

Levy County FY 20-21

Budget Workshop 5-19-20

General Scheduling Notes (subject to change)

- 5/19/20 Workshop – Overview, Trends/Threats, BOCC Dep't Requests & Options
- 6/16/20 Workshop – Revenue Updates, Constitutional Officer Requests, Outside Agencies
- 6/23/20 Workshop – Reserved in case 6/16/20 meeting is unproductive or deadline is too tight
- 7/7/20 Workshop – Prior Meeting Loose Ends, Capital Planning Discussion
- 7/14/20 Workshop – Revenue Updates, Cleanup on Undecided Options, Capital Discussion
- 7/28/20 Final Workshop – Required to receive Tentative Budget and set Proposed Millage. Full balancing with Anticipated Reserves here.
- 9/8/20 – Tentative Hearings
- 9/22/20 – Final Hearings

- NOTE: Crucial Assessment discussions/decisions will need to take place throughout the summer – coordinated by County Attorney & NGN with County Staff

Things for today:

- Consider Uncertainty of Economic Environment, Potential Revenue Impacts, and the Cases for Hopeful Caution
- Consider the prelim staff budget you've been given – follow up on any items that are in the “Recommended” section of the “Changes” sheet you're not sure about.
- Give direction with regard to the Departmental budget options that are listed on the “Changes” sheet.

Overview – Trends / Good News

- The economy was demonstrating a great deal of fundamental strength, and economic trends remained favorable until Mid-March <https://thefloridascorecard.org/>
- Building Permit Revenues were stronger than ever (\$278,544) from October 1st thru April 30th – indicating a growing economy, increased activity and wealth, and an expanding tax base.
- We're still awaiting updates from the Appraiser's Office, but recent trend history has been upward, and since valuations were as of January 1, these should remain strong for the upcoming budget, at least.
- Despite March and April Drop-offs, Investment Revenues were \$235,636 from October 1st thru April 30th – better than the entire 4-year period of October 1, 2013 thru September 20, 2017.
- General Fund & related/dependent fund balances were stronger than ever through April 30th

THE FLORIDA SCORECARD

METRICS TO HELP SECURE FLORIDA'S FUTURE

View County Data...

TALENT SUPPLY & EDUCATION

INNOVATION & ECON. DEVELOP.

INFRASTRUCTURE & GROWTH LEADERSHIP

BUSINESS CLIMATE & COMPETITIVENESS

CIVICS & GOVERNANCE

QUALITY OF LIFE

Levy County Metrics (What is this?)

Levy County FutureCast

Click any metric to get more information!

UNEMPLOYMENT RATE

4.9%
(Increasing)

Jobs Year Over Year Change

-123

[View Statewide Heat Map](#)

HOUSING PERMITS

159

Permits (Improving)

SALES TAX REVENUE

\$3.16

Million per Year (Improving)

WEALTH MIGRATION

\$2.10

Million per Year

POVERTY RATE

20.7%
(Better)

[View Statewide Heat Map](#)

HIGH SCHOOL GRADUATION RATE

88.1%

(Improving)

[View Statewide Heat Map](#)

