

Board of County Commissioners

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December 20, 2011

Honorable Chairman and County Commissioners
Flagler County, Florida

Dear Commissioners:

In accordance with the provisions of Sections 129.03(3) and 200.065(2), Florida Statutes, it is my pleasure to present the approved fiscal year 2011-12 budget for Flagler County, Florida, in the amount of \$148,348,035.

As adopted, the county wide and dependent special taxing district budgets for fiscal year 2011-12 are as follows:

| <u>Taxing Entity</u> | <u>Approved Fiscal Year 2011-12 Budget</u> |
|---------------------------------|--|
| County Wide Budget | \$136,670,406 |
| Transportation Impact Fee Funds | 7,839,163 |
| Parks Impact Fee Funds | 775,896 |
| Municipal Services Fund | 596,593 |
| Building Department Fund | 782,304 |

| <u>Taxing Entity</u> | <u>Approved Fiscal Year 2011-12 Budget</u> |
|---|--|
| \$3,730,000 Special Assessment Bond, Series 2002 Debt Service Fund (Colbert Lane) | \$ 1,002,522 |
| Daytona North Service District Fund | 619,999 |
| Rima Ridge Mosquito Control District Fund | 32,350 |
| Espanola Mosquito Control District Fund | 21,517 |
| Bimini Gardens Road Maintenance Fund | 7,285 |
| Totals - All Taxing Entities | <u><u>\$148,348,035</u></u> |

This approved budget is the culmination of a process that included careful consideration of the goals of the Board of County Commissioners, analysis of current and desired service levels, and availability of funds. Departments initially submitted budgets. The Financial Services Department, Department Directors and the County Administrator then reviewed the initial requests and adjusted the budget as necessary to meet the County's needs, while still maintaining fiscal responsibility.

I believe the approved budget for Fiscal Year 2011-12 reflects your priorities and direction. We held a series of seven budget workshops (May 23, June 13, June 27, July 11, July 25, August 8, and August 22) and two public hearings to allow opportunities for citizens to address their concerns and priorities before final decisions were made. Two of the public hearings were specifically scheduled to allow public input prior to any final decision on maximum tax rates. The first Truth in Millage (TRIM) Public Hearing was held Thursday, September 8, 2011 and the 2nd and Final Public Hearing was held on Thursday, September 22, 2011.

The preparation of this budget document was accomplished against a backdrop of economic uncertainty and expanded demands for service. For the fifth year in a row, local governments throughout the state have been faced with lower property tax revenue.

The document presented to you is a financially strong budget in light of the ongoing revenue decreases (including dramatic reductions in taxable property values) that we continue to experience.

District 1
Alan Peterson

District 2
Milissa Holland

District 3
Barbara Revels

District 4
Nate McLaughlin

District 5
George Hanns

With your leadership, we have dealt with these difficulties by drastically reducing staff, adjusting our self-insured health insurance plan, renegotiating our property/casualty/liability insurance, and surgically cutting budgets throughout the County, yet providing only minimal service changes to the public.

This streamlining of expenses has allowed you to fund necessary capital equipment and technology replacement this year, pursue economic development projects, maintain an unencumbered reserve in the amount of \$5,842,709 and still do quality capital projects within every municipality of the County.

Other highlights include; maintaining emergency disaster, helicopter replacement and jail reserve accounts. Emergency Services, Library, Parks and Recreation, Public Transportation, and Social Services have had budget cuts, with minimal cuts in services. This proposed budget is the result of a process that included careful consideration of the goals of the Board of County Commissioners, analysis of current and desired service levels, and availability of funds.

As an overview:

- The countywide operating millage rate is approved at 6.2232 mills, 100% of which is being used to fund the general fund. The general fund millage rate of 6.2232 mills will generate a total of \$38,806,233 (@ 95%), which is a reduction of \$1,500,320 or 3.72% from the amount of property tax revenue included in the adopted fiscal year 2010-11 budget.

