Levy County FY 22-23

Budget Workshop 08-02-22

General Scheduling Notes

- *TODAY* - 8/2/22 Final Workshop – Required to receive Tentative Budget and set Proposed Millage. Full balancing with Anticipated Reserves here. All 90 Funds
- 9/6/22 – Tentative Hearings
- 9/20/22 – Final Hearings
- NOTE: Assessment discussions/decisions will need to take place throughout the summer – coordinated by County Staff with NGN

Things for today:

- Receive Tentative Budget
- Set Proposed Millage
- Consider Updates and Overall Funding Picture

Features of this Budget:

- Budget is balanced at $130,147,901.
- General Fund budget is $53,535,146.
- Tentative General Fund Operating Budget Deficit is $1,063,704.
- Capital Funding is building closer to desired levels.
- Future wage-driven inflation & pending communication infrastructure needs are the largest current concerns, however, our positioning against these challenges is considerably improved.

General Updates:

- Net adjustments in General Fund expenses = $88K increase.
- Restoring a vacant position in Veteran's Services $61K
- Additional AHAC Training cost $1500
- Increasing Water Utility Subsidy Transfer - $31K, Eliminating Radio Communication Fund Subsidy - $10K, Increase Transfer to Fire Fund for Exempt Properties - $4K
- Payroll adjustments based on current trends: additional $65K in EMS, $25K in Fire Fund, $4K in Water Utility
- Capital Projects Fund – Appropriated $200K from Reserves to Jail Repair line for HVAC and Roof Repairs as a prelim rough estimate.

General Fund Operating Subsidy of Other Funds - Discussion

General Fund subsidy of operations via direct transfers (does not include department-specific Capital Funding allocations in Capital Projects Funds):

1. Road $1.5M
2. Fire $230K (required for exempt properties)
3. Utilities $131K
4. Subsidy to Misc Grants Fund for shortfall in Boating Improvement revenue - $10K
5. ~~Intergovernmental Radio Communications $10K (subsidy may be eliminated next year)~~
6. ~~Building Inspections $50K – Monitoring for potential reduction/elimination of subsidy depending on economic environment.~~

Tentative Budget True Surplus/(Deficit) Calculation
FY 2023

	General Fund		
Sources	$	53,535,146	
Uses	$	(53,535,146)	
Balance including Non-Recurring Sources	$	-	
Less Non-Recurring Sources:			
Beginning Reserves	$	(17,230,736)	Expected Carryforward at 10/1/2022
Transfer from Other Funds	$	-	Excess Debt Service Reserve Elimination
Total Non-Recurring Sources	$	(17,230,736)	
Add Back Amounts Allocated to Reserves			
Reserve for Contingency	$	7,843,736	
Reserve - Cash Forward	$	7,523,296	
Reserve for Capital Outlay (GF)	$	-	
General Fund Transfer to Capital Projects Funds	$	1,800,000	
Less Recurring Capital Replacement Components Estimate	$	(1,000,000)	*Includes $400K for LCRD & LCSO each
Total Allocations to Reserve Funds by Year-End	$	16,167,032	Expected Carryforward at 10/1/2023
Adjusted Budget Surplus/Deficit Number	$	**(1,063,704)**	**NET OPERATING SURPLUS (DEFICIT)**

Updates (EMS, Fire, & Landfill):

Major Assessment Funds:

- Adjusted EMS and Fire capital budgets for potential carryforward of $50K (EMS) and $17K (Fire) for slow-to-arrive equipment.

Additional Fund Updates:

- This budget is built on presumed use of ARPA SLFRF funds per the lost revenue allowance strategy.
- You'll note that Fund (193) has $0 budgeted for FY 2023. This is because we intend to shift over the revenues to reimburse the General Fund in this fiscal year, and will amend the Final FY 2022 Budget accordingly. Some of these monies will be unavailable until next fall/winter, but we have accrued them and locked them up as "Nonspendable" until received.
- An accounting policy and fund usage strategy will be forthcoming in August or September.