LAND IN CONSERVATION

24%

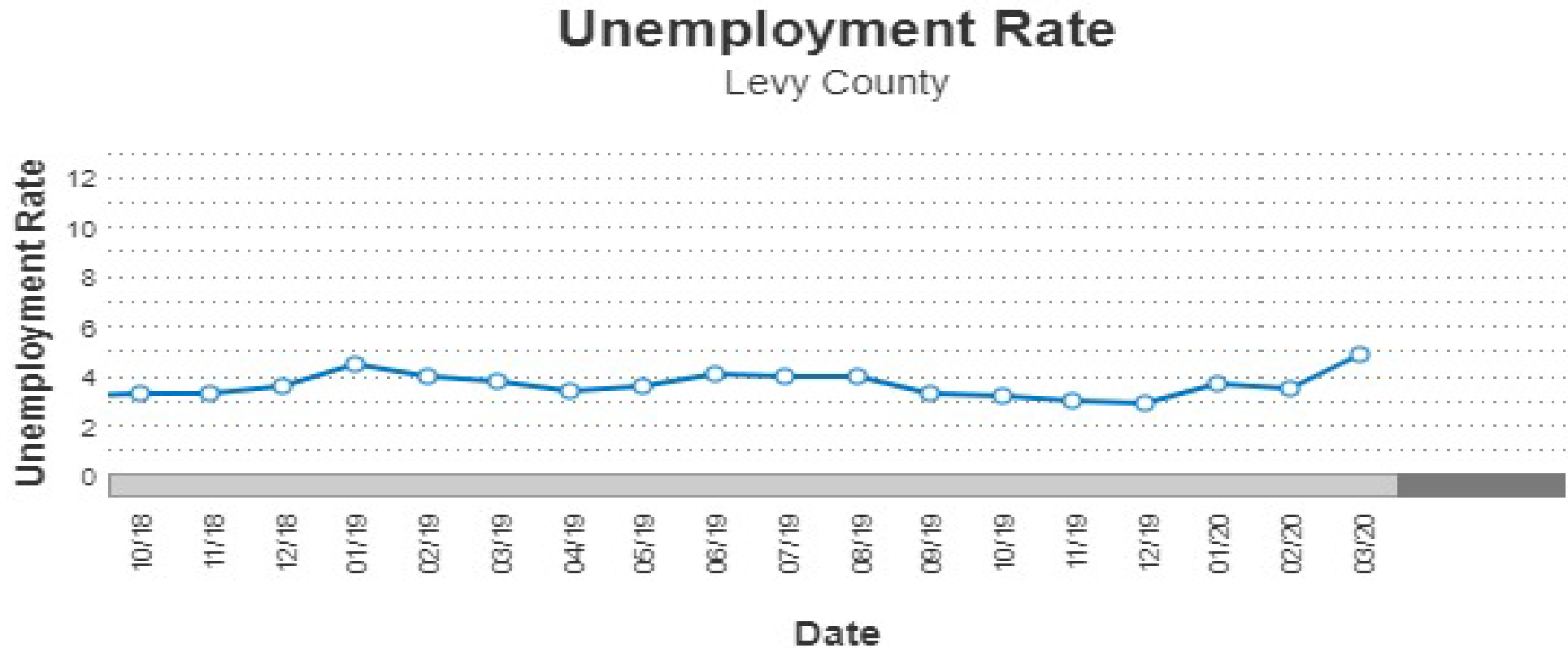
POPULATION

41.50

Thousand

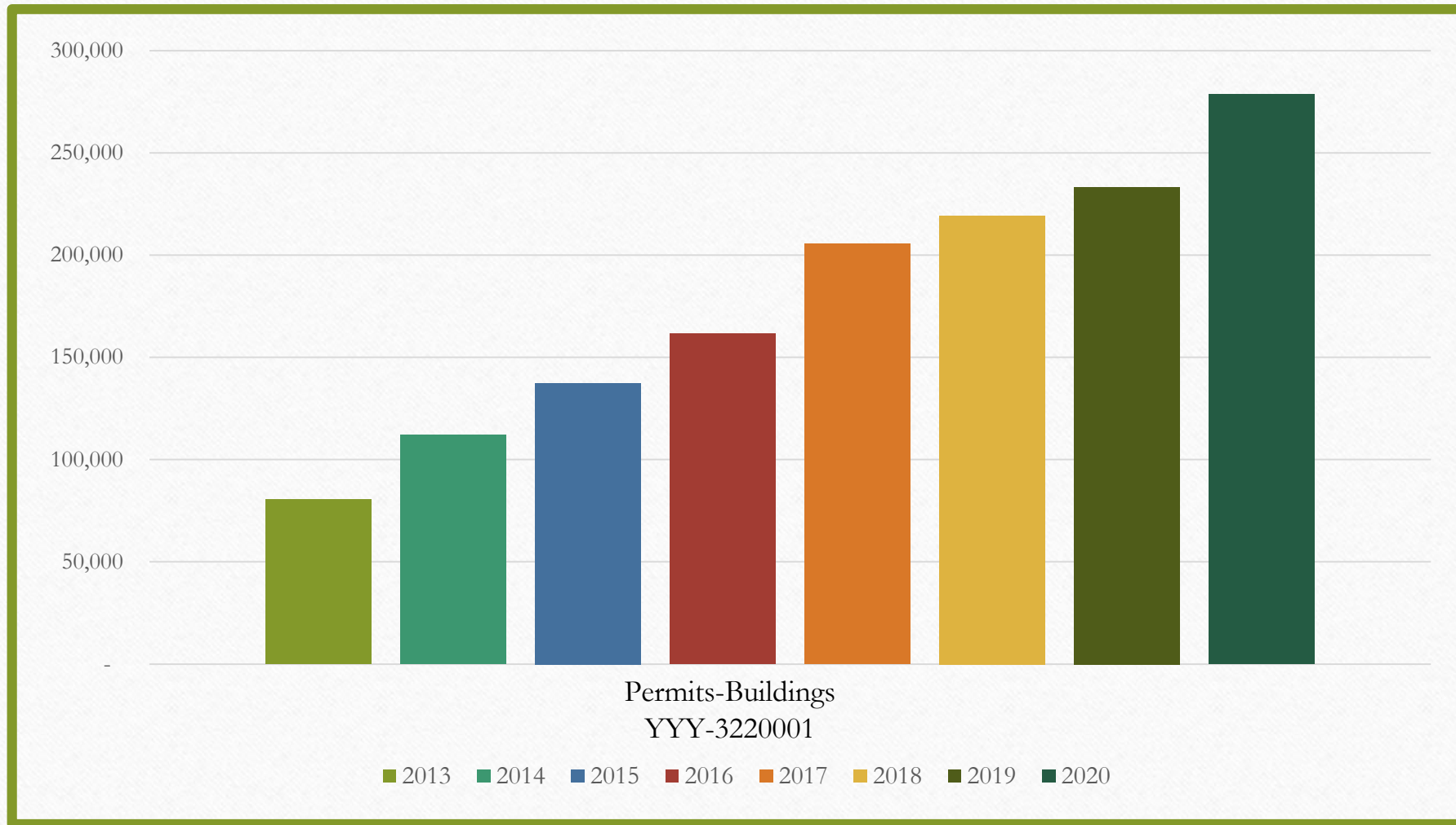
[View Statewide Heat Map](#)

Overview of Unemployment Rate Since September 2018

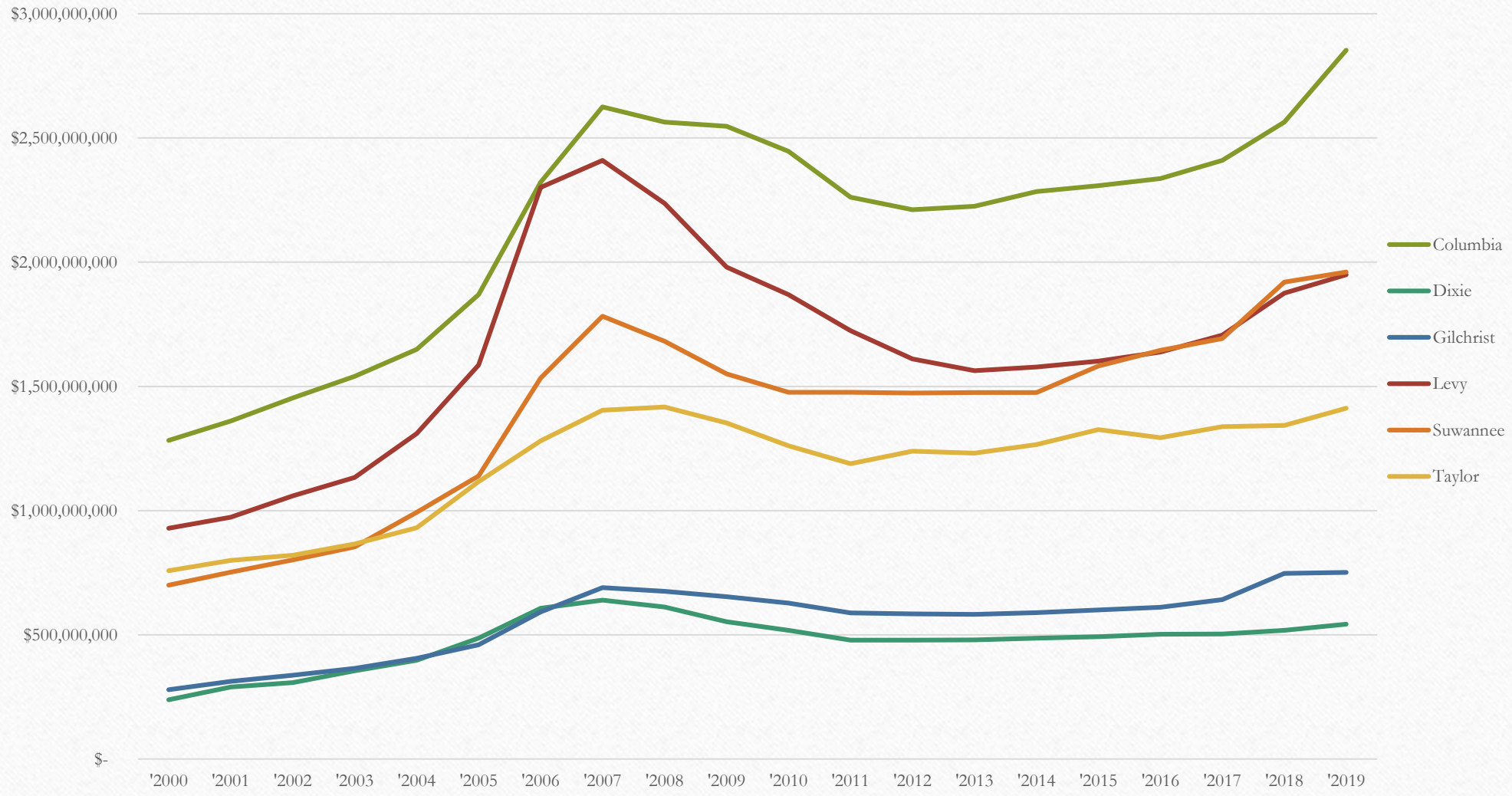


Not Seasonally Adjusted
Source: U.S. Bureau of Labor Statistics.