Cumulatively, over the past five years (i.e. since the adopted fiscal year 2006-07 budget), the amount of property tax revenue budgeted in the general fund has fallen by \$9,519,916 or 19.70% from a high of \$48,326,150 in fiscal year 2006-07. Although the approved countywide operating millage rate of 6.2232 mills will generate 3.72% less in property taxes in fiscal year 2011-12 and is 5.32% below the rolled back rate of 6.5726 mills, it does represent an increase of 0.6415 mills from the 5.5905 mills levied in the fiscal year 2010-11.

- The continuing economic difficulties being experienced in the economy has resulted in flat or decreasing revenues from a number of major sources, ranging from state shared revenues such as the half-cent sales tax and state revenue sharing to local revenue sources such as growth management revenues.
- As a result of the overall flat/declining revenue projections, the approved budget as presented includes cutbacks in programs and/or personnel, many of which have been discussed with you previously, but which will also be highlighted in the course of this communication.

A more detailed discussion of the significant features of the approved budget follows:

Comments on Estimated Revenues and Other Receipts

Millage Rate – The approved fiscal year 2011-12 general fund budget includes an approved millage rate of 6.2232 mills.

In the approved fiscal year 2011-12 budget for the general fund, property taxes represent nearly 80% (78.85% to be exact) of the current year revenues in the general fund (i.e. total available resources of \$65,187,788 less cash carried forward of \$15,969,867). As noted earlier, over the past five years, the amount of property tax revenues budgeted has fallen by 19.70% or \$9,519,916. This has occurred in an economic environment where taxable values used to calculate available property tax revenues have fallen even more precipitously. Specifically, taxable property values in Flagler County peaked in fiscal year 2007-08 at \$12,184,917,324, and have fallen in each of the four years since then to \$11,200,626,942 in fiscal year 2008-09, to \$9,452,067,430 in fiscal year 2009-10, to \$7,667,193,838 in fiscal year 2010-11 and finally to \$6,563,932,871 for the approved fiscal year 2011-12 budget. Cumulatively, taxable property values in Flagler County have fallen by \$5,620,984,453 or 46.13% from the historic high of \$12,184,917,324 in fiscal year 2007-08 to \$6,563,932,871 for the approved fiscal year 2011-12 budget. The percentage decline this year alone (i.e. from \$7,667,193,838 in fiscal year 2010-11 to \$6,563,932,871 in fiscal year 2011-12) represents a decrease of \$1,103,260,967 or 14.39%. Although the increase in various property tax exemptions approved by the voters on January 29, 2008 (including the additional \$25,000 homestead exemption

for taxable values between \$50,000 and \$75,000) undoubtedly contributed to the overall decline in taxable values, the bulk of the decline is unquestionably the result of the current state of the real estate market. With its dependence on the building construction industry, the impact on the real estate market has been especially pronounced in Flagler County.

Based on certified fiscal year 2011-12 taxable values, which were received from the Property Appraiser on July 1, 2011, the following is a summary of the property tax revenues included within the approved fiscal year 2011-12 budget:

| Fund | Approved Millage Rate | Ad Valorem Tax Revenue @100% |
|----------------------------|-----------------------|------------------------------|
| General Fund | 6.2232 Mills | \$40,848,667 |
| Debt Service Funds: | | |
| 2005 ESL | 0.0905 Mills | 594,036 |
| 2009 ESL & 2010 ESL | 0.1595 Mills | 1,046,947 |
| 2005 General Oblig. Bonds | 0.3082 Mills | 2,023,004 |
| Totals – All Funds | 6.7814 Mills | \$44,512,654 |

Non-Ad Valorem (Per Parcel or Per Front Foot) Assessment Revenues – As presented, the approved fiscal year 2011-12 budget includes a total of \$2,072,992 in non-ad valorem (per parcel or per front foot) special assessment revenues which will be collected by the tax collector as a part of the tax bill process. The specific amounts included within the budget document are as follows:

| Taxing Entity | Fiscal Year 2011-12 Special Assessments @100% |
|--|---|
| Residential Solid Waste Collection Fund | \$ 1,425,840 |
| Daytona North Service District Fund | 264,080 |
| \$3,730,000 Special Assessment Bond Debt Service Fund (Colbert Lane) | 373,665 |
| Rima Ridge Mosquito Control Fund | 2,398 |
| Espanola Mosquito Control Fund | 1,335 |
| Bimini Gardens MSBU Fund | 5,674 |
| Totals - All Taxing Entities | \$2,072,992 |

