local governments will be living with greatly diminished resources, slower revenue growth, fewer programs and services, and different approaches to program staffing and employee benefits. We believe there is still a way to go before we reach that point, and this budget is only one step along the path.

For the fifth consecutive year, Florida governments continue to face unprecedented declines in revenue from major revenue sources. Going back to the 2007 and 2008 budget years, legislative initiatives and constitutional amendments steered local governments toward reducing property tax rates and revenues, which when combined with the market driven decline in our property tax base in the subsequent years, has produced this reduction in local government revenues. Four years ago we began to prepare for a changing economic environment by planning for a new budget approach, using zero-based program budgeting, which was implemented for FY09. After successfully implementing and adapting to the new process, it was enhanced in FY10 by expanding it to a two year, or biennial budget and this FY12 budget is the first year of our biennial process.

The zero-based budget process has produced an orderly, prioritized, and fairly precise menu of choices (or “decision units”) upon which to base recommendations for many of the proposed budget reductions. Along with the growing realization that

reduced revenues and smaller government will be the theme of the future and not a temporary aberration, the zero-based budget process and changing economy has helped to reverse the traditional expectation of expenses and service levels always trending upward.

Decisions to plan for and implement major changes always face strong resistance and can cause chaos and confusion, so we continue to recommend a gradual process. By expanding our plan to use reserves to offset a portion of this year's shortfall and also retaining a sufficient level of "budget stabilization" reserves to continue this practice for several years into the future, we can continue many services for a few more years while gradually reducing their scope to the extent necessary to adjust to the expectation of future revenue levels. This also gives us time for deliberate consideration of consolidation, privatization, or other service delivery methods which may be less expensive.

On a positive note, the county commission has continued to be very prudent in managing the county's overall financial health. As property values and property tax revenues grew in the early part of the decade, some of these prudent decisions resulted in pay as you go financing for some capital projects and more controlled staffing and operational expansions.

This strategy has resulted in maintaining bond ratings for Manatee County even as the economy has faltered. The county's ratings for general obligation debt

have been maintained at AAA and Aa1 by Fitch Ratings and Moody's, respectively. The AAA rating is the highest available. Revenue bond debt was upgraded to AA+ and Aa2 and utility debt was upgraded to AA+ and Aa2 by Fitch Ratings and Moody's, respectively, in 2010. The higher ratings have allowed us to issue recent refunding bonds without bond insurance or a debt service reserve, which is very rare and results in considerable savings on the debt obligations.

Again this year, the budget was presented earlier in the year than we have presented budgets in the past. Formerly, the proposed budget was presented on July 15, after the July 1 certified tax roll information became available from the Property Appraiser. When we attempt to make estimates of property tax revenue before we have certified figures, we have to rely on early estimates of the taxable values, so there is an element of uncertainty in the revenue figures we have developed. If certified values result in a greater drop in revenue than expected, it is recommended additional allocations from budget stabilization reserves be used to fill the gap. If certified values result in less of a drop in revenue than expected in this budget, it was originally recommended the higher revenues be used to offset some of the budget stabilization reserves that have been used to balance the budget. However, for FY12, the increased revenue from the final taxable property values was approximately \$800,000 and was used to provide the Sheriff with 10 deputies, thus avoiding a tax rate increase.

Overall, Manatee County Government's property tax rates for operating purposes will remain unchanged for FY12. After using certified tax roll figures to calculate the "rollback" rate, which sets the threshold for determining whether there is a property tax increase, the proposed rates are approximately 5% below the "rollback" rate. Based on this estimate, the FY12 tax rates could have been set up to 5% higher without being considered a tax increase under state law. The total countywide operating millage will remain at 6.2993 mills, and the unincorporated municipal services taxing unit at .6109 mills. Due to the reduction in taxable values, a higher rate will be required to cover voted debt service, which will increase from .1254 mills to .1303 mills (debt service rate subject to change based on certified tax roll). We have calculated that county operating tax levies (excluding debt service) on a homestead parcel valued at \$150,000 (after exemptions) remain unchanged at approximately \$1,036.54 in the unincorporated area.

The process used to adjust taxable values for homestead properties eligible for "Save Our Homes" tax exemptions caps increases the taxable value of eligible properties based on the Consumer Price Index (CPI), with these increases limited to 3%. For FY12, homestead properties cannot increase in taxable value by more than the CPI increase of 1.5%.

It is important to repeat that even with the recent statutory changes imposing stricter limitations on local government property tax levies, the

County Commission does have the option to levy a property tax rate higher than the proposed rate. Florida Statutes provide that rates can be set progressively higher depending on whether rates are approved by a majority, a supermajority, or a unanimous vote of the governing body. However, in some cases, tax rates set above a certain level are only effective for one year and they cannot provide a "base" for the next year's calculations. If the rollback rate was levied, we estimate an additional \$7 million in property tax revenue above the currently adopted amount would be realized.

As stated earlier, Manatee County's adopted FY12 net budget amount, including the Port Manatee Budget, is \$462.4 million. While property taxes constitute approximately 33% of revenues in the net budget total, there are large portions of the budget that represent business activities such as the utilities system and capital projects budgets which vary from year to year. Therefore, increases and/or decreases in property tax revenue do not correspond directly to increases and decreases in the net budget total.