Building Permit Revenues as of April 30th of Each Fiscal Year



AREA TAXABLE VALUE TRENDS BY COUNTY (2000-2019)



MAJOR ACTIVITY-BASED REVENUE TRENDS 2013-2020

As of April 30th, Each Respective Year

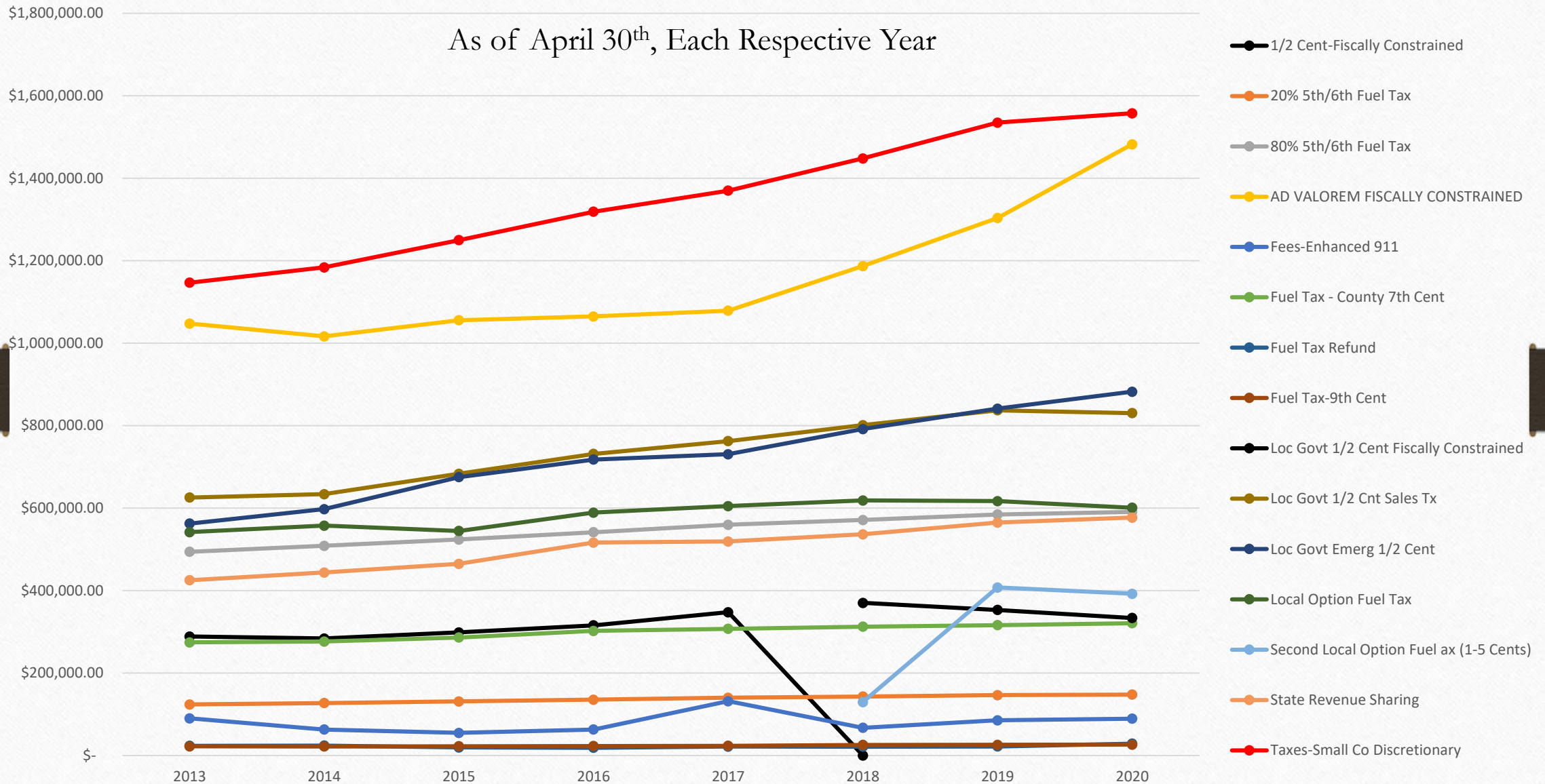
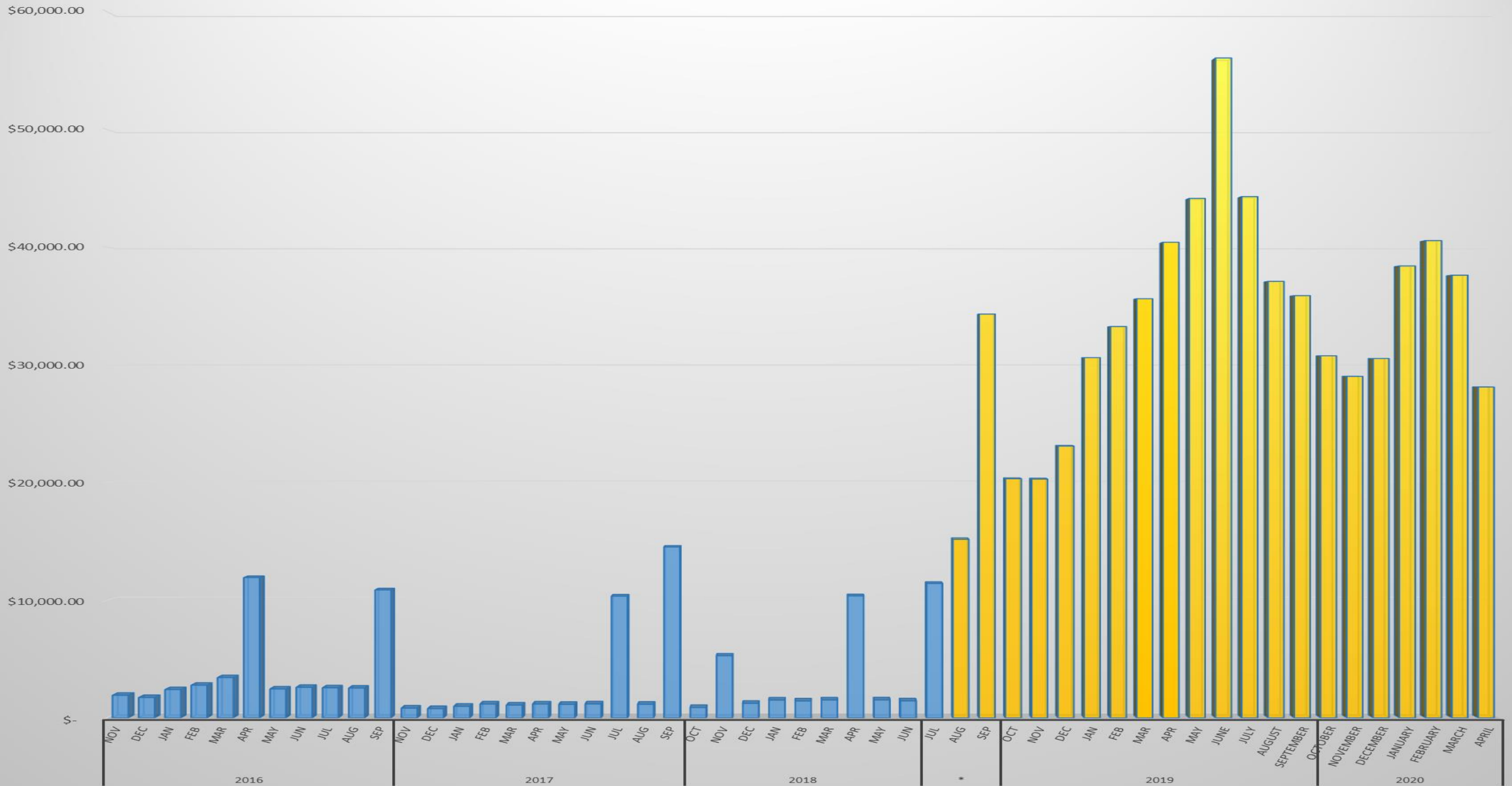


