

Board of County Commissioners

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FLAGLER COUNTY
FLORIDA

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October 18, 2012

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 proposed year 2012-13 budget for Flagler County, Florida, in the amount of \$152,133,430.

As proposed, the county wide and dependent special taxing district budgets for fiscal year 2012-13 are as follows:

<u>Taxing Entity</u>	<u>Fiscal Year 2012-13 Budget</u>
County Wide Budget	\$140,620,136
Transportation Impact Fee Funds	8,230,932
Parks Impact Fee Funds	488,829
Municipal Services Fund	494,839
Building Department Fund	735,424

<u>Taxing Entity</u>	<u>Fiscal Year 2012-13 Budget</u>
\$3,730,000 Special Assessment Bond, Series 2002 Debt Service Fund (Colbert Lane)	\$ 670,047
Daytona North Service District Fund	848,128
Rima Ridge Mosquito Control District Fund	21,150
Espanola Mosquito Control District Fund	15,505
Bimini Gardens Road Maintenance Fund	8,440
Totals - All Taxing Entities	<u>\$152,133,430</u>

This proposed 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 proposed budget for Fiscal Year 2012-13 reflects your priorities and direction. We held a series of budget workshops and have two public hearings to allow opportunities for citizens to address their concerns and priorities before final decisions are made. The first Truth in Millage (TRIM) Public Hearing will be held Thursday, September 6, 2012 and the 2nd and Final Public Hearing will be held on Tuesday, September 18, 2012.

The preparation of this budget document was accomplished against a backdrop of economic uncertainty and expanded demands for service. For the sixth 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 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 \$4,000,000 and still do quality capital projects within every municipality of the County.

Other highlights include; maintaining emergency disaster, and helicopter replacement 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 proposed at 7.0800 mills, 100% of which is being used to fund the general fund. The general fund millage rate of 7.0800 mills will generate a total of \$41,390,465 (@ 95%), which is an increase of \$2,584,231 or 6.66% from the amount of property tax revenue included in the adopted fiscal year 2011-12 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 \$9,207,535 or 19.70% from a high of \$48,013,769 in fiscal year 2006-07. This proposed change in millage would still represent a cumulative drop in property tax revenue received by the county of \$6,623,304 or 16%. The proposed countywide operating millage rate of 7.0800 mills is 5.92% above the rolled back rate of 6.6843 mills and represents an increase of 0.8568 mills from the 6.2232 mills levied in the fiscal year 2011-12.

- 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 proposed 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 proposed fiscal year 2012-13 general fund budget includes an approved millage rate of 7.0800 mills.

In the proposed fiscal year 2012-13 budget for the general fund, property taxes represent 76% of the current year revenues in the general fund (i.e. total available resources of \$64,946,830 less cash carried forward of \$10,516,977).

Based on certified fiscal year 2012-13 taxable values, which were received from the Property Appraiser on July 1, 2012, the following is a summary of the property tax revenues included within the proposed fiscal year 2012-13 budget:

Fund	Approved Millage Rate	Ad Valorem Tax Revenue @100%
General Fund	7.0800 Mills	\$43,568,911
<u>Debt Service Funds:</u>		
2005 ESL	0.0847 Mills	521,240
2009 ESL & 2010 ESL	0.1653 Mills	1,017,223
2005 General Oblig. Bonds	0.3320 Mills	2,043,062
Totals – All Funds	7.6620 Mills	\$47,150,436

Non-Ad Valorem (Per Parcel or Per Front Foot) Assessment Revenues – As presented, the proposed fiscal year 2012-13 budget includes a total of \$1,704,692 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 2012-13 Special Assessments @100%
Residential Solid Waste Collection Fund	\$ 1,446,265
Daytona North Service District Fund	265,080
\$3,730,000 Special Assessment Bond Debt Service Fund (Colbert Lane)	0
Rima Ridge Mosquito Control Fund	2,400
Espanola Mosquito Control Fund	1,335
Bimini Gardens MSBU Fund	5,800
Total	<u>\$1,720,880</u>

The only significant change in special assessments is in the Colbert Lane Bond Debt Service Fund. The required debt service payments will end in 2014 and there is sufficient fund balance to make the payments required in FY 2012-13.

Sales and Use Taxes – The proposed fiscal year 2012-2013 budget contains a total of \$3,641,336 in sales and use taxes from the following sources:

Description	Proposed Fiscal Year 2012-13 Revenues @100%
Local Government Half-Cent Sales Tax	\$ 1,941,150
Local Option Infrastructure Half-Cent Sales Surtax	185,000
Local Communications Services Tax	228,045
Local Option Tourist Development Tax (4%)	1,287,141
Total	<u>\$ 3,641,336</u>

Based on preliminary estimates, \$1,941,150 in estimated proceeds from the Local Government Half-cent Sales Tax Clearing Trust Fund has been included in the proposed fiscal year 2012-13 budget. This represents an increase of \$ 76,746 from the \$1,864,404 included in the fiscal year 2011-12 budget.

