

FISCAL YEAR 2010 BUDGET MESSAGE

To: The Board of County Commissioners

July 15, 2009

INTRODUCTION

Today, I am transmitting the County Administrator's Proposed Budget for Fiscal Year 2010. This budget totals \$3.37 billion and includes both our tax supported operations and operations that are supported with other sources of revenue. The economy has affected the revenues of almost every aspect of county government from the Port to the Airport to tourist tax funded operations, and, of course, our tax supported services. **We** have analyzed the effect of the economic downturn on all of our revenues and have adjusted appropriations accordingly throughout this proposed budget.

FY 2010 PROPOSED TAX SUPPORTED BUDGET

While this entire budget is impacted by difficult economic times, for tax supported programs the situation is made much more challenging because of a fundamentally flawed property tax system. Local governments are mired in a system that creates different winners and losers each year rather than one that encourages taxing authorities to collect a consistently reasonable amount of taxes each year regardless of how taxable values change.

For years, long term homestead property owners benefitted substantially from the "save our homes" provision of the Florida Constitution in which their taxable values could only increase by a maximum of three percent. When property values were escalating dramatically and county millage rates were declining, these property owners often saw their taxes decline. For those property owners who didn't fall in this category, taxes often increased despite declining tax rates. Now that property values are declining, the reverse is true.

In FY 10 and certainly FY 11 as well, local governments statewide are faced with the difficult choice of reducing their total tax levy to keep taxes flat for the long term homestead property owners, reduce taxes for others or increase the tax rate to mitigate the impact of lower taxes for services. Taxpayers naturally react to how property taxes affect them individually rather than collectively. By treating various classes of taxpayers differently, the property tax system in the State of Florida has created distortions that cause some taxpayers to believe they are paying vastly more than they should while many others who pay relatively lower amounts feel their taxes should not increase. **As** a result, local elected officials are placed in a no win situation and attempts to "fix" the system by constitutional and legislative amendments have only made the situation worse.

With this as a backdrop, we present a tax supported budget that continues the three year trend of reducing the total amount of property **taxes** that we collect. Since FY 07, county property **taxes** (excluding voted debt) will have decreased by over \$115 million. Over 1,200 **tax** supported positions will **have** been eliminated. Given the cumulative impact of these reductions, it has become clear **that** we must fundamentally alter the level and type of services that we provide. In each of the last three years, we have worked diligently to streamline the organization and identify efficiencies, wherever possible. That work continues as we look for additional opportunities to save dollars. The FY 10 budget incorporates that approach; however, some service reductions are inevitable. **All** of the recommended reductions are detailed within each agency's recommended budget.

The fundamental change in services represents a movement toward the basics. Our parks and libraries are the clearest examples of this trend. In park services, we are moving toward a system where the parks are open fewer days with fewer programmed activities but they **will** continue to be maintained at a reasonable level and provide a very affordable option for recreation. The same is true for libraries where we have had to

eliminate many of the extra services that we have offered for years in favor of keeping all the libraries open, albeit for less hours *per week*.

The impact of decreased staffing is also felt by our employees. The last three years have been difficult for staff with hiring freezes and, in many cases, workload increases. Given that we are eliminating another 523 positions in this overall budget, we anticipate layoffs this fall even though we will make every effort to place as many employees as possible in vacant positions. We will update the **Board** with the number of staff requiring placement assistance in August after the complicated process of determining impacted individuals is complete. Given the layoff situation, we are asking for even greater sacrifice from employees to limit the layoffs to the smallest number possible. I have met with our union representatives and they are aware that the budget proposes five days of furloughs. We have agreed to continue to dialogue as we work through these difficult times.

The \$1.016 billion general fund budget, as contained herein, includes a 6.7% increase in the countywide tax rate at this time to accommodate the Sheriff's budget, which is flat compared to FY 09. It would require an additional reduction in **BSO** expenses of approximately \$46 million to completely eliminate this rate increase. In percentage terms, this level of reduction of approximately ten percent has already been reached by county agencies, the Property Appraiser, and the Supervisor of Elections. The Board has provided clear direction that additional budget cuts from the Sheriff's Office are needed and we are focused on that goal.

This proposed budget includes a total countywide millage rate for operations and capital of 5.2163 compared to this year's 4.8889 rate which will generate \$42.7 million less in property taxes compared to FY 09 due to the lower tax roll. The overall taxes levied would be \$776.2 million which is less than the amount levied in FY 06. With this millage rate, the average long term homestead property owner would pay approximately \$37 more than last year, the average short term homestead property owner would see an average decrease of \$213 and the average non-homestead property owner would see a decrease of \$158.