EXHIBIT A: Investment Earnings by Month: Fiscal Year 2016 through April 2020



Interest & Dividend Earnings – 2013-2020



Fund Balance Trends, Major General Fund “Dependents” – (As of April 30th - Just Past the Peak of the Year)



Overview – Trends/Threats (From Last Year's First Workshop)

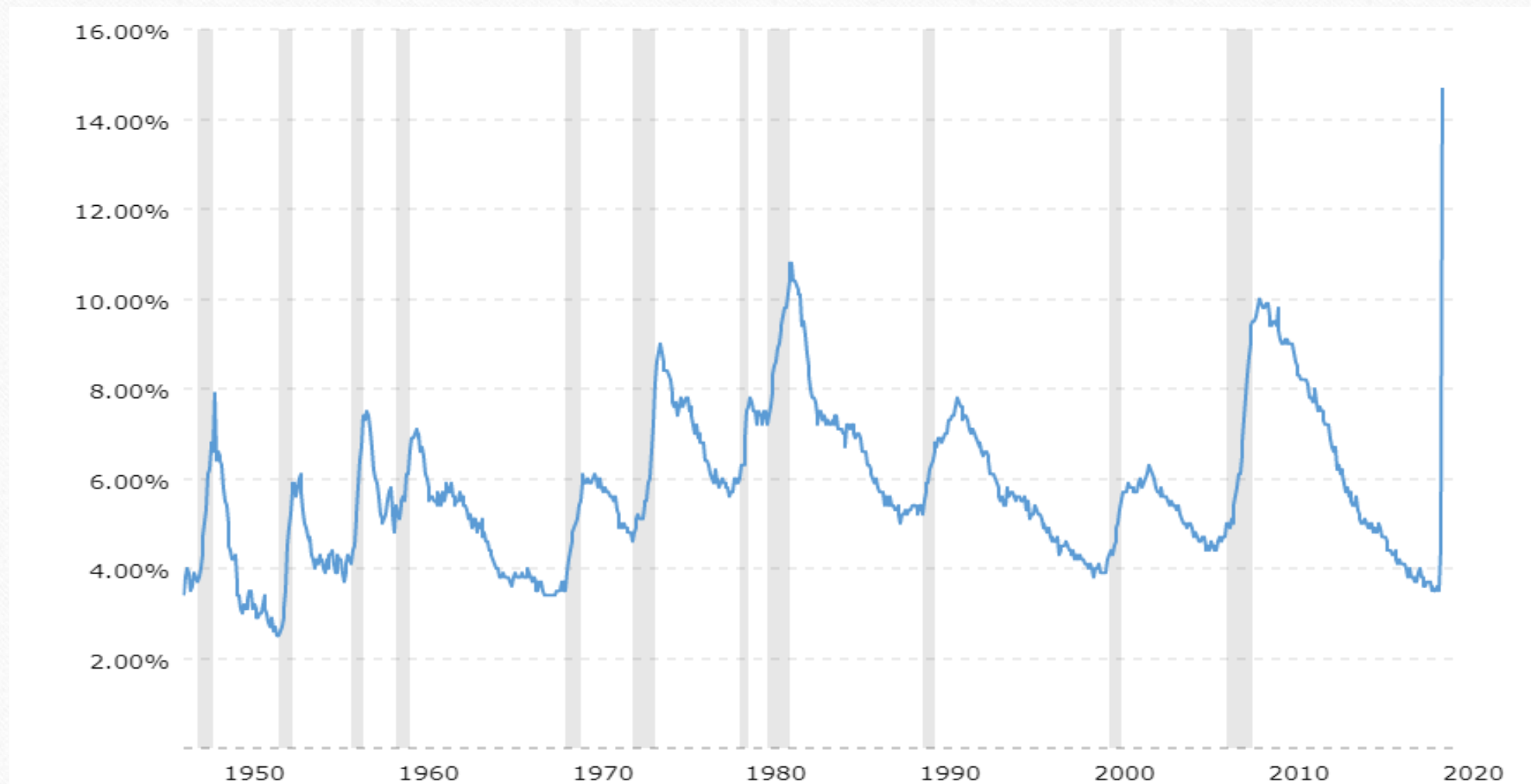
- ALL PERIODS OF ECONOMIC GROWTH HAVE AN END – Grow recurring payroll and operating costs wisely and attempt to accumulate sufficient reserves to provide a cushion against the next downturn, plan capital wisely...

Overview –Coronavirus/Shutdown Shock

Suddenly, our environment has changed.....

- The economy has been essentially mandated into an unprecedented shutdown by State authorities on the advice of Federal authorities...and this is a generally worldwide phenomenon.
- The sudden shock to what was an otherwise an apparently healthy economy is something no one knows how to analyze or predict.