A portion (\$635,000) of the Local Government Half-cent Sales Tax Revenues is being included in the proposed FY 2012-13 budget as 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.

In prior years, 100% of the Local Option Infrastructure Sales Surtax Revenues was pledged for the repayment of the \$34,105,000 Capital Improvement Revenue

Bonds, Series 2005. This revenue stream will sunset on January 1, 2013 and will no longer be available for this purpose. The debt service schedule of the bonds was created taking this sunset into account, decreasing payments accordingly. Included in the proposed FY12-13 budget is \$185,000 for three months of revenue for October-December.

The amount of proceeds expected to be received from the Local Communications Services Tax is expected to increase in fiscal year 2012-13 compared to fiscal year 2011-12. A total of \$192,240 was included in the approved fiscal year 2011-12 budget from this source. This amount is expected to increase by \$35,805 to \$228,045 in fiscal year 2012-13.

The \$228,045 proceeds from the Local Communications Services Tax is being utilized in the General Fund to offset county operations.

It is anticipated that the amount of tourist development tax revenues generated in fiscal year 2012-13 will be equivalent to the previous fiscal year. Included in the proposed fiscal year 2013-14 is \$1,287,141.

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	100.00%

Motor Fuel Taxes – A total of \$2,327,737 is included within the proposed fiscal year 2012-13 budget in motor fuel tax revenues. This amount may be summarized as follows:

<u>Description</u>	<u>Proposed Fiscal Year 2012-13 Revenues @100%</u>
Local Option Fuel Tax	\$ 424,095
Constitutional Fuel Tax	1,056,035
County (Seventh- Cent) Fuel Tax	461,869
Ninth-Cent Fuel Tax	385,738
Total	\$2,327,737

The \$2,327,737 included from these sources in the proposed fiscal year 2012-13 budget represents a decrease of 6.4% from the \$2,487,758 included in the fiscal year 2011-12 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 2012-13, the distribution percentages are as follows:

<u>Entity</u>	<u>Fiscal Year 2012-13 Distribution</u>
Town of Beverly Beach	0.30%
City of Bunnell	2.64%
City of Flagler Beach	4.11%
Town of Marineland	0.00%
City of Palm Coast	73.42%
Flagler County	19.53%
Total	100.00%

Licenses, Permits, and Fees – The amounts included within the fiscal year 2012-13 budget from these sources total \$591,540 which represents a decrease of \$101,095 from the 692,635 included within the adopted fiscal year 2011-12 budget.

This revenue category includes a number of different sources including building permit fees, right of way utilization fees, and impact fees.

Cash Carry Forward (Fund Balance) or Net Assets – These amounts are defined

as the expected amounts that the preceding year's 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 \$54,279,492 in fund balance (or Net Assets) brought forward, which represents 37% of the total proposed budget of \$148,348,305. Nearly 77% of the budgeted amount of fund balance (Net Assets) brought forward are included in 15 funds, which may be summarized as follows:

<u>Fund</u>	<u>Budgeted Fund Balance/ Retained Earnings</u>
General Fund	\$10,516,977
Court Facilities Fund	1,074,358
Tourist Development Funds	3,142,112
Constitutional Gas Tax Fund	2,372,279
Environmentally Sensitive Lands Funds	3,415,913
Transportation Impact Fee (Old East) Fund	2,683,325
Transportation Impact Fee (Palm Coast) Fund	4,242,714
Capital Construction Sinking (Debt Service) Fund	4,873,951
Beachfront Parks Fund	1,062,014
Solid Waste Fund	2,158,744

Health Insurance (Internal Service) Fund	<u>3,109,458</u>
Subtotal	\$38,651,845
All other Funds	11,348,491
Totals – All Funds	<u>\$50,000,336</u>

Debt Proceeds – As presented, the fiscal year 2012-13 budget contemplates one bond issue. This debt issue, in the amount of \$3,254,000 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 proposed fiscal year 2012-13 budget of the utility enterprise fund.

Comments on Expenditures

Personal Services – As included in the proposed fiscal year 2012-13 budget, appropriations for personal services total \$18,028,325, which represents a decrease of \$90,239 from the \$18,118,564 included in the approved fiscal year 2011-12 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 proposed fiscal year 2012-13 budget includes a total of 300.15 full time equivalent (FTE) positions in county departments (i.e. excluding constitutional officers). This represents a

decrease of 1.98 FTE from the 302.13 FTE positions included in the fiscal year 2011-12 budget.

As presented, the budget includes no funding to provide salary increases to BOCC employees. There is \$260,000 appropriated to be applied as a one-time payment to some employees. The implementation of this payment will be determined by the County Administrator.

The constitutional officers were encouraged to follow the same salary increase strategy, and have advised they would comply.

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 fiscal year 2012-13 budget, there is a total of \$736,249 in budgeted overtime costs. This represents an increase of \$9,922 from the \$726,327 included in the fiscal year 2011-12 budget. Over 97% of the budgeted overtime is included in the Emergency Services Department.