As property tax revenue has declined and services reduced, there are recommendations for reductions in staffing levels. Elimination of funding for a total of 94 positions was adopted. Many of the reductions are a result of decreased demand for services in certain areas. Additionally, golf course operations were privatized, resulting in a reduction of 47 positions. Efforts have been made to place as many of the incumbents as possible into

vacant funded positions. Funding has been eliminated for a wide variety of positions, from upper level managers to front line personnel.

## **BUDGET PROCESS**

This budget was developed via a biennial, zero-based program budgeting process. County departments were broken down into programs and each program was divided into increments (decision units) representing ascending levels of service. The first increment is referred to as the “base” decision unit, which represents the most critical portion of the program’s activities or highest priority functions. Each additional ascending unit represents a descending priority level. Each decision unit represents a discrete level of service and includes the positions and operating funding that goes along with that level of service. The second decision unit is directly above the base and represents the next level of priority, followed by the third, fourth, and so on.

Initially in the process, all decision units are unfunded. Revenues and other sources of funding are evaluated, projections are made, and the amount of funds available is determined. As decision units are reviewed, recommendations are made to begin funding the highest priority units, starting with the base level. The process continues until all funds available are used. In the property tax supported areas of the budget, there are not sufficient funds available to provide funding for all decision units representing the “continuation” level of service;

therefore, funding and service reductions have been necessary.

In implementing the process, there were instances where efforts were made to distribute the reductions across a broad spectrum of programs. In all cases, efforts have been made to avoid reducing any program to a level at which the program cannot function effectively.

Since FY12 is the first year of a new biennial process, the scope of budget and financial information that was presented to the county commission and the public during budget work sessions included all decision units. Although programs in the budget have not changed much since the first biennial process, in many cases decision units have been newly created and differ from those created for the first biennial process.

In our biennial budget, two years of proposed expenditures are shown: those for FY12 and those for FY13. However, in most cases the FY13 numbers will be very similar to the FY12 numbers, and they will not reflect the estimated \$3.5 million in budget reductions that may be required next year to balance the FY13 budget. Recommending budget reductions and service level reductions creates stress and concern throughout the entire community, and one year’s worth of reductions provides more than enough issues for the County Commission to deal with during a budget process. Recommending a second year of specific reductions at this time is unnecessarily problematic.

At the June 6, 2011 morning work session, a “30,000 foot” view of the larger portions of the county’s financial structure and budget was presented. This presentation used a format similar to what the commission and the public were provided in previous years and was intended to provide a summary at the fund level of each of the county’s major financial funds. The county’s financial structure is made up of approximately 150 funds, each of which is a self-balancing entity, and is created for the purpose of legal compliance requirements or accountability requirements, or both. On June 6, 2011, the work session process was described to the commission and the public.

On June 6, the decision unit document was presented to the commission and posted to the county’s web site. This was an entirely new decision unit package with details and data on all decision units. Decision unit review continued in the work session on June 9.

The Capital Improvement Program (CIP) was presented on June 14, 2011. Constitutional officers also discussed their budget requests in the work session. A public hearing on the recommended budget was held on June 16, 2011.

Producing a budget in May, before property values are certified by the Property Appraiser on July 1, creates a certainty that budget adjustments will be required after the July 1 certification occurs. Also, other revenue and expense estimates may change based on information developed as the current fiscal year progresses, and due to the early

budget presentation date there may be some loose ends to be addressed before the adoption of the budget. Changes made due to these circumstances did not affect proposed property tax rates. After those adjustments, an updated proposed budget was provided as of July 15, 2011, the statutory budget completion date.

The review of decision units will be similar to previous year’s review processes. Issues the commissioners wanted to discuss in greater detail were “flagged” for further consideration or “reconciliation” at a later date. A special board meeting was held on July 29, 2011 and provided the opportunity for further discussion of the flagged items and budget reconciliation. Since changing budgeted funding to increase or decrease amounts for a flagged item will usually mean an item elsewhere in the budget has to receive an offsetting decrease or increase, a reconciliation process was undertaken to accommodate changes to flagged items that receive support of a majority of the commission. Once the reconciliation was complete, the tentative millage rate was set by the commission.

At this point in the process, the County Commission chose to increase the property tax rate by 0.0710 mills to provide funding for 20 new deputies for the Sheriff, and this rate was published on the proposed tax notices mailed to property owners in August, 2011. Prior to final adoption of the budget, a compromise was reached to provide funding for 10 deputies using tax revenues of \$800,000 realized from

final property valuation and the millage rate increase was rescinded.

## **BUDGET ISSUES**

In recent years, in order to offset revenue reductions, we have presented ideas and concepts which may not have been popular when our tax base was growing. This budget also contained recommendations to do some things differently than we have in the past. For the FY12 recommendations, we have frequently referred to the "Guiding Principles" that were originally presented in 2009.

Early in this year's process, staff developed a conceptual, multi-year plan to address revenue losses by using a mix of reserves and budget reductions. Historical analysis indicated reductions could be made in some base decision unit accounts and input from department directors was incorporated to reduce expenditures. Although we generally have not used reserves for recurring operating needs in the past, we are now following a plan to allow for a gradual spend down of reserves over the next four years as necessary to provide budget stabilization. The reserves would not be reduced below an amount considered prudent by established standards, and we would maintain consistency with the reserve policy adopted in 2010.