There is no significant change in special assessments. Only the total estimated revenues in the Residential Solid Waste Collection Fund increased from the amount included in the adopted fiscal year 2010-11 budget (an increase of \$22,691 or 1.62% resulting from an increase in the number of assessable units. Total special assessment revenues in the Colbert Lane Note Payable Fund fell by \$12,053 or 3.12% from \$385,718 in FY 2010-11 to \$373,665 in FY 2011-12. The amount of assessment units remained the same (2,410.74 front feet) but the amount of the assessment is proposed to decrease from \$160 to \$155 per front foot. These revenues are still sufficient to

fully complete the debt service payments as they come due. In all probability, no additional special assessments will be necessary for the Colbert Lane debt beyond fiscal year 2011-12.

Sales and Use Taxes – The approved fiscal year 2011-2012 budget contains a total of \$4,513,489 in sales and use taxes from the following sources:

| Description | Approved Fiscal Year 2011-12 Revenues @100% |
|--|---|
| Local Government Half-Cent Sales Tax | \$ 1,864,404 |
| Local Option Infrastructure Half-Cent Sales Surtax | 1,169,704 |
| Local Communications Services Tax | 192,240 |
| Local Option Tourist Development Tax (4%) | 1,287,141 |
| Total | \$ 4,513,489 |

Based on preliminary estimates, \$1,864,404 in estimated proceeds from the Local Government Half-cent Sales Tax Clearing Trust Fund has been included in the approved fiscal year 2011-12 budget. This represents a decrease of \$101,532 or 5.16% from the \$1,965,936 included in the adopted fiscal year 2010-11 budget.

A substantial portion of the Local Government Half-cent Sales Tax Revenues has been appropriated within the proposed fiscal year 2011-12 budget for the

repayment of bonded indebtedness. A total of \$1,426,189 or 76.50% of this revenue is required by the provisions of the resolutions authorizing the issuance of the \$34,105,000 Capital Improvement Revenue Bonds, Series 2005 to be collected in the Capital Construction Sinking Fund 210 to meet current bond debt service requirements.

Proceeds from the Half-cent Local Option Infrastructure Sales Surtax are expected to see a slight increase during fiscal year 2011-12. The \$1,169,704 included within the approved fiscal year 2011-12 budget represents an increase of \$17,499 or 1.52% from the \$1,152,205 included within the approved fiscal year 2010-11 budget.

Once again, a significant portion of the Local Option Infrastructure Sales Surtax Revenues is pledged, and 100% of the \$1,169,704 proceeds are being utilized for the repayment of the \$34,105,000 Capital Improvement Revenue Bonds, Series 2005.

It should be noted that the amount budgeted as revenue from the Half-cent Local Option Infrastructure Sales Surtax represents only 28.7181% of the total proceeds from this revenue source. Through cooperative agreements with the other Flagler County governments, the Town of Beverly Beach receives 0.5129% of the proceeds, the City of Bunnell receives 2.3385%, the City of Flagler Beach receives 4.7938%, the Town of Marineland receives 0.0053%, and the City of Palm Coast receives the remaining 63.6314%, which in fiscal year 2011-12 is expected to generate a total of \$4,073,054.

The amount of proceeds expected to be received from the Local Communications Services Tax is expected to decline again in fiscal year 2011-12 compared to fiscal year 2010-11. A total of \$197,420 was included in the approved fiscal year 2010-11 budget from this source. This amount is expected to drop by \$5,180 or 2.62% to \$192,240 in fiscal year 2011-12.

As with the other sources of intergovernmental revenue, 100% of the \$192,240 proceeds from the Local Communications Services Tax are being utilized for the repayment of the \$34,105,000 Capital Improvement Revenue Bonds, Series 2005.