Additional Fund Updates (2):

- The lack of shortfall materializing to date is allowing for General Fund surpluses to further seed Capital Funds 301 and 363. This provides a flexible base and a continually available relief valve.
- It is conceivable in a higher rate environment the recurring portion of capital, until we take on new debt, could actually be funded by investment earnings. This is a goal if not necessarily a policy.
- Fund 363, For Road Projects, has been funded in this budget plan. Costs of asphalt, fuel, and resulting grant shortfalls have created the need for a larger operational base for road projects (whether reimbursable or not) to draw from.

Additional Fund Updates (3):

- Opioid Settlement Fund 161 has been set up, but has $0 receipts to date, and uncertainty with regard to funding timing and amounts, and is thus excluded from this Tentative Budget.
- We may wait to amend in next fiscal year when more is known.

Summary of Additional Funds Included for This Workshop's Budget Version

- 115 Misc Grants Fund
- 122 Article V Grant
- 160 RESTORE Act Fund
- 170 Sheriff Equitable Sharing / Forfeiture Fund
- 171-174 Law Enforcement Trust Funds
- 202 Debt Service Fund
- 700's – Road MSBU Funds (56 funds)

BUILT IN Major Changes to Deficit Summary

	BUILT IN Major Changes to Deficit Summary		
	Change	Type	Total
1	Readjustment of Payroll Expenses	Payroll	$ (155,500)
2	AHAC Representative Training and Travel	Operating	$ (1,500)
3	Water Utility Fund Subsidy Increase	Operating	$ (51,000)
4	Adjustment in Assessment Revenue Estimates	Revenue	$ 175,456
5	Increase in Promotional Activities for Tourism Budget	Operating	$ (62,200)
	Net Built-In Deficit Reduction/(Addition)		$ (94,744)

BUILT IN Major Changes to Deficit Summary - DETAIL

BUILT IN Major Changes to Deficit Summary

	Change	Type	Integration	General Fund	EMS	Fire	Tourism	Utility	Landfil	Total
1	Readjustment of Payroll Expenses	Payroll	Staff Recommended	$ (61,500)	$ (65,000)	$ (25,000)		$ (4,000)		$ (155,500)
2	AHAC Representative Training and Travel	Operating	Staff Recommended	$ (1,500)					$ -	$ (1,500)
3	Water Utility Fund Subsidy Increase	Operating	Staff Recommended	$ (51,000)					$ -	$ (51,000)
4	Adjustment in Assessment Revenue Estimates	Revenue	Staff Recommended		$ 77,301	$ 51,915			$ 46,240	$ 175,456
5	Increase in Promotional Activities for Tourism Budget	Operating	Staff Recommended				$ (62,200)			$ (62,200)
	Net Built-In Deficit Reduction/(Addition)			$ (114,000)	$ 12,301	$ 26,915	$ (62,200)	$ (4,000)	$ 46,240	$ (94,744)

Preemptive Explanatory Digression…

- This budget appears simply $17M higher than 2022's. ($113M vs $130M).
- The initial reaction is that you're rapidly growing the budget. This is exacerbated by the various oversimplified ways DOR's TRIM rules make us advertise and show things as "operating budget" that are really reserves.
- For sure, this year, payroll costs are up significantly overall, but it's roughly only a quarter of the increase.
- Some consideration of the facts provides an informed perspective…

Preemptive Explanatory Digression…

- **The FY 2022 Amended budget as of 7/28/22 is *already* nearly $116M.**
- That's before appropriating a few million in excess carryover and $8M in ARPA allocations that are baked into the FY 2023 budget to start. When those amounts are amended into the budget for the necessary additional capital transfers, the **FY 2022 Final Amended budget is expected to be approximately $134M**.
- Anticipated Carry Forward (Beginning Fund Balance) across ALL funds is $10.9M higher. $4M of this is the ARPA allotment restricted as not yet received.

Stages of Fiscal Recovery – General Fund

From Prior Years

1. **Eliminate major fund operating deficits (defined as recurring payroll and operating expenses exceeding recurring revenues). Done.**
2. **Restore the necessary safety net reserves to weather future downturns in major funds. Done.**
3. **Provide capital planning and replacement funding.**

   Potential to mark this as a hold in FY 24 or FY 25.
4. Consider millage reduction if population growth and development is sufficient so that 1-3 can be maintained while doing so.