The chart on page 87 shows that we can sustain the reserve drawdown over several years, and we can justify this strategy because it involves using taxpayer dollars accumulated in previous years to sustain levels of services to the

citizens for several years into the future. However, as revenues begin to grow in future years it will be necessary to replace the one-time reserves being used in the budget with recurring revenues before we can consider increased spending on programs and services.

As the recommendations for reductions in service levels are implemented, it is important to remember our process is designed to match funding reductions with service level reductions. When budget reductions of this magnitude are required, it is not realistic to believe service levels can be maintained. It may appear that simply eliminating vacant positions could go a long way toward producing the savings needed, but that strategy is impractical because it does not make reductions based on priorities and it does not match the budget reductions with service level reductions.

We continue to strive to accomplish budget reductions sustaining our ability to maintain and/or improve upon current levels of quality and professionalism in our programs and personnel. Rather than try to preserve program service levels by operating programs on a shoestring budget with poorly compensated, poorly equipped and minimally trained staff, I believe it is preferable to have reduced service levels while maintaining higher standards, including retaining some funding for our employee's professional development needs. Also, we cannot forget about employee compensation and benefits; although outright salary increases may be difficult to provide, and costs of other

benefits are being shifted to employees, we need to make our best efforts to keep the adverse impacts of these changes to a minimum.

Even as budgets have been reduced in recent years we have geared up for a number of very important initiatives for which it is extremely important we maintain our momentum. These initiatives include upgrading customer service, increasing our focus on older neighborhoods in the county, stepping up economic development efforts, and establishing a “pay for performance” evaluation process which can be fully implemented as financial conditions permit. We are making significant progress in all of these areas and we do not want to make budget reductions that will diminish the value of investments already made on these initiatives.

**Employee Compensation** - This is at the top of our budget issues list because it is not possible at this time to recommend a general wage increase for our employees. This will be the fourth consecutive year that employees have not received a general wage increase, and the competitiveness of the county’s salary structure is diminishing with each passing year. We cannot forget that our employees are our most important resource and the lifeblood of our organization.

Although we hear anecdotal examples of similar or worse situations faced by workers in our local job market, those anecdotal examples do not necessarily provide relevant comparisons for compensation of county employees.

We should be benchmarking our compensation in comparison with major employers locally, such as Tropicana, the hospitals, and others with employees numbering in the hundreds or more. Although these employers do not make their employee compensation decisions public, we have found through confidential inquiries that nearly all major employers in Manatee County are providing compensation increases in some form. In contrast, our employees have been subjected to what are essentially compensation decreases as they pay more for benefits and now will have a portion of their salary deducted to supplant contributions formerly made by their employer for retirement benefits.

By nearly all measures, salaries for county employees are at the low end of any comparable private and public sector benchmarks of which we are aware, particularly when consideration is given to the high proportion of county jobs requiring advanced training and/or education. Even when the benefit portion of our compensation package is considered, we are not very competitive when it comes to recruiting and retaining employees. This lack of competitiveness is exacerbated when the job market begins to improve, which is what is happening now.

County employees are responsible for protecting and maintaining more than \$2 billion worth of public assets, many of which require specialized capabilities. Regardless of uninformed comments suggesting we could replace skilled, adequately compensated employees with less experienced workers at lower

salaries, the county commission and executive staff have a responsibility to the public to ensure the public's assets are adequately preserved and maintained. This requires qualified and experienced personnel and fair compensation must be provided to retain those personnel.

County employees are entrusted with providing for the care and safety of vast amounts of human assets as well, whether they are citizens calling 911, bus passengers, children at parks, beachgoers, potable water customers, or homebuyers, among many other constituencies. The employees directly providing these services are supported by many others behind the scenes, ensuring proper supervision, training, procurement and maintenance of equipment used, and so on.

As salaries have been held constant, we have seen significant gains in the productivity and quality of customer service provided by our employees. Although we have also stepped up our employee recognition programs, at some point all dedicated employees everywhere expect material rewards as well. As the job market improves, we have already seen some of our best employees leave us for significantly higher pay offered by other public and private employers. It is imperative we begin to take steps toward addressing our lagging competitiveness in employee compensation.

In reviewing our projections for the next several years, it is clear that providing recurring salary increases for employees would not be sustainable. A one-time compensation supplement (which

would not change base pay) of \$1,000 will be paid to employees of all agencies on the pay date closest to December 1, 2011. Employees hired before October 1, 2011 will be eligible. Although this would not be the salary increase that employees of other major employers have seen, it will help our employees financially in the short term. This would also demonstrate to our employees that the commission recognizes and appreciates their dedication and commitment. Funding for this salary supplement has not been distributed to departmental and agency budgets at this time. Amounts required for the compensation supplement were identified and quantified in the "reserves" categories in the fund summary pages presented on June 6. After budget adoption, the monies were distributed to all departmental and agency budgets via budget amendment.