It is anticipated that the amount of tourist development tax revenues generated in fiscal year 2011-12 will experience a dramatic increase as a result of two factors. First, the amount of taxable sales subject to tourist development tax are projected to increase. Taxable sales estimates provided by the State of Florida used to estimate the amount of Flagler County Tourist Development Taxes collected totaled \$27,457,900 in fiscal year 2010-11. Taxable sales estimates provided by the State of Florida for fiscal year 2012 total \$32,178,534, an increase of \$4,720,634 or 17.19%. In addition, on October 18, 2010, the Board of County Commissioners adopted Flagler County Ordinance Number 2010-11 increasing the tourist development tax rate from 3% to 4%. 100% of the additional revenues generated must be utilized in the promotions and advertising category. Overall, it is anticipated that total tourist development tax collections will

increase by \$463,404 or 56.26%, from \$823,737 in fiscal year 2010-11 to \$1,287,141 in fiscal year 2011-12.

Pursuant to the provisions of Flagler County Ordinance Number 2010-11, funds generated from the tourist development tax are to be allocated to the following categories:

| <u>Category</u> | <u>Percentage</u> |
|---|-------------------|
| Capital Projects (Fund 109) | 22.50% |
| Promotions & Advertising (Fund 110) | 66.25% |
| Beach Restoration & Maintenance (Fund 111) | 11.25% |
| Total | <u>100.00%</u> |

Motor Fuel Taxes – A total of \$2,487,758 is included within the proposed fiscal year 2011-12 budget in motor fuel tax revenues. This amount may be summarized as follows:

| <u>Description</u> | <u>Approved Fiscal Year 2011-12 Revenues @100%</u> |
|------------------------------------|--|
| Local Option Fuel Tax | \$ 429,235 |
| Constitutional Fuel Tax | 1,105,780 |
| County (Seventh- Cent) Fuel Tax | 552,910 |
| Ninth-Cent Fuel Tax | 399,833 |
| Total | <u>\$2,487,758</u> |

The \$2,487,758 included from these sources in the approved fiscal year 2011-12 budget represents an increase of 2.94% from the \$2,416,736 included in the adopted fiscal year 2010-11 budget.

Each of the four types of motor fuel tax revenues have limitations as to how they can be utilized, for example, the constitutional fuel tax is generally limited to contracted road construction and reconstruction.

Please note that through cooperative agreements between Flagler County and the Flagler County municipalities, the proceeds of the six cent local option fuel tax is remitted by the State Department of Revenue directly to the County and the Cities. For fiscal year 2011-12, the distribution percentages are as follows:

| <u>Entity</u> | <u>Fiscal Year 2011-12 Distribution</u> |
|-----------------------|---|
| Town of Beverly Beach | 0.44% |
| City of Bunnell | 2.70% |
| City of Flagler Beach | 4.71% |
| Town of Marineland | 0.00% |
| City of Palm Coast | 72.97% |
| Flagler County | 19.18% |
| Total | <u>100.00%</u> |

Licenses, Permits, and Fees – The amounts included within the approved fiscal year 2011-12 budget from these sources

total \$494,657 which represents an increase of \$60,110 or 13.83% from the \$434,547 included within the adopted fiscal year 2010-11 budget.

This revenue category includes a number of different sources including building permit fees, right of way utilization fees, and impact fees. Over 100% of the expected increase in this category may be attributed to increases in the expected amount of revenues to be generated from transportation impact fees in the “New East” zone. Based on current year experience, total impact fee revenues in this fund are expected to rise by \$67,090 or 82.92% from \$80,910 in fiscal year 2010-11 to \$148,000 in fiscal year 2011-12. 75% of the other individual revenue line items included in this category are expected to remain unchanged in fiscal year 2011-12. The remaining three accounts are expected to experience minimal increases or decreases in fiscal year 2011-12.

Fund Balance (or Retained Earnings) Forward (carry over) – These amounts are defined as the expected amounts that the preceding year's (fiscal year 2010-11) actual receipts exceed expenditures. These amounts are generally used to fund the various budgets until receipt of ad valorem tax and non-ad valorem per parcel assessment revenues, which normally occurs in November or early December. The approved fiscal year 2011-12 budget includes a total of \$54,003,685 in fund balance (or retained earnings) brought forward, which represents 37.50% of the total proposed budget of \$144,014,149. Nearly 77% of the budgeted amount of fund

balance (retained earnings) brought forward are included in 11 funds, which may be summarized as follows:

| <u>Fund</u> | <u>Budgeted Fund Balance/ Retained Earnings</u> |
|---|---|
| General Fund | \$16,269,346 |
| Tourist Development Capital Projects Fund | 1,330,160 |
| Constitutional Gas Tax Fund | 1,694,457 |
| Environmentally Sensitive Lands Funds | 1,182,307 |
| Transportation Impact Fee Old East | 2,421,473 |
| Transportation Impact Fee Palm Coast | 4,249,949 |
| Capital Construction Sinking (Debt Service) Fund | 4,602,951 |
| Beachfront Parks Fund | 1,089,953 |
| Capital Projects Fund – 2008 ESL | 1,623,582 |
| Airport Fund | 1,326,407 |
| Sanitary Landfill Funds | 4,149,071 |
| Group Benefits (Internal Service) Fund | 3,435,595 |
| Subtotal | \$43,375,251 |
| All other funds | 10,904,241 |
| Totals – All Funds | <u>\$54,279,492</u> |

Debt Proceeds – As presented, the approved fiscal year 2011-12 budget contemplates one bond issue. This debt issue, in the amount of \$1,401,567 is in the Utility Enterprise Fund and is intended to provide funding for a portion of the improvements to the Beverly Beach Utility System. This amount is a loan from the United States Department of Agriculture (USDA). Once the proceeds of the loan are fully expended, the County is eligible to receive grant funding totaling \$1,854,900. The grant funding has also been budgeted as estimated revenue in the approved fiscal year 2011-12 budget of the utility enterprise fund.

Comments on Proposed Expenditures

Personal Services – As included in the approved fiscal year 2011-12 budget, appropriations for personal services total \$18,118,564, which represents a decrease of \$264,039 or 1.4% from the \$18,382,603 included in the approved fiscal year 2010-11 budget.

Gross wages (regular salaries, other wages, and overtime) included in the approved fiscal year 2011-12 budget total \$12,778,015, which represents an increase of \$169,585 or 1.3% from the \$12,608,430 included in the adopted fiscal year 2010-11 budget.

As noted previously, a number of decisions were made in advance of the presentation of this document relative to changes in staffing. As presented, the approved fiscal year 2011-12 budget includes a total of 301.13 full time equivalent positions in

county departments (i.e. excluding constitutional officers). This represents an increase of 3.38 full time equivalent positions or 1.14% over the 297.75 full time equivalent positions included in the adopted fiscal year 2010-11 budget. The changes in staffing may be summarized by cost center as follows:

| Description | Number of FTE Positions |
|---------------------------------|----------------------------|
| Adopted 2010-11 Budget | 297.75 |
| Plus: Proposed Changes | |
| County Administration | (0.80) |
| Land Management (New) | 2.00 |
| Library Services | (1.50) |
| General Services Administration | (0.50) |
| Facilities Management | 2.00 |
| Emergency Management | 0.80 |
| Public Transportation | 2.88 |
| Recreation Facilities | 1.00 |
| Recreation Serv. (Carver Gym) | (2.00) |
| Emergency Services Admin. | (0.50) |
| Fire/Rescue | (1.00) |
| Planning & Zoning | (0.50) |
| Building | (0.50) |
| Economic Development | 2.00 |
| Total Proposed Changes | 3.38 |
| | |
| Total Proposed FTE Positions | 301.13 |

As presented, the proposed budget includes no funding to provide salary increases to BOCC employees.

The constitutional officers were encouraged to follow the same salary increase strategy, but we are unable to verify whether or not they are in compliance.

Even though the approved budget includes no salary increases, there may be changes to the amount of salaries and benefits budgeted for existing personnel as a result of reclassifications of existing personnel, additions of positions, and the attrition of personnel which are replaced by personnel at differing pay rates, which may occur at any time during the fiscal year.

As included in the approved fiscal year 2011-12 budget, there is a total of \$726,327 in budgeted overtime costs. This represents an increase of \$9,344 or 1.30% over the \$716,983 included in the approved year fiscal year 2010-11 budget. Over 92% of the budgeted overtime is included in the approved fiscal year 2011-12 budget of the Emergency Services Department. The total amount budgeted for overtime in the Emergency Services Department increased by \$10,849 or 1.64% from \$659,884 in the adopted fiscal year 2010-11 budget to \$670,733 in the approved fiscal year 2011-12 budget. The increase in budgeted overtime in the Emergency Services Department resulted primarily from salary increases provided to employees receiving paramedic certification and/or promotions.