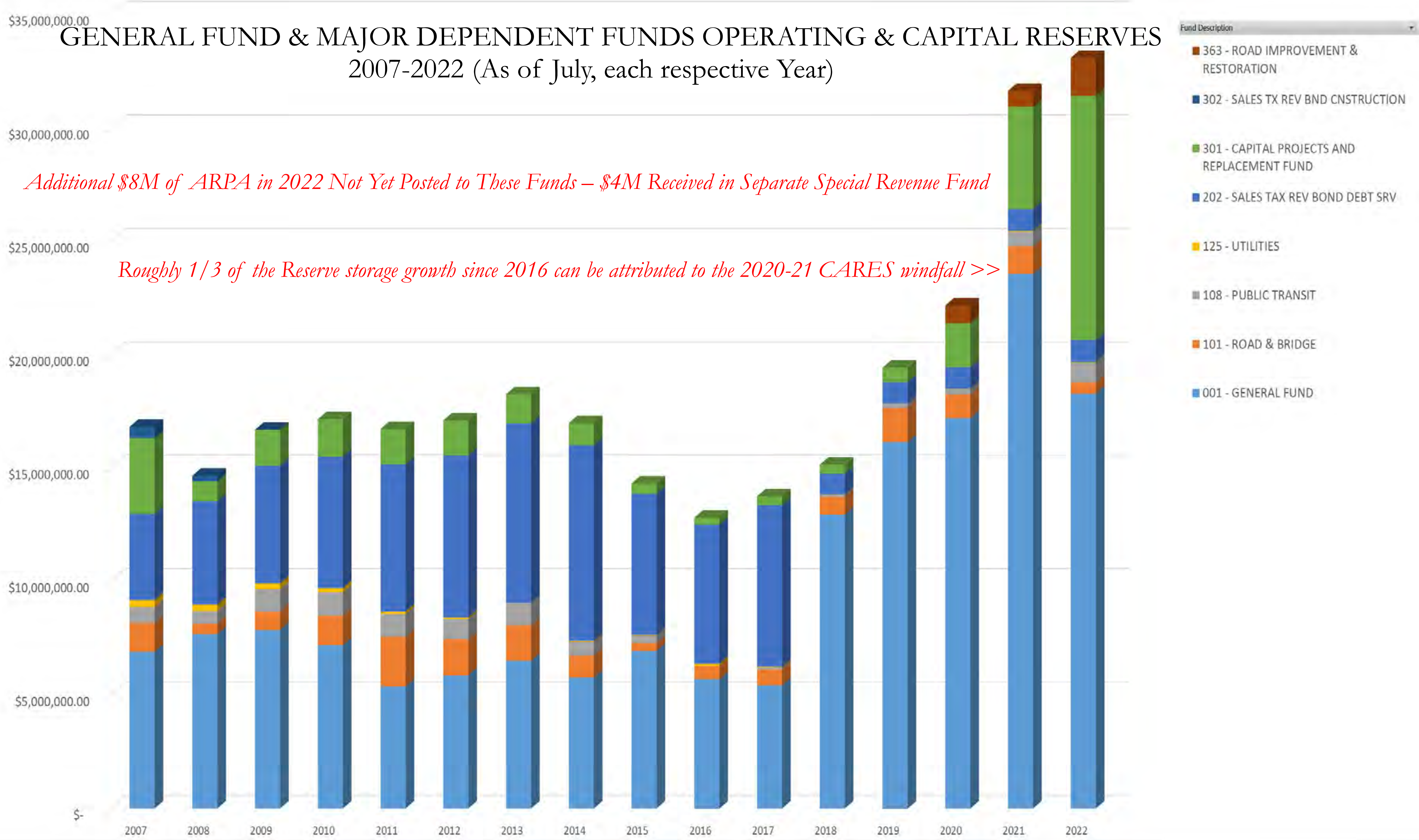
   CONTINGENT UPON REVERTING TO (1) DUE TO WAGE INFLATION

Capital Replacement & Project Funding Plan Progress

- Thus far, we've been successful in making recurring transfers the last several years into Capital funds to build up those reserves and allow for planning.
- Additionally, General Fund surpluses resulting from either underspend of budget, or revenues over budget (much of this stemming from the 5% uncollectible allowance not being needed) have also been reverted in the subsequent year, amended into the final budget.