**Budget Stabilization Reserve** – In the budget message for FY10, the concept of a budget stabilization reserve was introduced. In the March 22, 2011 work session, staff explained that the budget stabilization concept was being expanded and refined so that we could match up the use of budget stabilization funds with the short term decline and longer term leveling and eventual growth of the county's tax base. A scenario was presented showing the use of approximately \$50 million in budget stabilization reserves over a four year period, and as tax revenues began to grow at the end of the four year period the budget stabilization funds could be supplanted with recurring revenue, thus protecting many county services

and programs from budget reductions during the period.

As the scenario was refined throughout the budget process, the version included in the charts & graphs section of this document, on page 58 shows how county programs and services can be preserved but will still require an estimated \$4.8 million in spending reductions over a 4 year period. Further, as revenue begins to grow, the revenue increase will have to be used to supplant the diminishing reserves rather than for improvements in programs and services.

**Florida Retirement System changes** – Unexpected action by the state legislature to significantly reduce employer contributions to the Florida Retirement System (FRS) prompted a significant change in direction as we neared the end of our internal budget deliberations. The rates for employer contributions have been reduced by 5.86% of salaries for FRS regular class employees and by 9.15% of salaries for FRS special risk class employees. The result of this has allowed us some flexibility in terms of the options available to avoid major reductions in services and to address funding deficiencies in critical areas of the budget.

It is important to point out that in order to make the best use of the FRS savings, constitutional officers agreed to reallocate part of the savings realized in their budgets back to the general fund so it could be used within the broader budget context based on a consistent countywide approach to a

compensation supplement. When the compensation supplement is implemented, most of these funds will be given back to the constitutional officers for compensation supplements for their employees.

**Employee Health Benefits** – Employee health benefit premium rates paid by departments and agencies into the health benefit program have not been increased for many years, and although our program's cost containment strategies have been successful in keeping cost increases below national averages during this time, health benefit costs will inevitably increase over time. We have already shifted costs to employees during this time, requiring higher contributions toward coverage from all employees, and we did not want to increase those contributions next year on top of the 3% pay reduction employees will see as they begin to contribute to their retirement benefits.

Even though employee payroll deductions for health benefits will not increase, there may be changes on the benefit side in co-pays, coinsurance, and levels of coverage that will shift some of the cost increase to employees using the benefits.

**Constitutional Officers** – We would like to express our appreciation to all of the constitutional officers for cooperating with us as we continue to work to reduce spending. I informed the Clerk of the Circuit Court, Supervisor of Elections, Property Appraiser and the Sheriff that we wanted to allow them to

maintain their FY11 level of services, although some may have made changes within existing funding levels. After the FRS rates were adopted by the legislature, I also informed them I would be recommending their budgets be adjusted to cover the increased cost of health benefits, and decreased to reflect savings from FRS rate changes. As stated previously, funding for the employee salary supplement has not been distributed to the agencies, which means in most cases the constitutional officer budgets will show reductions from current year amounts. We believe that these recommendations are reasonable and will not require any reductions in service.

Any funds returned by these four constitutional officers at the end of FY11 are recommended to be re-appropriated to them in FY12, if the amounts returned exceed the budgets for excess fees. To do this, we would follow the same process followed in prior years.

**Tax Collector** – The Tax Collector has taken over state driver license responsibilities as of April, 2011. Although there is a state-authorized fee for driver license services, we understand the Tax Collector did not add to staff and operate the service based on the fees generated, but instead subsidized the service using funds (primarily property taxes) which would otherwise be returned to county government.

It is recommended we work with the Tax Collector and establish a goal of revising the fees and operating plan for the driver license services so no local subsidy is required. The county

commission does not approve the Tax Collector's budget even though it is funded primarily with fees based on property taxes levied. However, we can make objections known to the Department of Revenue (DOR), which does approve the Tax Collector's budget and which has the authority to require the Tax Collector to operate the driver license service within a budget determined by the fees generated.

**Sheriff** – Initially, the Sheriff requested a budget increase of approximately \$4.1 million in order to add twenty certified staff and provide 3% pay increases to employees. The Sheriff calculated that an increase in the tax rate of .19 mills would provide the funding required.

Consistent with recommendations for the budgets of other Constitutional Officers, the County Administrator's proposed budget did not include the increase for the Sheriff's budget. Due to the reduction in FRS employer contributions and estimated health benefit increases, the proposed budget for the Sheriff was \$91.6 million. The Sheriff revised his original request to accept the one-time salary supplement for his employees rather than the 3% pay increase originally requested. However, the Sheriff continued to present the need for 20 additional officers – 10 road deputies and 10 correctional officers. At the July 29 reconciliation meeting with the County Commission, the commissioners agreed to advertise a millage increase of 0.0710 mills to provide \$2 million for this staffing increase. At the same time, commissioners directed staff to continue working with the Sheriff to

eliminate the need for the millage increase. Prior to the first public hearing and adoption of a tentative budget on September 7, the Sheriff agreed to add 10 new positions funded by \$800,000 available due to property tax receipts based on the July 1 valuation, along with \$257,000 of law enforcement impact fees to provide equipment for the new positions, bringing the Sheriff's budget request to \$92.7 million. This compromise allowed the County Commission to avoid a millage increase and return the county-wide millage rate to the prior year level of 6.2993 mills.

