Levy County FY 21-22

Budget Workshop 08-03-21

General Scheduling Notes

- *TODAY* - 8/3/21 Final Workshop – Required to receive Tentative Budget and set Proposed Millage. Full balancing with Anticipated Reserves here. All 90 Funds
- 9/7/21 – Tentative Hearings
- 9/21/21 – 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 $113,147,676.
- General Fund budget is $41,625,020.
- Tentative General Fund Operating Budget Deficit is $90K.
- Capital Funding is taking shape.
- Future wage-driven inflation & pending communication infrastructure needs are the largest current concerns.

General Updates:

- Net adjustments in General Fund expenses have increased $100K – Tax Collector Commissions of $50K plus $50K of advertising cost increases for tax rolls.
- GF revenue estimates have decreased a net of $195K, with a decrease in EDR Office's calculation of the Fiscally Constrained allotment for the half-cent sales tax distribution decreasing by roughly $225K.

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 $1M
2. Fire $226K (required for exempt properties)
3. Utilities $80K
4. Intergovernmental Radio Communications $10K (subsidy may be eliminated next year)
5. Building Inspections $50K – Monitoring for potential reduction/elimination of subsidy depending on economic environment.

Tentative Budget True Surplus/(Deficit) Calculation
FY 2022

	General Fund		
Sources	$	41,615,020	
Uses	$	(41,615,020)	
Balance including Non-Recurring Sources	$	-	
Less Non-Recurring Sources:			
Beginning Reserves	$	(9,710,000)	Expected Carryforward at 10/1/2021
Transfer from Other Funds	$	-	Excess Debt Service Reserve Elimination
Total Non-Recurring Sources	$	(9,710,000)	
Add Back Amounts Allocated to Reserves			
Reserve for Contingency	$	2,900,000	
Reserve - Cash Forward	$	5,700,000	
Reserve for Capital Outlay (GF)	$	-	
General Fund Transfer to Capital Projects Funds	$	2,019,944	
Less Recurring Capital Replacement Components Estimate	$	(1,000,000)	*Includes $400K for LCRD & LCSO each
Total Allocations to Reserve Funds by Year-End	$	9,619,944	Expected Carryforward at 10/1/2022
Adjusted Budget Surplus/Deficit Number	$	(90,056)	**NET OPERATING SURPLUS (DEFICIT)**

Updates (EMS, Fire, & Landfill):

Major Assessment Funds:

- Adjusted Landfill capital budgets for potential carryforward of $80K for Morriston site development if not completed.

Major Assessment Fund Updates/Concerns:

- No urgent/immediate concerns for the present with current rates in place.
- Long-term OT wage trends and structures at DPS are a concern beyond just the macro-level inflation concern, but we'll be examining that and informing the Board about what we see as get later in the calendar year.

Additional Fund Updates:

- Tourism Fund is rapidly building reserves. Operating costs are well below recurring revenues since increasing the tax. Consideration should be given in future years for either additional operating utilizations, or larger scale projects, within the bounds of statutory authorization.

Additional Fund Updates:

- Fund 126, formerly the "Drug Task Force Fund", has contained 4-5 separate restricted funding sources in it for years. One of those has expired, and the remaining 4 restricted funding sources have been split into funds 171, 172, 173, and 174 for FY 2022 to aid discrete accounting without manual adjustments.

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

1	Adjustments to Revenue per EDR Estimate Updates	$	(194,750)
2	Increase in Tax Collector Commissions	$	(50,000)
3	Increase in TC Delinquent Advertising Costs w/ Citizen	$	(50,000)
4	Appropriation of Capital Funds for Road Dept Replacement Needs	$	(1,164,346)
5	Other Department Capital Project/Replacement Appropriation Needs	$	(345,000)
		$	(1,804,096)

