

July 9, 2007

To the Honorable Board of County Commissioners and the Citizens of Alachua County:

As required by the County Charter, I am presenting for your consideration the Fiscal Year 2007-2008 Tentative and 2008-2009 Planned Budgets. These budgets set forth our two year fiscal plan for implementing the directive of the County Commission from their June 19, 2007 meeting. This directive was to provide a tentative budget that implements a 12% reduction of property tax revenue in FY08 and an additional 13% reduction in FY09. These reductions are in response to the combined estimated fiscal impacts of both the statutory changes in property tax reform from the special session of the State Legislature and the proposed constitutional referendum to be held on January 29, 2008. Collectively, these two actions initiated by the Legislature would impact Alachua County's General Fund by as much as 25% or approximately \$24 million.



This FY08 and FY09 Tentative Budget, due to the lateness of the special session and coordination with our Constitutional Offices, was developed in a shortened time frame than were prior budgets. A request for information and clarification of the budget submittals of constitutional officers continues as I prepare this letter of transmittal and Tentative Budget. If discussion continues regarding a higher reduction than new legislation requires, the Commission should anticipate the possibility of more than the typical number of changes in some of the BOCC and Constitutional Officer reduction packages. Further meetings throughout the summer budget season to discuss these reductions will result in more specific detail but potentially additional acrimony.

### **SUSTAINING COUNTY SERVICES IN A ERA OF PROPERTY TAX REFORM**

Each year I select a theme for the two year Tentative Budget being submitted that encapsulates the contextual environment of our budget deliberations. In FY07 the theme was "Investing In Our Future". That message described the level of increased revenues anticipated in this period and recommended strategy of a reduction of the millage, replenishing of reserves, investing in capital improvements, land acquisition for a new fairgrounds and business park, and upgrading our technology and employee development.

This year's budget message theme is **Sustaining County Services in an Era of Property Tax Reform**. Over the next two fiscal years of FY08 and FY09 our efforts will revolve around the actions we will need to undertake to sustain the County's organizational capacity to provide core services and build new infrastructure in the face of mandated property tax relief legislation and what I consider the erosion of home rule.

### **AN INTERACTIVE BUDGET PROCESS**

In past Tentative Budget messages I have taken pains to use this opportunity to outline in detail the environment and fiscal condition that the County faces, suggested program changes, and recommended future strategies to deal with community issues. This transmittal letter continues that practice but also recognizes that at the Commission's request this year, you desire more flexibility to address reducing the millage rate. There is an estimated \$9 million difference between the 12% property tax reduction directive by the Commission and the required new statutory reduction of 5% beyond rollback in the General Fund.

The Board has the options of accepting these deeper cuts based upon 12% or reassigning this "gap" of revenues to other budget priorities or using it to restore cuts recommended in the Tentative Budget. This approach gives the Commission the reduced base budget requested from the County Manager. Now as a collegial body you can choose to have an interactive process to reconsider expenditures of the last several years again. Many of the reductions are in the programs you personally may have advocated in a prior time without the restraint on spending created by the statutory requirement imposed by the State Legislature. This places an additional responsibility on the collegial and collaborative process of policy making by the Commission and time required for sufficient additional meetings to talk it through together. It is really all about the degree to which the Commission desires to downsize government and further reduce millage rates and the important decision of what the Commission considers our core services in a time of decreasing revenues.

The Commission's mandate to reduce property tax revenue 12% in FY08 and 13% in FY09 requires extensive changes and reductions in staffing, and our current levels of service in operating programs. The extensive detail needed makes this difficult to do without reflecting an immense amount of information in summary format. The key reference document for this process is entitled Budget Issue Cost Summary Report – Reduction Details Countywide and is attached. This chart reflects and highlights the reductions considered in both FY08 and FY09 to reach the 25% goal. The chart shows the reductions in personnel, operating expenses such as travel, reduction in reserves and the elimination of programs or projects. Note that a major use of FY09 fund balance is necessary to meet the 25% reduction without further program or expenditure reductions.

The focus of this year's budget is clearly on the reduction of the size of County government, the reduction in the scope of our programs and the willingness to generate alternative revenues other than Ad Valorem taxes to fund programs we wish to keep in future years. With the exemption of staffing of new facilities, no recommendation is being made to expand any Ad Valorem funded programs in this Tentative Budget. We will add staff as close to the current estimated time of opening of facilities as their training and orientation permits. The reductions have been made across all Departments and most Constitutional Offices with the initial reductions made to those program areas which grew most over the time period of FY05 to the present date and are prioritized with discretionary programs reduced first.