**Supervisor of Elections** – The Supervisor of Elections originally requested a budget increase of 25%, from \$2,074,636 to \$2,594,456, due to the cost of the 2012 elections. It was my recommendation the Supervisor's budget be held to the 2011 level, adjusted for retirement and health benefit changes, of \$2,058,287. Since the Supervisor of Elections unspent funds have been averaging nearly \$450,000 per year over the past two years, when we roll over unspent funds from prior years, the Supervisor of Elections will have the funds that he needs in FY 2012.

The Supervisor of Elections has also been rolling over money that he intends to use for new voting equipment after the 2012 elections, in FY13. It was recommended the \$890,000 accumulated so far be programmed into the CIP, which is appropriate for an outlay of this nature. We will then add the FY12 unspent funds to the amount in the CIP and finance any additional funds needed in FY13 with a loan, or from reserves if available.

**Consolidated Utility System** – In 1990, the county began an effort to consolidate its utility system, by combining water, wastewater, solid waste, and stormwater into a single entity known as the "Consolidated Utility System". At that time, the future of the solid waste industry was changing with increased focus on recycling and resource recovery, which had the potential to create greater needs for capital. Also, the nascent National Pollutant Discharge Elimination System (NPDES) permit requirements appeared certain to create additional capital needs for stormwater systems. By combining the programs together, the concept was the financial strength of the water and wastewater system could enhance the creditworthiness of the solid waste and stormwater systems, making it easier for them to borrow money at better rates.

As it turned out, we were able to address a great deal of our stormwater improvement needs via enhanced maintenance rather than capital improvements. We were also able to successfully implement recycling programs without capital intensive projects such as resource recovery and materials recovery facilities. Therefore up to this time we have not needed the enhanced creditworthiness of the system to provide capital for stormwater and solid waste facilities.

Although a stormwater utility charge was contemplated at the time the system was consolidated, we have not implemented that revenue source either. Instead, we have been covering about half of the cost of the non-road portion of the stormwater maintenance program by

reallocating money from the solid waste fund.

Recent developments in the solid waste area have made it possible to cover a larger share of the non-road stormwater costs from solid waste funds. Although the only connection between solid waste and stormwater is they are both part of the same utility system, we can use funds interchangeably between the two programs for that reason. As a greater share of the stormwater program is picked up by solid waste funding, it should be possible in a future year to implement a stormwater utility by decreasing solid waste charges to offset the stormwater charges, thus making it revenue neutral.

**Public Works Department** – In the Public Works department, a variety of budget reductions are recommended. As some of these reflect a decrease in workload and some reflect greater operating efficiencies, services to the public for routine operations should be minimally affected. The county's ability to respond to requests for non-routine maintenance and to provide rapid response for development reviews will be diminished.

In Operations, staffing was reduced by two positions, along with various operating costs. This produced a savings of \$164,000.

In Project Management, units containing one position involved with fiscal support will not be funded and decision units containing five infrastructure inspectors will not be funded. Although this produces a

budget reduction of \$350,500, most of the funding for these positions came from charges to capital projects rather than from taxes or general revenue. The reductions are in response to reduced workload.

In Infrastructure Engineering, one position in right of way coordination will not be funded, producing a savings of \$56,300.

In Fleet Services, a maintenance tech trainee position will not be funded, resulting in a savings of \$41,100.

In the Stormwater Operations program, a field technician is retiring and the position will not be funded; a savings of \$102,400.

Property tax support for stormwater operations (part of the consolidated utility system) is being eliminated, producing a savings of \$2,154,543 annually. The reduction will be supplanted by providing more program funding from the utility system.

**Parks and Recreation** – In the Parks and Recreation department, the transfer of maintenance responsibilities to the City of Bradenton for Norma Lloyd Park will reduce the budget by \$126,000 and one position. Reduction in customer demand for after-school programs will result in reduction of eleven positions and \$248,400 in funding, which is no longer available due to reductions in program revenue. Funding will also be reduced by \$60,100 for a decision unit containing one support position not being funded.

Two positions will be reallocated from assignment at existing parks to maintain new parks, including Bennett Park and Conservatory Park. This will result in reduced maintenance capabilities at existing parks.

Lincoln Splash Park was funded in the amount of \$29,466, with reduced operating expenses in other areas of the Parks budget to offset this increase.

County golf courses have been operating at a deficit. Options are limited when golf courses are unable to cover costs with revenues. Increasing fees is not an option, because golfers will choose to play at other courses with lower fees. Reducing fees may increase play slightly, but not enough to balance out the deficit. The county chose to issue a Request for Proposal (RFP) to outsource all or part of golf course operations to a management company who will be able to staff operations on a lower cost basis. The negotiations were completed in August, 2011, allowing for Pope Golf to assume full operations as of October 1, 2011 and producing a budget reduction of \$2,897,145, with elimination of 47 additional positions.

**Property Management** – In the Building Management division, unfunded decision units include two trades positions, a fiscal position and a courier services manager position, resulting in savings of \$209,800. Also, there is \$1,021,600 in net reductions in budgets for electric utility expenses resulting from increased energy conservation efforts.

In the Land Acquisition division, there is a reduction of one position for a savings of \$49,700, and in the Construction Services division one inspections officer signed up for the Voluntary Separation Incentive Program (VSIP) and the position was eliminated, and a landscape architect position also was not funded, resulting in a savings of \$149,100.