Capital Replacement & Project Funding Plan Progress

- This year, we will have those normal amounts plus the one-time ARPA surplus that will allow the much larger transfer I mentioned earlier, which we'll amend into the Final Amended Budget (since these are merely transfers and not disbursements I can legally wait to amend these till the year-end).
- The result is that, were it not for the pending LCSO Communication need, I would say current foreseeable Capital Needs are fully funded. Still yet, we are getting much closer to simply having "hold" levels of capital funding.
- The plan has been successful. How successful?


GENERAL FUND & MAJOR DEPENDENT FUNDS OPERATING & CAPITAL RESERVES
2007-2022 (As of July, each respective Year)
Additional $8M of ARPA in 2022 Not Yet Posted to These Funds – $4M Received in Separate Special Revenue Fund
Roughly 1/3 of the Reserve storage growth since 2016 can be attributed to the 2020-21 CARES windfall >>
$35,000,000.00
$30,000,000.00
$25,000,000.00
$20,000,000.00
$15,000,000.00
$10,000,000.00
$5,000,000.00
$-
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Fund Description
363 - ROAD IMPROVEMENT & RESTORATION
302 - SALES TX REV BND CNSTRUCTION
301 - CAPITAL PROJECTS AND REPLACEMENT FUND
202 - SALES TAX REV BOND DEBT SRV
125 - UTILITIES
108 - PUBLIC TRANSIT
101 - ROAD & BRIDGE
001 - GENERAL FUND

Capital Improvement Funding Considerations

From Last Year

- It is also worth noting: The costs for repairs and necessary renovations notwithstanding, it would appear that the purchase of this property, increasing total available Countywide facility square footage by roughly 45% (very rough – counting DPS campus and not counting the Jail) for a cumulative cost of roughly $2.2M to date is proving to be instrumental in addressing space needs while also preserving reserves and financial flexibility.

Capital Replacement & Project Funding Plan Progress

From Last Year

- We have allocated $1.3M for Road Equipment Needs, including a Crusher, Dragline, and Dump Truck. The pit purchase is only half the battle: we need equipment that can keep up with demand, without breaking consistently, and without leaving so much material to waste.
- Pit Purchase is tied up in process, but the funding remains designated.
- Grader Debt payments are still budgeted.
- We've additionally allocated more money to renovations to this complex ($300K), money for an F-250 for the Crops Agent, and some IT Equipment funding of roughly $25K per prior experience.
- Capital Reserves, after all current allocations, will be $10.5M for FY22 with this plan.
- Resurfacing and Repaving Reserves, after normal annual costs budgeted, will be $2.16M for FY 22 with this plan.

Capital Improvement Funding Considerations

- We can't hit the brakes, just yet, but having sufficient Capital Reserves will allow us to take our foot off the gas a bit.
- We've been funding these Reserves via operating transfers as well as year-end surpluses. Now that they're funded, if we can maintain *reasonable* replacement efforts, the ability to reduce Capital Transfers will become our hedge against operating, and especially payroll, inflation growth.
- This is why we've built the capital budgets with a recurring element all along.
- We are, I think, as well-positioned as we could be for a County this size, with this sort of agricultural property mix and low taxable value per square mile.

Capital Improvement Funding Considerations

- The odds of being able to directly purchase the Communication needs are improving, but still probably below 50%. It is advisable to keep a balance, and with expanded investment capabilities, we may be able to fund a significant portion of recurring replacement from earnings on the Reserves.
- A bond or a bank note may be still be advisable for at least a portion of the Communication infrastructure. Rates are rapidly increasing but still not historically high. We have outside counsel with specialized knowledge and experience who can help us navigate options.
- Even if the cost of debt increases, the returns we can earn on Reserves may also increase enough to make financing still an attractive option. I think this is more likely than not.

Big Picture Considerations:

From Last Year

- It's mathematically and objectively undeniable that the County's fiscal trajectory is much different than the speeding downward slope from 5 years ago.
- While these two large variables of certain wage inflation and the Communication need stand in the way of trying to totally flatten our arch, our significant existing Reserves mean it is time that we can lay off the accelerating climb.
- Again, before backing off of revenues, it is time to consider population and service growth, and whether existing staff levels are adequate, and make targeted FTE increases where necessary (not growing staff for the sake of growing staff).
- The BOCC and all 5 Constitutionals will be facing **significant** increased cost per FTE in the next 5 years.