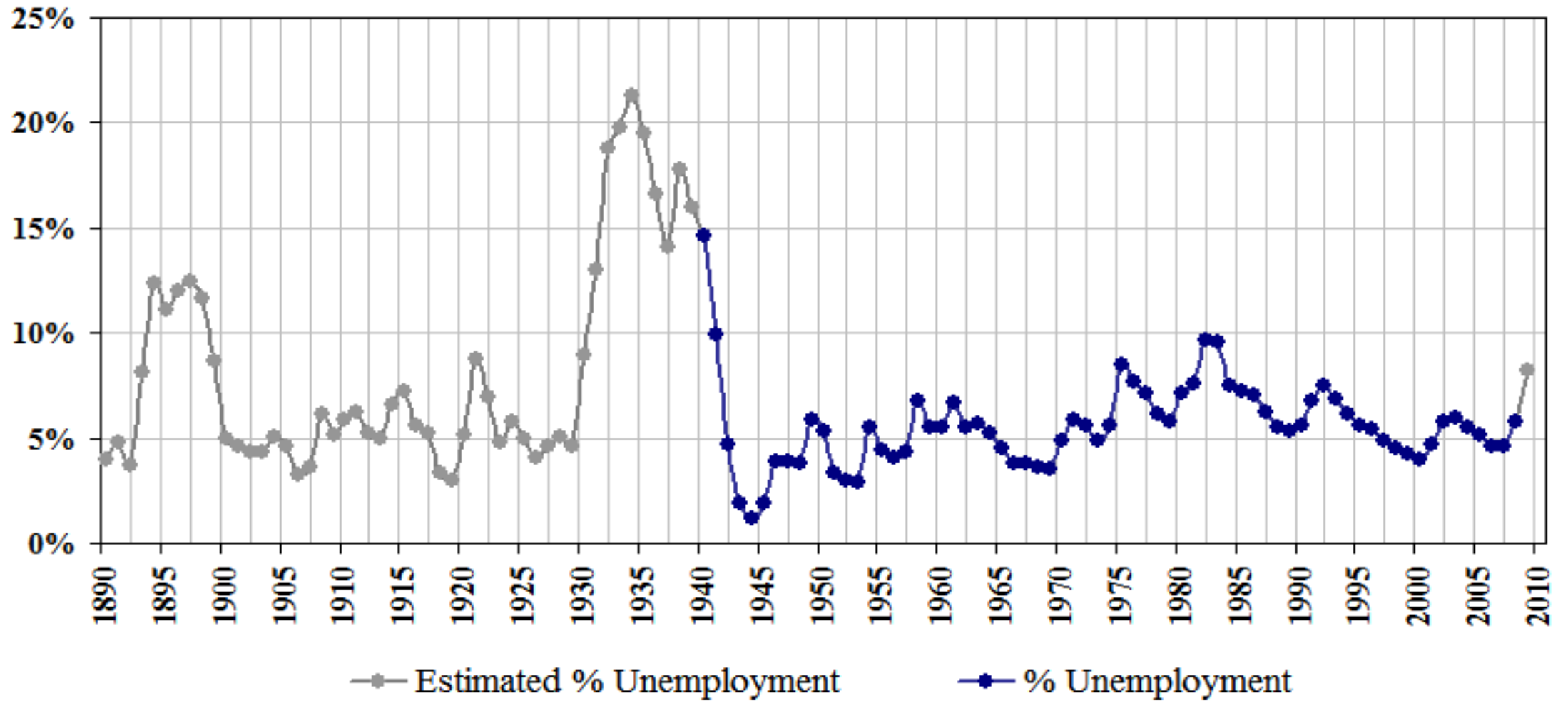
US National Unemployment Rate



Source: <https://www.macrotrends.net/1316/us-national-unemployment-rate>

Gray bars are periods of recession

United States - Unemployment Rate (1890 - 2008)

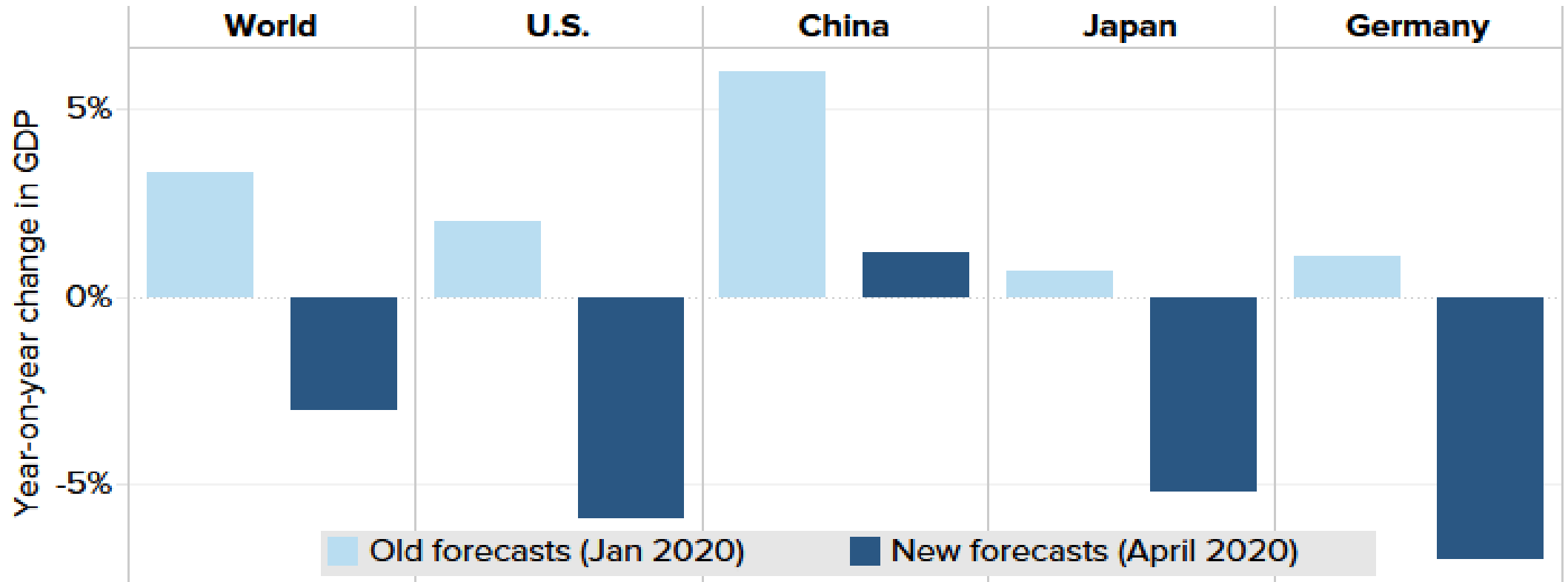


Source: https://en.wikipedia.org/wiki/File:US_Unemployment_1890-2008.gif

1930-2009 data are from Bureau of Labor Statistics, Employment status of the civilian noninstitutional population, 1940 to date <http://ftp.bls.gov/pub/special.requests/l/aa1.txt>, retrieved March 6, 2009 and [1] retrieved February 12, 2010. Data prior to 1948 are for persons age 14 and over. Data beginning in 1948 are for persons age 16 and over. See also "Historical Comparability" under the Household Data section of the Explanatory Notes at http://www.bls.gov/cps/cetech_methods.pdf. 1890-1930 data are from Christina Romer (1986), "Spurious Volatility in Historical Unemployment Data", The Journal of Political Economy, 94(1): 1-37. 1930-1940 data are from Robert M. Coen (1973), "Labor Force and Unemployment in the 1920's and 1930's: A Re-Examination Based on Postwar Experience", The Review of Economics and Statistics, 55(1): 46-55.