BUILT IN Major Changes to Deficit Summary - DETAIL

	BUILT IN Major Changes to Deficit Summary	Integration	General Fund	R&B	Capital Projects	Landfill	Total	Notes
1	Adjustments to Revenue per EDR Estimate Updates	Tentative	$ (194,750)				$ (194,750)	$225 Reduction in Fiscally Constrained
2	Increase in Tax Collector Commissions	Tentative	$ (50,000)				$ (50,000)	Based on increasing tax values
3	Increase in TC Delinquent Advertising Costs w/ Citizen	Tentative	$ (50,000)				$ (50,000)	500% Increase
4	Appropriation of Capital Funds for Road Dept Replacement Needs	Tentative			$ (1,164,346)		$ (1,164,346)	Heavy Equipment several decades old, unable to keep up with workload
5	Other Department Capital Project/Replacement Appropriation Needs	Tentative			$ (265,000.00)	$ (80,000)	$ (345,000)	Additional renovations, improvements, vehicle, IT equipment rotation
6	Reduction of Road Department Subsidy	Tentative	$ 100,000	$ (100,000)			$ -	
	Net Built-In Deficit Reduction/(Addition)		$ (194,750)	$ (100,000)	$ (1,429,346)	$ (80,000)	$ (1,804,096)	

Preemptive Explanatory Digression…

- This budget appears simply $15M higher than 2021's. ($113M vs $98M).
- 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.
- Some consideration of the facts provides an informed perspective…

Preemptive Explanatory Digression…

- **The FY 2021 Amended budget as of 7/28/21 is *already* $103.2M.**
- That's before appropriating $2.3M in carryover excess and $4.2M in CARES receipts from earlier in the year, and roughly $400K of tax and shared revenue above expecation. When those amounts are amended into the budget for the necessary additional capital transfers, the **FY 2021 Final Amended budget is expected to be approximately $110M**.
- New Grant Funding is down $5M, but…
- Anticipated Cash Carried Forward (Beginning Fund Balance) across ALL funds is $11.7M higher. $10.2M of this is in Capital Outlay / Road Construction Reserves.

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.
4. Consider millage reduction if population growth and development is sufficient so that 1-3 can be maintained while doing so.

STILL AT THIS STAGE, BUT NOW MUCH CLOSER

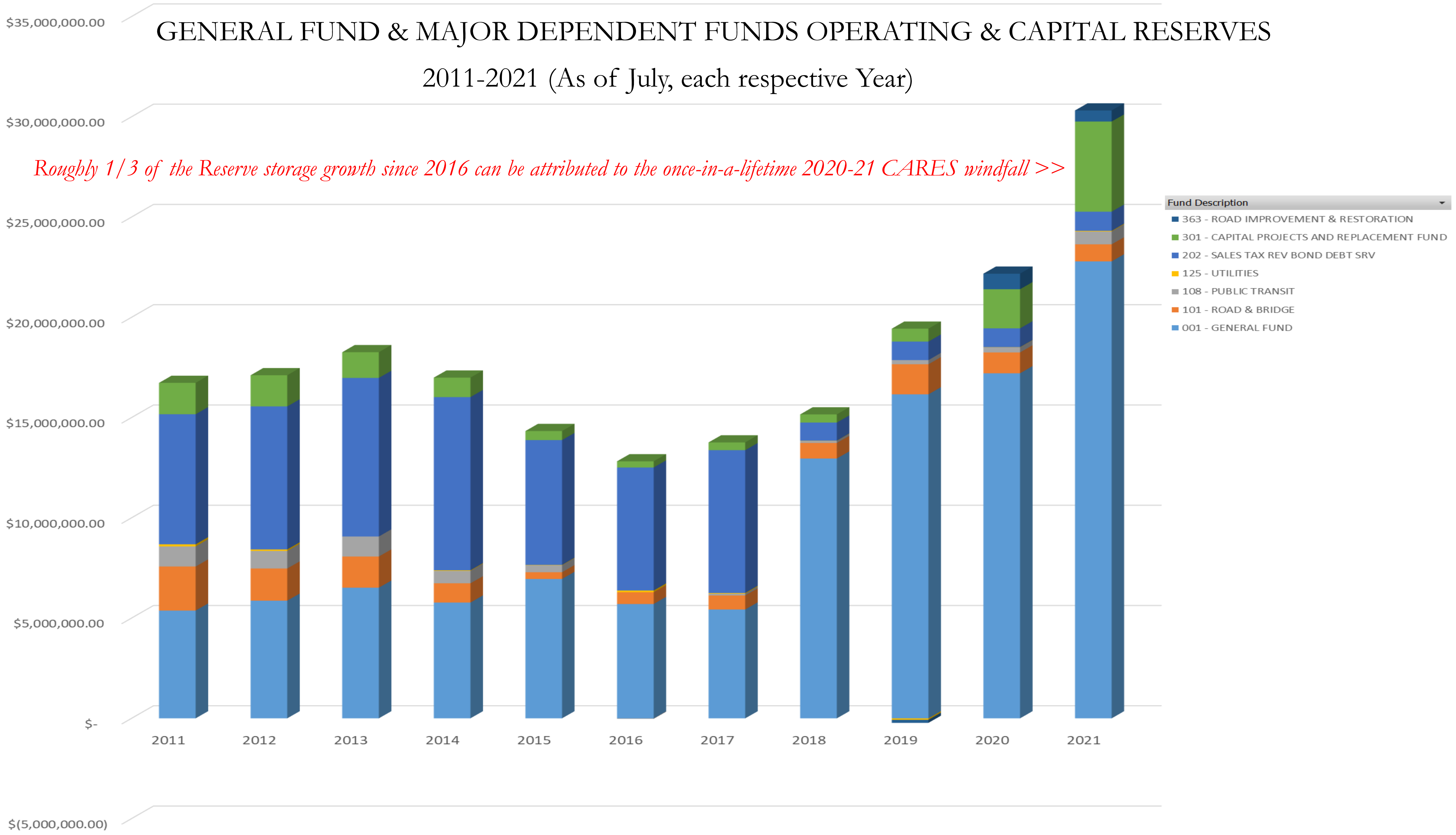
CONTINGENT UPON REVERTING TO (1) DUE TO WAGE INFLATION