**Community Services** – In the Children's Services division, a revenue reduction in the Children's Services Tax in the amount of \$333,800 is estimated due to the reduced tax base. Staff has provided a four year plan to spend down reserves and minimize the impact on programs. However, budget reductions to programs of \$300,000 per year will be needed over the next three years in order to sustain the reserve spend down. The budget reduction requirement would have been higher except for the fact that the legislature reduced requirements for the mandated local payments for juvenile detention costs. Also, we will be providing funding to the Sheriff for one school resource officer that was previously funded by Children's Services, freeing up another \$190,000 in funding for other programs. The transfer from the general fund for youth substance abuse treatment and general revenue supported program was reduced by \$46,000.

In the Human Services program, funding for a human services analyst position was eliminated, resulting in a savings of \$52,000.

For the Agriculture and Extension Service program, an extension agent was not funded, saving \$29,500.

**Public Safety Department** – Four positions, including a public information officer and three “float” paramedics, are not funded, resulting in a savings of \$332,700. Changes in the rules governing overtime calculations have reduced the need for “float” positions. Also, support for the Hazmat team has been reduced by \$6,800.

Provision of financial support to law enforcement activities at county parks on Anna Maria Island was reduced by 25%, providing savings of \$25,600. County investments in Coquina Beach, in particular, have reduced the need for law enforcement significantly and data shows that calls for service have been reduced.

In order to provide an additional revenue source to preserve Public Safety services to the greatest extent possible, our Emergency Medical Services (EMS) division will resume the practice of providing limited interfacility transports. This expansion will begin on a moderate scale, with anticipated revenue budgeted at \$200,000 per year. This will not affect response times or core services provided by EMS.

**Information Services Department** – Funding for one program manager position was eliminated, resulting in a savings of \$32,300. Reserves of \$500,000 have been set aside for technology equipment and system improvements.

**Neighborhood Services** – The new state budget completely eliminates new funding from the State Housing Initiative Program (SHIP). Reductions in other specialized funding sources such as Community Development Block Grants (CDBG), Community Redevelopment Agencies (CRAs), and grants, which have been used in part to pay for functions such as “Courtwatch”, nuisance abatement, and targeted code enforcement, have jeopardized the continuation of those programs. However, due to their high priority, we have continued funding for FY12 from general revenue.

In Libraries, there will be a reduction in operating hours for the central library, which reduces weekly hours from 56 to 48. This allowed us to reduce staff by three positions, and expenses by \$116,700.

**Natural Resources** – Funding for three staff and operating expenses dedicated to stormwater related activities is being shifted from the Municipal Services Taxing Unit (MSTU) to the stormwater fund, producing a savings of \$189,100 in property tax supported funds.

In the Resource Management program, position reclassification and reassignment have resulted in a net savings of \$53,000.

**Transit and Trolley Service** – There were no changes in Transit and Trolley services. The Longboat Trolley is still not showing appreciable improvements in ridership. However, funding to allow service to continue through FY12, subject to continued financial participation from the Town of

Longboat Key has been approved. If improvements in ridership and cost effectiveness are not realized during FY12 the program will not be recommended to continue beyond September, 2012.

As the new trolleys arrive for the Anna Maria Trolley, the trolley advertising program coordinated by the Island Chamber of Commerce will be reinstated. This is expected to result in a revenue contribution of \$60,000 to the trolley expenses.

**Civic Center** – Decision units containing two positions were not funded in the Convention and Visitor’s Bureau department. A sales manager position and a part-time information clerk were not funded, but were reassigned to eliminate funding previously assigned to temporary workers.

**County Attorney** – In the County Attorney’s Office, one vacant attorney position is not being funded, for a savings of \$104,500. Also, funding was reduced for items such as expert witnesses and other special services, but some money was set aside in reserves specifically for County Attorney contingencies.

**Building and Development Services** – Decision units containing six positions were not funded in the Building and Development Services department due to reductions in workload. Positions and activities affected were one plans examiner, three positions in Planning Services, one position in Transportation Systems Management and one position in Environmental Planning resulting in a savings of \$258,700.

The growth management fee study recommended a number of fee increases designed to allow certain growth management activities to become self supporting, assuming reasonable levels of development activity. Increased fees and related revenue, along with position reductions due to decreased demand for services, are expected to offset the amount of budget stabilization funds previously required to subsidize these activities. However, it may take fee paying activity more than one year to recover to the point where the new fees will completely cover the expenses.

**Fuel Costs** – We have included a reserve with funds equal to \$1 per gallon of estimated fuel consumption in the general fund and the transportation fund to address the possibility of rising fuel costs for FY12. This would supplement the \$3.25 per gallon originally programmed.

**Water and Wastewater Rates** – In accordance with the plan recommended in conjunction with bond issuance in FY11, rates may be recommended to increase by approximately 3% for each service.

**Solid Waste Services** – Although staff did not recommend any increases in solid waste rates to support operations, rates increase annually to accommodate the CPI and fuel adjustments in the franchise hauler contracts.

**Capital Improvement Program (CIP)** – The five-year CIP for FY12-16 reflects a diminished number of projects in most areas as revenues decline and existing projects are completed.

The general government CIP for FY12-16 provides \$27,023,000 in funding for nine capital projects, which are all either replacements or renovations of existing assets.