Economic forecasts downgraded for 2020

The International Monetary Fund cut its GDP projections for all regions

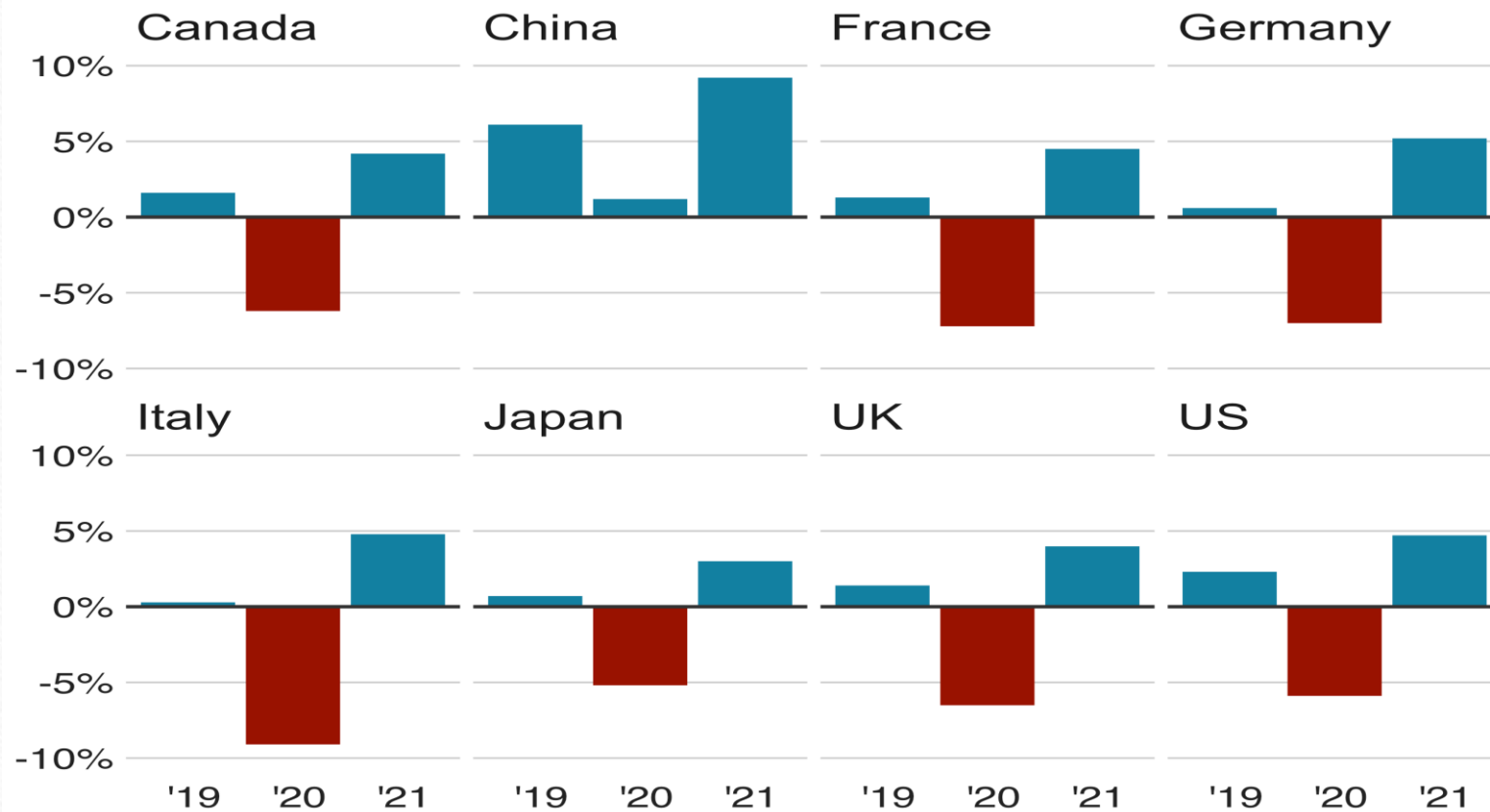


SOURCE: IMF World Economic Outlook (April 2020)



Many advanced economies are expected to enter recession this year

National annual GDP



Source: International Monetary Fund

BBC

Florida Impacts

- Obviously, we'd hope that locally we don't see the sort of sudden spike that some locales, will, BUT...
- We're in Florida – Hospitality and Tourism are primary industries, and those have been hit the hardest by the shutdown. But Florida is slower in processing claims so we're behind on stats.
- An example of the effect - State's preliminary estimates of March Sales Tax have decreased by 25%. April is expected to be worse.
- A similar impact could be seen to fuel and tourism taxes.
- We utilize State revenues and will not be immune to whatever the effects are going to be.

<https://www.orlandosentinel.com/coronavirus/jobs-economy/os-ne-coronavirus-florida-sales-tax-collapse-20200504-owc5ggrxpf4varuulwsoclo24-story.html>

What's Ahead?

Maybe Wednesday...That's about all I can tell you.

- The truth is: No person can predict what's next.
- There are V-shaped Recovery Predictions, L-shaped Predictions, U-shaped Predictions...etc.
- There are many cases to be made for optimism, but the hard data at the moment is dark.
- Locally – we won't know March's sales tax numbers for another week. We won't know April's until late June. We expect those to be bad.

Local Impacts

- Locally – we won't know March's sales tax numbers for another week. We won't know April's until late June. We expect those to be very bad.
- By the time a full-reopening takes hold, and we start actually getting good data, the budget deadlines will be upon us.
- **We very likely won't know much about the “shape” of recovery at all until late in this calendar year, if then.**
- Stimulus money is flowing, but it will have an expiration, and may come with inflationary impacts down the line.
- If the impact is prolonged, the great risk is that we eventually see property value drops, and significant destruction of local wealth and loss of small businesses.
- **SUMMARY: IT'S TOO EARLY TO BE AN ALARMIST, OR TO BE CONFIDENT.**

Recommended Response Philosophy – Keep Calm and Don't Be Overconfident

- Panic, not the virus, created the Economic Crisis – Don't create a local microcosm of that. The County is not only an entity that taxes, but a major employer in this area, and a source of economic stability.
- There are state governments laying off tens of thousands of employees, now. The uncomfortable measures taken these last 3 years have helped us avoid even needing to discuss that at this juncture.
- Given that we have strong Reserves, and an expectation of some stability for Ad Valorem Tax and Non-Ad Valorem Assessment revenue, in the short-term (less some delinquency), we are fairly well-positioned to take a wait-and-see approach for the next 6 to 9 months.
- However, to ignore the macroeconomic environment could prove perilous. We should avoid adding service levels and defer non-emergency capital needs.