Millage Considerations:

- The Millage is one component of General Fund revenue, unlike many of the others, that you have a great deal of control over on an annual basis.
- Keeping the millage at 9.0000, with no upheavals in sales tax or shared revenue, will likely result in another moderate operating surplus, but given that our outstanding capital project cost could equal 100+% of capital reserves and 60% of all unrestricted combined capital and operating reserves, I think we should aim for holding the millage steady.
- The picture around State Shared Revenues and Sales Taxes remains very uncertain as the broader US economy officially enters recession.

Millage Considerations:

- The Rolled-back Rate is designed for situations wherein new growth alone will keep up with basic inflation of costs, as well as new service requirements. Otherwise, you begin to lose ground as the cost of Constitutional Officer draws, Florida Retirement, Health Insurance, Wages, Fuel, Utilities, Materials, increase faster than you're adding new tax income.
- Inflation rate acceleration, and pending capital needs, makes this model less viable for us than it would have been were we sitting on these reserves 3 years ago.
- However, if we do not get full severe recessionary impact (thanks to migration and whatever other factors), even with some personnel cost growth, some FTE/service level increases, gradual millage reductions are conceivable in the next couple of years. Not necessarily rolled-back rate, but reductions.

Millage Considerations:

From Last Year

- The RBR is essentially a statement to offset any value growth added by the Appraiser's Office, with the result being a design intended to fund current activity levels from last year's gross income. <u>Any inflation or growth must be funded by new development or other revenue sources.</u>
- The rolled-back rate adoption is a model that would work well in more densely-populated areas with more rapid migration. That's not an impossibility, but it's not quite yet a reality, here.
- The result is that the rolled-back rate is not a realistic option *consistently*, although it may be *occasionally*.

MILLAGE CHANGE IMPACT ANALYSIS

Current Millage	9.0000			
Proposed Millage	9.0000			
CK Increment Value (Ln 3, DR420-TIF)	$ 107,613,882	$ 920,098.69	CK Pmt	
Williston Increment Value (Line 3, DR 420 TIF)	$ 26,665,280	$ 227,988.14	Williston Pmt	
County (Line 4, DR 420)	$ 2,501,812,835	$ 22,516,316	County Gross (Line 18, DR 420)	
		$ 21,390,500	County at 95%	
Rolled Back Rate (Line 16 DR 420)	8.2679			

NET REVENUE ABOVE (BELOW) CURRENT CURRENT PROPOSED MILLAGE

	0.0095	**$ 1,124,572.40**	
	0.00925	**$ 562,333.70**	
	0.00875	**$ (562,333.70)**	Results in $1.626M operating budget deficit
Rolled Back	0.0082679	**$ (1,646,629.51)**	Results in $2.710M real operating budget deficit

Current Proposed Millage rate as a percentage change of rolled-back rate	8.85%

NET REVENUE ABOVE (BELOW) CURRENT MILLAGE (FULL MILL)

0.008	**$ (2,249,144.80)**
0.01	**$ 2,249,144.80**

Action Needed – Set Proposed Millage:

- Budget Office advice is that with the certainty of inflationary pressures, certainty of large outstanding capital needs, and the relative uncertainty with regard to what those amounts may be, that you hold the millage rate at 9.0000 for at least one more year.
- Realistically, one or the other of these variables being known would help with advising when or if rates could change. Both being unknown makes it impossible to tell. ~~**It's also possible that the millage would need to be increased to pay for wage inflation if sales and fuel taxes drop off in a recessionary period before we finish the minimum wage adjustment cycle.**~~ **I think this is no longer above 10% likelihood.**
- Anything below 9.0000, but above the Rolled Back Rate, still must be advertised as a tax increase by law.
- **Recommend remaining at 9.0000 mills.**

End of Budget Office Presentation

Public Hearings for Tentative and Final Millage and Budget approvals begin at 5:01 pm on September 6th, and September 20th, respectively.