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 proposed fiscal year 2012-13 budget total \$1,262,524, which represents a decrease of \$264,431 from the \$1,526,955 in the approved 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 following is a rate comparison from last fiscal year to the current proposed budget:

Employee Class	Rates For Fiscal Year	
	2011-12	2012-13
Regular	6.58%	5.18%
Special Risk	19.56%	14.90%
Elected County Officers	32.46%	10.23%
Senior Management Service	16.46%	6.30%
DROP	10.78%	5.44%

While the required FRS employer contribution is expected to fall by just over \$264,000, the amount estimated to be generated by the 3% employee contribution is expected to total approximately \$360,000.

In contrast to the cost of participating in the Florida Retirement System, we are expecting the cost of the County's fully insured workers' compensation program to increase slightly. 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 increase by \$22,657 from \$376,783 in the adopted fiscal year 2011-12 budget to \$399,440 in the fiscal year 2012-13 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 the hours of operation were expanded from 24 hours per week to 40 hours per week during fiscal year 2011-12.

In addition, the fiscal year 2012-13 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:

Fiscal Year	Amount Budgeted Per Employee
2007-08	\$10,000
2008-09	9,000
2009-10	8,000
2010-11	8,175
2011-12	8,300
2012-13	8,300

The total amount budgeted in the Insurance Fund has decreased by \$326,137 from \$10,216,184 in the adopted fiscal year 2011-12 budget to \$9,890,047 in the fiscal year 2012-13 budget.

By September 30, 2012, we believe the retained earnings balance in the health insurance fund will be \$3,109,458. 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 increased \$3,121,342 from \$20,787,371 in fiscal year 2011-12 to \$23,908,713 in the fiscal year 2012-13 budget. An increase of \$1,000,000 is noted in Fund 152 Neighborhood Stabilization as this funding was not included in the fiscal year 2011-12 approved budget, but was subsequently added via budget amendment during the fiscal year. The General Fund increased \$849,103 from prior year due to the budgeted design of the Jail and increased Medicaid costs for Social Services. Of this increase \$150,000 was shifted to Court Facilities Fund (108) as the security contract for the Courthouse will now be funded by this fund. Tourist Development Funds (109, 110 and 111) increased budgeted operating expenditures \$324,434 attributable to increased cash carry forward. The Health Insurance Fund (603) increased \$173,069 due primarily to expanded hours of Clinic.

Constitutional Officers – As included in the proposed fiscal year 2012-13 budget, the total funding support recommended for the Flagler County Constitutional Officers represents a decrease of \$1,117,574 from \$25,464,818 in the fiscal year 2011-12 budget, to \$24,347,244 in the fiscal year 2012-13 budget. The funding provided to each of the five constitutional officers may be summarized as follows:

<u>Constitutional Officer</u>	<u>Funding</u>
Sheriff	\$ 18,323,890
Property Appraiser	1,979,724
Tax Collector	2,209,221
Clerk of the Circuit Court	1,104,564
Supervisor of Elections	621,225
Judicial/Other	108,620
Total	\$24,347,244

Capital Outlay – The \$1,833,264 in Capital Outlay Expenditures included in the proposed fiscal year 2012-13 budget represents an increase of \$32,222 from the \$1,801,042 included in the fiscal year 2011-12 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 over \$31 million dollars with 12 minor projects and 51 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, Colbert Lane Trailhead, Jail Expansion and Marine Land Acres Drainage 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 2012-13 Budget</u>
Parks, Trails, Sidewalks and Libraries	\$ 4,312,087
Roads and Bridges	17,156,155
Utility	4,254,376
Airport	3,913,252
County Buildings and Structures	834,420
Canals and Drainage	605,000
Total	\$ 31,075,290

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 \$6,646,383 included in the proposed fiscal year 2012-13 budget represents a decrease of \$95,435 from the \$6,550,948 included in the fiscal year 2011-12 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 \$1,177,901 in interfund transfers. There are a total of ten transfers included in this category.

Reserves and Contingencies – A total of \$43,333,539 has been included in the proposed fiscal year 2012-13 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. These reserves 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. This policy is under revision to reduce this rate to a range more reasonable for Flagler County in the current economy. The fiscal year 2013-14 budget includes \$4,000,000 or 6% of the budget for this reserve. 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.

Format of Document

We are pleased to present the approved budget to you in the same format as prior year. The budget consists of eight main sections. Major changes include moving the Constitutional Gas Tax Fund from section 5 to section 4 with the Other Operating Funds and the addition of a detail capital outlay schedule in section 8 in addition to the schedule of capital replacement.

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.

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, 2012, GFOA awarded Flagler County the Distinguished Budget Presentation Award for the adopted fiscal year 2011-12 budget. Flagler County has received the Distinguished Budget Presentation Award for each of the past three years. 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 Lorie Bailey-Brown 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