Fund Balance Trends, Major General Fund “Dependents” – (As of April 30th - Just Past the Peak of the Year)



Recommended Response Strategy – Maintain Reasonable Sustainability

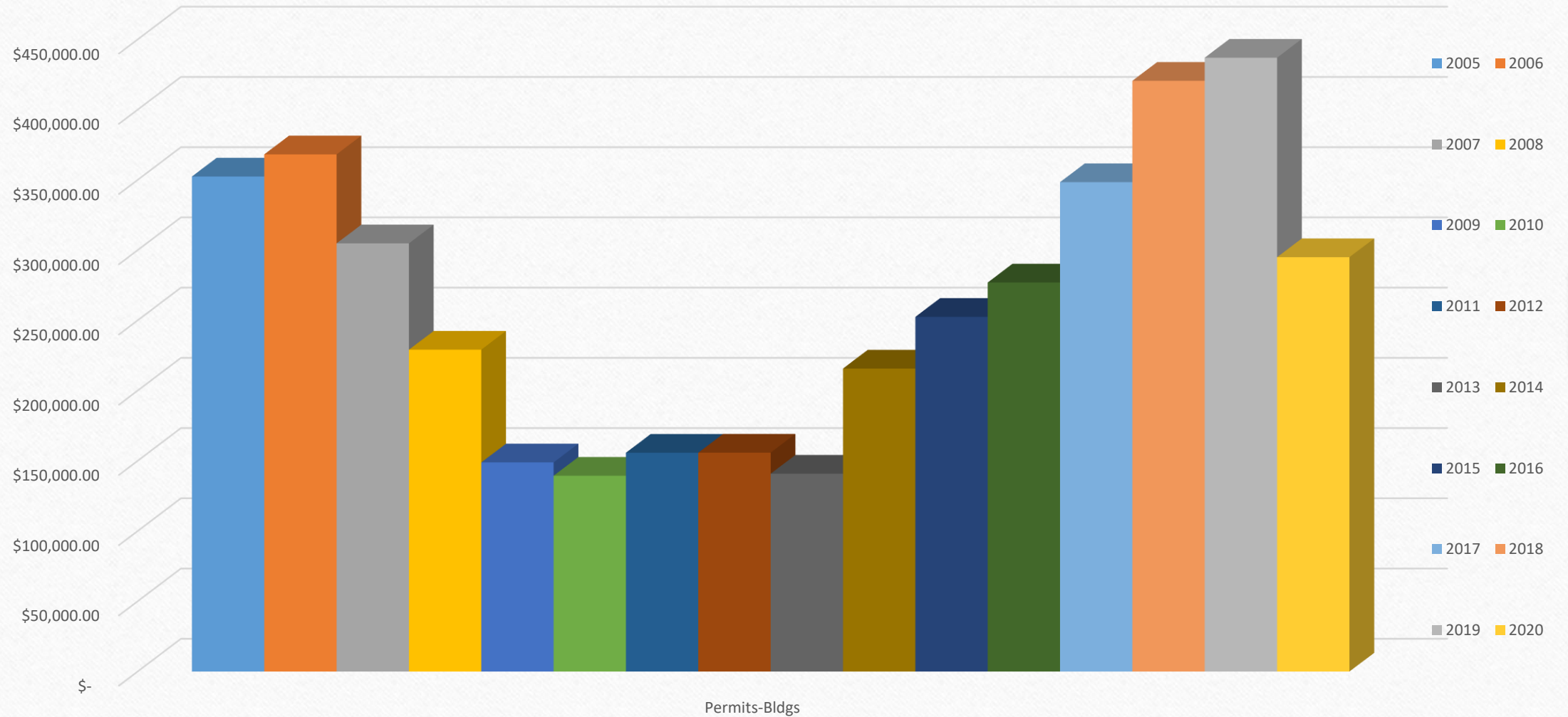
- In order to help insure the sustainability our continued operations, to aid in emerging from the other side of this :
 - Avoid any dramatic payroll or operating cuts, but we will consider any offerings of reductions.
 - Required/mandated increases will be prioritized, but any requests not needed to maintain current service are discouraged.
 - We ask hiring of vacant positions be delayed/frozen. The County Coordinator will approve the filling of immediately-needed BOCC positions. We do not intend to remove funding from those vacant positions at this stage, but holding them open is prudent.
 - Capital Improvement/Replacement Projects in process, contractually obligated, or required by State/Federal mandates must continue. All other capital requests will be frozen or approved by the County Coordinator , or if necessary, the BOCC.

Overview – Built-In Revenue Changes

- Investment Revenue down \$75,500 – still much better than prior years, but not as good as it has been in 2019 and 2020. We hedged this last year, or this would be much worse.
- Sales Taxes, Shared Revenue Built-In at 13% Decrease - \$1.305M down. Based on unemployment projections of 15-20% in Florida.
- Fuel Taxes estimated at 8% Decline - \$343,000 down.
- Estimating Health Insurance increases at 8% (until better data comes in) – Cost of \$205,000 across all funds
- Mandated Florida Retirement Rate Increases - \$78,700 across all funds
- Estimated Drops in Permitting and Fees (EMS, Building, Landfill) - \$211,000

PERMITTING REVENUES BY YEAR

Full Year 2005-2019, Thru May 8th, 2020



Overview – Trends / Good News

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Overview – Built-in Changes (Payroll)

- Budget, as usual, includes revised payroll projections based on current experience and moves that have already happened in current year.
 1. Includes additional expenses such as increased OT and urgent filling or restoration of prior eliminated positions, staffing for additional facilities/commitments made during FY 2020, promotion, increases in grade, longevity pays required by personnel policy and labor agreements. Net of \$76K increase
 2. EMS Fund appears to be trending slightly downward thanks to proactive OT planning. - \$58K DECREASE
 3. Includes succession planning for retirement situation; temporary inflation of personnel costs - \$46K increase

Overview – Built-in Changes (Operating)

- Department Operating requests were generally modest, and non-discretionary, and such as were necessary to maintain current service levels were approved.
 1. IT Costs for Other Departments rolling under NRT contract - \$15K
 2. Cost of internet at Annex Complex, also improved internet at various departments necessary for proper administration of financial oversight - \$8K
 3. General Admin Fee addition to Building Inspections Fund (offset by Transfer at this point in time) - \$45K
 4. AG-Extension Office was given a contract increase by UF prior to the shutdown that would have resulted in a \$40K increase. Department revised budget and in two days came back with deferred hiring and adjustments, putting request back to break-even.
 5. Loss of support and free dog food at Animal Control; must be budgeted - \$14K (partially offset by other reductions accepted by Department)
 6. Road - Significant engineering and pit blasting needs, more than offset by more significant fuel cost cuts and reduction to project transfers out accepted by Department.
 7. EMS - Capital Lease Costs for Ambulances and Medical equipment and testing and fuel cost increases (efficiency differences in new ambulances), net to \$163K

Overview – Built-in Changes (Capital)

- **No capital funding has been settled, except existing contracts...**
 1. Planning for capital discussions in July
 2. Urgent and mandated capital needs will be prioritized, others should be frozen
 3. Fire Funding is adequate for capital requests, and we've already had years of significant deferral of capital replacement
 4. Still-pending Law Enforcement Communications mandate looms large.