More information on the CIP was provided in the June 14, 2011 work session and in the Capital Improvement Plan document, which is available on the county web site [www.mymanatee.org/budget](http://www.mymanatee.org/budget).

**Transportation CIP** – Compared to the 2011 – 2015 CIP, annual accumulation of funds for transportation projects will diminish slightly over the first three years of the 2012 – 2016 CIP due to the extension of reduced impact fee levels. However, funding is intact over the five year period for the three major projects, Fort Hamer Bridge, 44<sup>th</sup> Avenue, and 45<sup>th</sup> Street East. There are also a few new projects which are small projects providing for functional improvements on certain county roads.

**Utilities CIP** - The primary source of funds for the Utilities CIP is the 2010 bond issue, and most of the projects in the CIP have already been funded via appropriation of the bond proceeds. Although there are no new funds required for FY12 water system projects, there are several projects in the CIP for reclaimed water system improvements. These improvements are consistent with permit requirements, and will

improve distribution, storage, and wet weather related management capabilities. They will be funded with assistance from Southwest Florida Water Management District (SWFWMD).

**Parks CIP** – Three major park projects are programmed for the FY12-16 CIP. Staff is evaluating options for funding the operating costs of these projects once they are completed, since general revenues have also declined.

**Renewal and Replacement (R&R) Projects** - Funding of \$1 million was adopted for renewal and replacement projects.

**Civic Center CIP** – Major improvements and renovations are currently underway at the Civic Center as approved by the commission in the FY11-15 CIP; these improvements are funded by a loan from the general fund to the Civic Center, which will eventually be converted to a bond issue paid for over twenty years using funding from the resort tax.

**Outside Agency Funding** – A comprehensive listing of non-profit agency funding was presented to commissioners prior to the final public hearing and adoption of the budget.

**County Community Redevelopment Agencies (CRAs)** – CRA tax increment revenues will fall again in FY12. As a result of losses in property values, which have a much larger impact on tax increment values than on taxable property values in general. Estimates show revenues from the

South County increment reduced by \$263,542 and the 14<sup>th</sup> Street increment reduced by \$49,751.

**Municipal CRAs** – County contributions for the five municipal CRAs has continued to drop due to reductions in increment values. It is estimated total reductions for municipal CRAs will come to \$484,090.

**Budget by Fund** – As stated earlier in the budget message, the June 6, 2011 work session will include a “30,000 foot” review of the major portions of the budget, using information at the “fund” level. This is the third year we have presented budget information in this format. This information feeds directly from the county’s automated systems to the presentation pages that are used. As a result, the information is presented in a format designed for financial technicians rather than the general public, and even the Certified Public Accountants (CPA’s) who perform the county’s annual audit often require some time to understand the abbreviations and financial shorthand used to describe line items and account classifications.

The purpose of presenting this information is not to get into detailed discussions of the meaning of the line items and related detail. Instead, the intent is to show in general terms the financial structure underlying the budget, revenue sources for various programs, reserves, and the financial condition of the various segments of the budget.

**Education and Professional Development** – As I have repeated

on many occasions, it is very important to maintain a well trained work force and to encourage professional development for county employees. Although we have scaled back on funding for education, training, and professional development, it is still important to carry on these activities at some level. They are not “perks”; they are requirements for satisfactory job performance in most cases. Training and education can be done more effectively when we oversee these activities in local venues so employees do not have to travel. Funding for tuition reimbursement is also recommended to continue.

**Economic Development Incentives** – Over the past year, the county commission has approved unprecedented amounts of economic development Incentives, potentially creating as many as 3,400 new jobs in Manatee County. These incentives would be paid out over the next five years as the new jobs come on line. Although this program has been successful in inducing employers to move and/or expand their businesses here, it is creating some significant obligations on the part of the county. Financially, we cannot sustain this level of incentives for any significant period of time.

For budgeting purposes, we have to recognize that not all of the projects that have been granted incentives will become reality and some that do become reality will not produce the maximum number of jobs covered by the incentives. Therefore, we are budgeting on the assumption that 65% of the incentives will actually be earned, and incentives are funded at

that level for three years into the future.

It will be necessary to review the program in the near future, and scale back on the level of incentives that we can authorize.

**General Fund Reserve for Contingency** – Over the past six years, amounts budgeted for the County Commission general fund reserve for contingency has ranged from \$1,175,000 in FY05 to \$1,800,000 in FY10. For FY12, funding was established in the amount of \$1,200,000. This represents a \$200,000 reduction from the FY11 figure, which offsets the cost of running the Longboat Key Trolley for 2012. All of the money in this reserve is from non-recurring sources. This means if this reserve is used to pay for recurring uses, there will only be funding for one year of use and funds will not be available to continue use beyond FY12.

**Reserves** – As we have mentioned in several places in the budget message, the county's reserve levels are at healthy amounts even though general revenues are dropping. In the March 22, 2011 work session we showed estimates of how our reserves can be gradually spent down to allow us to continue vital programs and services while we are waiting for revenues to recover. This four year projection was updated to reflect actual budget recommendations provided herein. More complete information on the proposed uses of operating fund reserves was provided in the "Budget by Fund" portion of the budget work sessions.