In spite of the modest increase in salary expenditures, the total amount appropriated for personal services decreased primarily as the result of decreases to the amounts budgeted for retirement contributions and workers compensation premiums.

Of the various employee benefits, none changed more significantly than the required amount of contributions to

participate in the Florida Retirement System.

Employer retirement contributions included in the approved fiscal year 2011-12 budget total \$1,526,955, which represents a decrease of \$403,114 or 20.88% from the \$1,930,069 included in the adopted fiscal year 2011-12 budget. Sweeping changes to the Florida Retirement System were enacted by the Florida Legislature during the 2011 legislative session which reduced dramatically the employer contribution rates. The reduction in employer contribution rates resulted both from the reduction in pension benefits (for example funding for an annual 3% cost of living increase for pension recipients was suspended for the next five years) as well as from the reinstatement (effective July 1, 2011) of a required employee contribution to the pension system, which was set initially at 3% of salary. There have been no compulsory employee retirement contributions since 1974. The resulting impact on employer contribution rates is dramatic as can be seen in the table below:

| Employee Class | Employer Contribution Rates For Fiscal Year | |
|---------------------------|---|---------|
| | 2010-11 | 2011-12 |
| Regular | 10.77% | 6.58% |
| Special Risk | 23.25% | 19.56% |
| Elected County Officers | 18.64% | 32.46% |
| Senior Management Service | 14.57% | 16.46% |
| DROP | 12.28% | 10.81% |

While the required FRS employer contribution is expected to fall by just over \$400,000, the amount estimated to be generated by the 3% employee contribution is expected to total approximately \$360,000.

Similar to the cost of participating in the Florida Retirement System, we are also expecting the cost of the County's fully insured workers' compensation program to fall. The cost of this program is allocated on the basis of the manual premium rates established by the State of Florida. For employees of the Board of County Commissioners only, total workers compensation premiums are expected to fall by \$109,169 or 22.46% from \$485,952 in the adopted fiscal year 2010-11 budget to \$376,783 in the approved fiscal year 2011-12 budget.

The County presently provides health care coverage to all full time employees through a self insured health care program, which provides for the payment of employee health and medical claims and is managed by the County and a third party administrator. Key components of the program include a prescription medication plan, and a Preferred Provider Organization (PPO).

In an effort to give employees additional options (as well as to reduce the cost of the plan to the County), the Blue Options Plan was offered in addition to the existing Blue Choice Plan. The Blue Options Plan allowed

for lower monthly premiums for the employees but higher deductibles and co-pays when the individual utilizes the plan.

Other efforts to keep medical cost trends at a minimum include the Employee Health Clinic which opened in late November, 2011. The clinic offers primary care services to covered employees and their covered dependents at no cost. These services include physician services, blood work and dispensing of certain maintenance medications. Utilization of the clinic has increased such that we are expanding the hours of operation from 24 hours per week to 40 hours per week.

In addition, the fiscal year 2011-12 budget as approved includes offering Wellness Incentives to all employees enrolled in the health plan. A Flexible Spending Account will be established for those that participate in certain Wellness Programs. Up to \$100 per covered individual will be deposited in the account for the employee to use toward out-of-pocket medical costs. These funds do not rollover year to year and the county does not incur an expense unless the employee meets established criteria.

The County has historically funded the cost to provide health care coverage for the employee plus a substantial portion of the additional cost of providing dependent health care coverage as a flat amount per employee (i.e. without regard to the cost of providing the service or the dependent care option selected). The amount per employee funded historically is as follows:

| <u>Fiscal Year</u> | <u>Amount Budgeted Per Employee</u> |
|--------------------|---|
| 2007-08 | \$10,000 |
| 2008-09 | 9,000 |
| 2009-10 | 8,000 |
| 2010-11 | 8,175 |
| 2011-12 | 8,300 |

Although the County only budgeted a total of \$8,175 per employee for the provision of health care coverage in the adopted fiscal year 2010-11 budget, the Board of County Commissioners directed that the various budgets actually fund a total of \$8,300 per employee, with the additional \$175 per employee absorbed in the various operating budgets. The total amount budgeted in the Insurance Fund has increased by \$67,794 or 0.67% from \$10,148,390 in the adopted fiscal year 2010-11 budget to \$10,216,184 in the proposed fiscal year 2011-12 budget.