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 CARES surplus from reimbursed Sheriff wages 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.
- The plan has been successful. How successful?


GENERAL FUND & MAJOR DEPENDENT FUNDS OPERATING & CAPITAL RESERVES
2011-2021 (As of July, each respective Year)
Roughly 1/3 of the Reserve storage growth since 2016 can be attributed to the once-in-a-lifetime 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
$-
$(5,000,000.00)
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Fund Description
363 - ROAD IMPROVEMENT & RESTORATION
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

- 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

- 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 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 a County this size, with this sort of agricultural property mix and low taxable value per square mile, could be.

Capital Improvement Funding Considerations

- The odds of being able to directly purchase the Communication needs are improving, but still probably below 30%. 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 very low. We have outside counsel with specialized knowledge and experience who can help us navigate options.

Big Picture Considerations:

- 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.

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 makes this model less viable for us than it would have been were we sitting on these reserves 2 years ago.

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. Any inflation or growth must be funded by new development or other revenue sources.
- 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)	$ 91,820,828	$ 785,068.08	CK Pmt	
Williston Increment Value (Line 3, DR 420 TIF)	$ 22,060,296	$ 188,615.53	Williston Pmt	
County (Line 4, DR 420)	$ 2,238,858,509	$ 20,149,727	County Gross (Line 18, DR 420)	
		$ 19,142,240	County at 95%	
Rolled Back Rate (Line 16 DR 420)	8.5825			

NET REVENUE ABOVE (BELOW) CURRENT CURRENT PROPOSED MILLAGE

	0.0095	**$ 1,009,336.47**	
	0.00925	**$ 504,668.23**	
	0.00875	**$ (504,668.23)**	Results in $595K operating budget deficit
Rolled Back	0.0085825	**$ (842,796.90)**	Results in $933K real operating budget deficit

Current Proposed Millage rate as a percentage change of rolled-back rate 4.86%

NET REVENUE ABOVE (BELOW) CURRENT MILLAGE

0.008	**$ (2,018,767.93)**
0.01	**$ 2,018,767.93**
0.009	**$ -**
0.009	**$ -**

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.**
- Anything below 9.0000, but above the Rolled Back Rate, still must be advertised as a tax increase by law.
- **<u>Recommend remaining at 9.0000 mills.</u>**

End of Budget Office Presentation