When viewing the financial health of our governmental operations, the primary indicator is usually the general fund cash balance, frequently referred to as a "reserve". The general fund cash balance forecast to be available at the beginning of FY12 is \$94.7 million. Proposed uses during FY12 include using \$15.6 million in general fund operating budgets, the \$1.2 million contingency reserve mentioned above, \$1.3 million for items such as unanticipated outside attorney fees, attrition offset/severance pay and prior year commitments to outside agencies, \$1.5 million for departmental replacement equipment and software upgrade needs, and \$173,000 for fuel cost increases. Also included is \$1 million set aside for stabilization of recreation programs since the special revenue fund is being eliminated and combined into the general fund in accordance with revised Governmental Accounting Standards Board (GASB) rules.

A portion of the cash balance has to be set aside for needs such as \$1.2 million for economic development incentives and \$3 million for allowance for encumbrances. The future budget stabilization reserve of \$40.2 million is also subtracted from the beginning balance providing for a gradual reduction of uncommitted general fund balance to a year end projection of about \$24.6 million. Our projected \$40 million reserve for operating cash balance exceeds the 20% reserve requirement in the reserve policy. All of these estimates are conservative.

**Additional Budget Data, Analysis, and Comparisons** – 33% of the adopted net budget of \$462,382,708 is funded by property taxes. The net budget amount is calculated by taking the gross amount of all appropriations, including many items which are double counted such as transfers and internal service accounts, as well as cash balances, and deducting those items to determine the net amount expected to be expended. In this budget, the gross budget amount is \$986,092,442. Transfers and internal services total \$242,721,088 and reserves for cash balance total \$280,988,646. Prior year appropriations, grants, and encumbrances that may eventually be carried forward are not included in the recommended budget but were re-appropriated in the final budget or during the fiscal year and are also excluded from the net budget to avoid double counting in budget comparisons. User fees and permits constitute 37% of total revenues and are generated primarily from water, wastewater, and solid waste fees, as well as building permit fees. Funding for ongoing grants, such as transit grants, is appropriated in the budget. However, funding for grants that are annually renewable or of a one-time nature is not appropriated until the grant is actually approved. Also, prior to final budget adoption, staff made changes and adjustments to the budget as needed, and the county-wide tax rate was adopted at the prior year level of 6.2993 mills.

When comparing the "Personal Services" portion of the budget, it is important to note the methodology used to determine budgeted amounts for salaries and related fringe benefits. Budgeted amounts are based on current actual salaries

less an attrition factor of up to 3%. In May or June of each year, personal services budgets are adjusted to account for actual attrition. Money has been reserved for "attrition offset" needs, in the event the 3% attrition figure is not realized due to reduced turnover, severance payments, or other reasons. Due to a variety of possible circumstances, budget comparisons may indicate instances where personal service amounts in the budget are more or less than the prior year amount (depending on the attrition experienced in the cost center) even though there is no change in staffing authorization.

**Outlook for the Next Budget Year (FY13)** – Facing the probability of further reductions in the tax base next year, it was imperative we prepare to continue reducing the size of our government as we completed our work on the FY12 budget. I believe we have accomplished this by not recommending new programs requiring additional staff and recommending over the past two years funding be curtailed for future capital projects that may require significant operating funds.

This adopted budget keeps the property tax well below the rollback rate and below the "maximum millage" the county commission may enact by a simple majority vote. Beyond that, there is not much more county government can do to provide significant tax relief to the properties affected by the inequities in the property tax structure if we want to continue to meet the critical needs of the community.

The Consumer Price Index (CPI) increase is 1.5% for this tax year which means the assessed valuation of properties with the homestead exemption will be limited to 1.5%. However, for many homestead properties the taxable value has dropped to the point where the "Save Our Homes" exemption no longer benefits the property owner, so we cannot make generalizations about whether the taxes for an "average" homestead property will be higher or lower if the tax rate does not change.

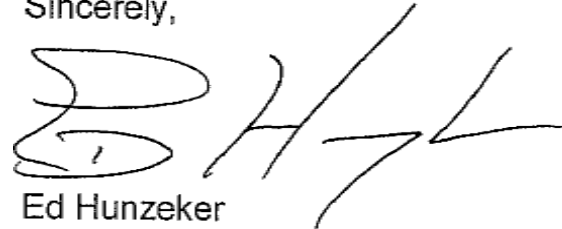
### **CONCLUSION**

As we enter into our fifth year of budget and service reductions due primarily to reductions in property tax revenue, the trend toward reduced revenue is expected to continue. As we go into the new fiscal year, all of our decisions and actions should reflect the reality of continuing revenue reductions.

After the presentation of the recommended budget on June 1, 2011, the commission held two additional budget work sessions. Three public hearings were held, one in June and two in September. The first public hearing, held on September 7, was noticed to all taxpayers via the notices of proposed property taxes sent out by mail. The second public hearing, held on September 15, was noticed by a newspaper advertisement published in accordance with requirements established by Florida statute. As required by law, at the public hearings, the percentage change in property tax proceeds that will be realized from increases in operating millage and/or changes in the tax base net of new construction,

or as compared to the "rolled back" amount was announced. For the adopted budget, the decrease is 5.03%. In concluding this budget message, it is my expectation you will find the information presented to be informative and useful.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ed Hunzeker', written over a white background.

Ed Hunzeker  
County Administrator