By September 30, 2010, we believe the retained earnings balance in the health insurance fund will be \$3,435,595. The County will continue to monitor this fund. It would be our intention to utilize any undesignated balance of retained earnings (i.e after subtracting the estimated amount necessary to pay for claims incurred but not paid) for the purpose of creating a method of stabilizing the premiums charged for participation in the health care program.

Operating Expenses – Total operating expenses fell by \$40,447 or 0.19% from \$20,827,818 in fiscal year 2010-11 to

\$20,787,371 in the proposed fiscal year 2011-12 budget.

The amount included within the approved fiscal year 2011-12 budget for the purchase of insurance, specifically property casualty and liability insurance are expected to decrease rather substantially from \$1,001,777 in the adopted fiscal year 2010-11 budget to \$875,508 in the proposed fiscal year 2011-12 budget, a reduction of \$126,269 or 12.60%.

Constitutional Officers – As included in the approved fiscal year 2011-12 budget, the total funding support recommended for the Flagler County Constitutional Officers represents a decrease of \$845,391 from \$26,310,209 in the adopted fiscal year 2010-11 budget, to \$25,464,818 in the approved fiscal year 2011-12 budget. This is a direct result of the decrease in the State of Florida Retirement System rates. The funding provided to each of the five constitutional officers may be summarized as follows:

| <u>Constitutional Officer</u> | <u>Funding</u> |
|-------------------------------|---------------------|
| Sheriff | \$ 19,323,890 |
| Property Appraiser | 1,980,705 |
| Tax Collector | 2,300,000 |
| Clerk of the Circuit Court | 1,105,364 |
| Supervisor of Elections | 645,509 |
| Judicial/Other | 109,350 |
| Total | \$25,464,818 |

Capital Outlay – The \$813,427 in Capital Outlay Expenditures included in the approved fiscal year 2011-12 budget

represents a decrease of \$975,339 or 54.52% from the \$1,788,766 included in the adopted fiscal year 2010-11 budget.

In an effort to bring expenditures in line with current revenues, only essential equipment is being replaced this fiscal year.

Capital Improvement Program – The approved Capital Improvement Program for this fiscal year totals just under 25 million dollars with 19 minor projects and 48 major projects. Major Capital projects include replacement of bridges and widening and resurfacing County Road 305, Sidewalk improvements on Matanzas Woods Parkway and State Road 100, Park Improvements at Princess Place, Betty Steflik Park and Bings Landing, as well as various Airport projects. A detailed listing of these projects is provided in section 7 of this document. The following summarizes the Major Capital Projects by function:

| <u>Project</u> | <u>Amount Included in Fiscal Year 2011-12 Budget</u> |
|---|--|
| Parks, Trails, Sidewalks and Libraries | \$ 2,492,428 |
| Roads and Bridges | 11,224,131 |
| Utility | 4,326,567 |
| Airport | 5,678,499 |
| County Buildings and Structures | 285,000 |
| Canals and Drainage | 59,873 |
| Total | \$24,066,498 |

The majority of the funding for these projects comes from state and federal

grants and earmarks. Other major sources include impact fees, gas taxes and the general fund.

Debt Service – Debt service includes the costs of liquidating long-term liabilities of the County, such as principal and interest on bond issues and notes and contracts payable and related expenditures. The debt service expenditures of \$12,887,270 included in the approved fiscal year 2011-12 budget represents a decrease of \$9,168 or 0.07% from the \$12,896,438 included in the adopted fiscal year 2010-11 budget.

Debt service expenditures vary depending on the amount of the periodic installments of principal and interest due on long-term obligations during a particular fiscal year. The county has no legal debt limits.