Throughout this budget process, the Sheriff has consistently conveyed a message touting the importance of public safety to the community. We don't believe that anyone disputes that premise, however, it is also very important for people to have a roof over their head, an affordable means to get to work and a way to obtain primary health **care** when they are uninsured and ill. Many of our services deal with the most basic needs of our residents and when these **needs** are not met, public safety issues only increase. The State has not fulfilled its responsibilities with so many of these issues and the county has **become** the last place for many to turn in times of need such as in this current recession. **As** a result, it is critical that all of the fundamental needs of the community are met in a balanced manner.

It is within this context that the County Commission has asked for further reductions in the Sheriff's budget. Further, it is felt that the Sheriff can make significant reductions through efficiencies to assist in reaching this year's tax rate without further reductions in county services. By doing this, all **taxpayers** will see either flat or reduced county taxes versus what is included at this time. Over the last month, we have had constructive dialogue with the Sheriff and his staff and hope that additional budget reductions will be forthcoming. During this time, we have worked with the Sheriff's Office to balance the fire rescue fund with no millage rate increase for the unincorporated area and reduced the regional fire budget by \$1.8 million. We placed these funds in a reserve for the stockade pending further input from the Board on this important issue.

The Sheriff's budget also reflects progress in the areas of indirect cost allocation and post employment benefit reserves. In FY 10, the general fund will receive about \$4.8 million in cost allocation revenues from the Fire Rescue Fund and the new Law Enforcement Contract Fund. There are also reserves in the various components of the BSO budget totaling \$4.6 million for future health insurance **subsidy** payments to retirees.

Regarding other millage rates, the debt service millage for voter approved bond issues will increase from .4256 in FY 09 to .5000 in FY 10 which is the required amount to fund the debt payments incurred as a result voter approved bond issues. With this slight millage increase, the average long term homestead property owner will only see an increase of \$8 in their debt service taxes while many others will experience a decrease. The proposed budget for the unincorporated area tax supported funds includes a flat millage rate as well as flat garbage and fire assessments.

In addition to our property tax supported operations, the budget also includes many other operations funded with other revenue sources. At our August 18th workshop, we plan to review with you in detail the major enterprise operations and capital programs such as the Port and Airport as well as the transportation capital program and tourist tax funded budgets.

OVERVIEW OF TOTAL BUDGET

The total budget for FY 2010, which includes tax supported as well as non-tax supported funds, compares to the revised FY 2009 budget as follows:

	FY 2009 (Millions)	FY 2010 (Millions)	Difference
Operating Budget	2,588.6	2,446.4	<142.2>
Capital Budget	636.2	512.5	<123.7>
Debt Service Budget	395.5	410.5	15.0
Total	\$3,620.3	3,369.4	<250.9M>

Overall, the total budget decreases by \$251 million as a result of decreases in both the operating and capital components. The total operating budget is declining by \$142.2 million due to reduced revenues in many of the operating funds.

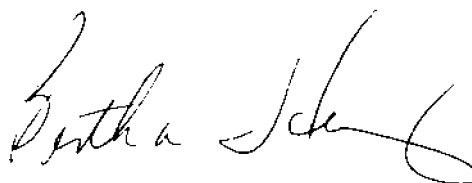
The total capital budget is decreasing by \$123.7 million for a variety of reasons including reduced revenues in many funds such as General Capital Outlay (\$47 million decrease) and the completion of funding for some major projects in FY 09, particularly in the Aviation and Water and Wastewater Enterprise Funds.

Total debt service is increasing by \$15 million primarily due to a \$36.1 million increase in enterprise debt service due to recent bond issues in Aviation, Port Everglades and Water and Wastewater. In general debt service, there is an overall decrease of \$21.1 million which includes an increase of voter approved debt service described above and a decrease in miscellaneous other debt such as the gas tax bonds.

CONCLUSION

This has been an extremely difficult budget process for everyone involved. Many residents are experiencing financial difficulties, employees are concerned about their jobs and service demands in many areas have increased substantially. The Board is faced with very difficult choices and clearly has another great challenge ahead in FY 11. It is a great credit to the Board that you have invested so much of your time in this budget process, focused on the outcomes of potential actions and maintained sound financial practices in the face of such significant financial pressures. We look forward to working with you to finalize this budget by September 22nd.

Respectfully submitted,



Bertha Henry
County Administrator