Overview – Built-in Changes (Going Forward)

- **Given the size of the assumed revenue reductions, and the uncertainty of the environment, we will be proactively monitoring trends for any changes (good or bad) in the situation.**
- **Contributions of departments that were able and willing to assume some reductions are much appreciated.**

BUILT IN Major Changes to Deficit Summary		Integration	General Fund	R&B	Transit	E911	Misc Grants	EMS	Fire	Tourism	Utility	Building Inspections	Capital Projects	Road Improvement & Project Fund	Landfill	Total	Notes
																	\$ -
1	Decrease in Investment Revenue Budget	Staff Budget	\$ (40,000)	\$ (8,000)				\$ (12,500)	\$ (4,000)	\$ (1,000)			\$ (4,000.00)	\$ -	\$ (6,000)	\$ (75,500)	Interest Rate Impacts
2	Increased Tourism Tax Rate Net of Increase in Tourism Promotional Operations Expenses and Complete Payroll Allocation, 10% drop in activity	Staff Budget								\$ 150,500						\$ 150,500	Tax would increase \$220K+ under normal conditions, Operating Exp inc \$20K, 10% dec assumed
3	Preliminary Sales Tax and Shared Revenue Decreases	Staff Budget	\$ (1,305,000)			\$ (23,000)										\$ (1,328,000)	Estimated at 13% Decrease in Sales Taxes, Shared Revenue, CST
4	Preliminary Fuel Tax Decreases	Staff Budget		\$ (343,000)												\$ (343,000)	Estimated at 8% Decrease in Fuel Taxes
5	Preliminary Permitting Decreases	Staff Budget		\$ (1,000)								\$ (64,500)				\$ (65,500)	Estimated at 30% Decrease in Permitting (FROM CURRENT TREND)
6	Increase in Health Insurance Costs - Tentative Estimate (unknown)	Staff Budget	\$ (53,000)	\$ (55,000)	\$ (9,300)			\$ (50,000)	\$ (10,000)	\$ (2,000)	\$ (1,900)	\$ (8,000)			\$ (16,000)	\$ (205,200)	Estimated at 8% Premium Increase over Actual, but was built into 2020 Budget
7	Increase in Florida Retirement Costs	Staff Budget	\$ (44,200)	\$ (32,000)	\$ (5,500)	\$ (300)		\$ 20,000	\$ 2,000	\$ (1,000)	\$ (1,200)	\$ (7,000)			\$ (9,500)	\$ (78,700)	Increases per Most Recently Available Proposed Rate Changes
8	Increase in Workers' Comp Insurances	Staff Budget	\$ (1,100)	\$ (15,000)	\$ (1,400)			\$ (8,000)			\$ (700)	\$ (700)			\$ (1,300)	\$ (28,200)	Per Experiences
9	Payroll adjustments to actual existing 2020 Trends - Current Hires, Succession Planning, Longevity Milestones, OT experience, Promotions & Increases within Grade, Unemployment Comp Experience	Staff Budget	\$ (72,520)	\$ (1,500)	\$ 28,500			\$ 58,000	\$ (8,000)		\$ (1,150)	\$ (17,600)			\$ (21,980)	\$ (36,250)	Actual Observed versus current FY 2020 Budget - Some items may be temporary in nature
10	Increase in Routine Operating Costs BOCC, Admin, HR, IT Services, B&Z, Animal Control - Maintaining Current Service Levels with rising costs or lost support	Staff Budget	\$ (26,109)					\$ 29,850	\$ (4,000)			\$ (4,450)			\$ (5,552)	\$ (10,261)	Various reasonable itemized requests across multiple departments - Primarily Non-discretionary
11	Net Savings from Planning Contract; Planner position eliminated	Staff Budget	\$ 78,100													\$ 78,100	Planner Position Eliminated, NCFRPC Contract cost added
12	Net additional Road Operating Costs demolition and engineering costs at pit, additional legal costs, offset by reduction in fuel costs and lease costs at pit	Staff Budget		\$ 15,246												\$ 15,246	Net Operating Reduction
13	Reduction in Transfers to General Capital Projects & Replacement and Road Improvement & Project Fund	Staff Budget		\$ 300,000										\$ (300,000)		\$ -	
14	Increase to Include Deferred Capital Outlay - Fire, Net Against Reduction of One-Time 2020 Costs for Municipalities	Staff Budget							\$ (8,539)							\$ (8,539)	Assessments have improved Fund Balance. Municipalities requested one-time bump up for capital purchases in 2020
15	Adjustments to GF Cost Allocation	Staff Budget	\$ 6,683	\$ (2,304)				\$ 33,204	\$ 15,702	\$ 785	\$ 740	\$ (45,545)			\$ (9,265)	\$ -	Per Formulas and Cost Drivers
16	Capital Lease Payments for Ambulances	Staff Budget						\$ (226,333)								\$ (226,333)	Per Leasing2 Agreement
17																\$ -	
18																\$ -	
19																\$ -	
	Net Built-In Deficit Reduction/(Addition)		\$ (1,457,146)	\$ (142,558)	\$ 12,300	\$ (23,000)	\$ (300)	\$ (155,779)	\$ (16,837)	\$ 147,285	\$ (4,210)	\$ (147,795)	\$ (4,000.00)	\$ (300,000)	\$ (69,597)	\$ (2,161,637)	

BUILT IN Major Changes to Deficit Summary

		Total
1	Decrease in Investment Revenue Budget	\$ (75,500)
2	Tourism Tax Net Effects	\$ 150,000
3	Preliminary Sales Tax and Shared Revenue Decreases	\$ (1,328,000)
4	Preliminary Fuel Tax Decreases	\$ (343,000)
5	Preliminary Permitting and Fee Decreases	\$ (211,000)
6	Increase in Health Insurance Costs - Tentative Estimate	\$ (205,200)
7	Increase in Florida Retirement Costs	\$ (78,700)
8	Increase in Workers' Comp Insurances	\$ (28,200)
9	Payroll adjustments to actual existing 2020 Trends	\$ (64,750)
10	Increase in Routine Operating Costs/Maintaining Current Service Levels with rising costs or lost support	\$ (10,261)
11	Net Savings from Planning Contract; Planner position eliminated	\$ (78,100)
12	Net Reductions and additional Road Operating Costs	\$ 15,246
13	Reduction in Transfers to General Capital Projects & Replacement and Road Improvement & Project Fund	\$ 0
14	Increase to Include Deferred Capital Outlay - Fire, Net Against Reduction of One-Time 2020 Costs for Municipalities	\$ (8539)
15	Adjustments to GF Cost Allocation	\$ 0
16	Capital Lease Payments for Ambulances	\$ (226,333)
		\$ (2,335,637)

This concludes our presentation about staff recommendations – now we can move on to your questions about these and other built-in items, and then review the current list of Options for potential decisions.

To be clear – Obviously any changes, including a different approach to built-in items, are at the discretion of the Board. The idea behind the recommendations is to streamline the process as much as possible to filter out things like mandates, recent past decisions, and contractual obligations.

Options for BOCC to Consider Summary

	Total
1 Elimination of Grants Coordinator Department	\$ 35,420
2 Funding of Full-Time Grants Coordinator/Legislative Affairs Position	\$ (37,575)
3 Emergency Management App Development & Support	\$ (15,000)
	<hr/> \$ (17,155)