Interfund Transfers Out – As presented, the proposed budget includes a total of \$314,704 in interfund transfers. There are a total of nine transfers included in this category. One of these transfers accounts for \$150,000 or 47.66% of the total. The \$150,000 transfer is from the Tourist Development – Capital Projects Fund to the General Fund for a future grant award. The remaining 8 interfund transfers are minor in nature and represent operating subsidies and/or the closeout of special revenue funds no longer being utilized.

Reserves and Contingencies – A total of \$36,759,520 has been included in the approved fiscal year 2011-12 budget for the provision of reserves. These reserves, which are generally governed by the provisions of Section 129, Florida Statutes,

typically fit into one of four categories; reserves for contingencies; reserves for cash to be carried forward; reserves for debt service; and reserves for capital outlay. Reserves for contingencies are included to provide a safety net in the event that unforeseen expenditures occur during the fiscal year. Reserves for contingencies are statutorily limited to no more than 10% of the total fund budget. Reserves for cash to be carried forward are generally created when there is a need to carry forward funds to continue operations until revenues are received in the new fiscal year. Reserves for cash to be carried forward are statutorily limited to no more than 20% of the fund budget. Pursuant to the provisions of the Board's adopted fund balance reserve policy (Flagler County Ordinance 06-24) the Board is required to fund a reserve for cash to be carried forward in the general fund in an amount not less than 15% of the current fiscal year budget for the fund. Reserves for debt service are created as legally required by the documents underlying the issuance of the debt, and are not governed by the provisions of Section 129, Florida Statutes. Reserves for capital outlay are generally established to provide the opportunity to cash fund major future capital outlay requirements.

At this point, it must be pointed out that in an effort to present a balanced budget, as provided by the provisions of Section 129.01(1)(b), Florida Statutes, it was necessary to reduce the amount budgeted in the general fund as reserve for cash to be carried forward below the required 15% threshold. In order to restore this reserve, it will be necessary to identify potential new

revenue sources or cost savings. In the alternative, the Board may wish to revisit its adopted policy and modify it as deemed appropriate.

Format of Document

We are pleased to present the approved budget to you in the same format as last year. The budget consists of eight main sections. Major changes include the grouping of revenues and expenses in all funds so that a more complete financial picture can be provided for each service or function. In some cases services have been broken down to provide a more detailed analysis. This is specifically found in Social Services and Parks and Recreation.

Other major changes to the document include explanations of the grants and funding sources on the revenue side along with various details of expenses such as outside agencies that are funded. These are scattered within the document and next to the relevant area being considered. Capital Projects have been financially detailed, and described with a narrative that will allow the average citizen to better understand the major projects the County is proposing to undertake and why.

Other smaller changes include a comments area within each budget that allows a brief explanation of larger dollar changes in either revenues or expenses. In some cases, account names and department's names have been changed to provide clarification.

Distinguished Budget Presentation Award –

The Government Finance Officers Association of the United States and Canada (GFOA) established the Distinguished Budget Presentation Awards Program in 1984 to recognize exemplary budget documentation by state, provincial and local governments, as well as public universities and colleges. Entities participating in the program submit copies of their operating budget for review. Each budget document is evaluated using a comprehensive evaluation checklist and those judged proficient receive the Award. On April 24, 2011, GFOA awarded Flagler County the Distinguished Budget Presentation Award for the adopted fiscal year 2010-11 budget. Flagler County has

received the Distinguished Budget Presentation Award for each of the past two years (fiscal years 2009-10 and 2010-11). We believe that our current budget document continues to conform to the Distinguished Budget Presentation Award program requirements, and we will submit it to the GFOA to determine its eligibility for another award.

Acknowledgements –

An annual budget document of this complexity could not have been prepared without the efficient and dedicated service of all staff members involved. I would like to give special recognition for the outstanding efforts of Kristi Moss, Diane Den Bleyker,

Joyce Bishop and Tom Klinker for their efforts in the preparation of the document.

The above comments are intended to clarify areas in which we felt additional information was necessary. If there are any other questions concerning the approved budgeted budget as presented, we would be pleased to discuss those questions with you, or to explain any of the procedures followed in the preparation of the budget document.

Respectfully submitted,



Craig M. Coffey
County Administrator