In many successful County program areas we deal with other governments and agencies that are also reducing their budgets by their statutory amounts but to a likely degree less than we are at this time due to our 12% goal. We need to recognize that as our municipalities are reducing their budgets, most will be hard pressed to pick up additional expenses. If the referendum passes in January we have little property on the tax rolls that is not heavily exempted from property taxes. State agencies like UF are also cutting back this year due to the reduction of sales tax revenues.

### **SETTING PRIORITIES**

The Commission has had two opportunities, by way of meetings, to discuss and give staff direction concerning any consensus agreement on reductions to specific programs. As of yet, this consensus guidance has not been communicated. Priority setting is a policy decision and will be the task ahead for the Commission as people and organizations appear before you or staff questions if you wish to preserve a higher level of service in their program areas.

In approaching this budget the Commission may first wish to convene a retreat as prior Commissioners did to discuss both the future role of County government and the programs we should inspire our workforce to either excel in or prepare to abandon. That is what our Aligning for Success program hoped to accomplish before the tax reform. The 25% two-year reductions also do not align in some places with the existing vision statements of the Commission in this contracting environment. A 25% reduction without elimination of our fund balance will require the likely elimination of some General Fund programs.

A major point I do wish to make in this budget message is that, unlike prior years, I can no longer truthfully say we are making incremental progress towards the strategic visions and objectives of the County Commission. The FY08 and FY09 budget reflects, in some cases, a retreat from the progress that has been made in recent years. It signals changes in long term partnerships and more recent funding relationships. Our budget perspective goes beyond the next two years

with recognition of caps on future revenue growth. Reasonable people will understand that a potential 25% reduction makes these changes necessary.

## **PROPERTY TAX REFORM**

In a chaotic and historic action, the Legislature according to the Florida Association of Counties,

adopted a significant property tax reform plan during Special Session B that consists of two components. HB 1B statutorily rolls back property tax rates levied by counties, municipalities and independent special districts and caps them on a going forward basis, unless the caps are overridden by a super-majority vote of the governing body or by referendum. Failure to adhere to the rollback and cap will result in significant financial penalties for local governments. The other component offers a constitutional amendment to the electorate at the Presidential Preference Primary on January 29, 2008 that will provide (1) large increases to the homestead exemption, (2) a choice for existing Homesteaders to switch from the existing Save Our Homes protection to the new super homestead exemption (3) targeted tax relief for certain types of properties, and (4) a mandate that the legislature restrict property tax increases by counties, municipalities and independent special districts.

The impacts on Alachua County and the details of the bill's requirements were still being resolved as we entered the 4th of July holidays, but we believe are reflected appropriately in this Tentative Two-Year Budget.

Immediate property tax relief, which is viewed as a good thing by a majority of the population of Florida and mandated by the State statutorily, was achieved by limiting our ability to provide necessary and popular services at levels we were committed to prior to the statutory reduction and with awareness of future annual caps. Ironically, this action coincides with next year's \$550 million statewide increase in local property taxes for schools, which was also mandated by the Legislature and Governor during the regular session.

The special legislative session resulted in a statutory change that caps local government property tax revenue this year in a rollback. For Alachua County, it means a 5% rollback reducing FY07 property tax revenues in the General Fund by approximately 3% or approximately \$3 million. The MSTU for Law Enforcement and the MSTU Unincorporated area would also receive a 5% rollback. This budget is anticipating that the Fire MSTU in Alachua County's case is limited to a 3% rollback; however, we are seeking a determination by The Department of Revenue in this matter. This is because the legislation states that

the MSTU for Fire Services, if in existence for less than five years, would not be subject to any additional rollback.

<b>Alachua County Board of County Commissioners Millage Rate and Revenue Comparison</b>				
	<b>General Fund (GF)</b>	<b>MSTU - Unincorporated</b>	<b>MSTU - Law Enforcement</b>	<b>MSTU - Fire</b>
<b>2006 Taxable Property Value</b>	\$11,211,533,207	\$5,077,474,741	\$5,116,624,330	\$5,108,065,391
<b>2007 Taxable Property Value</b>	\$12,804,841,757	\$5,795,640,318	\$5,829,065,100	\$5,829,065,100
<b>Increase in Value</b>	\$1,593,308,550	\$718,165,577	\$712,440,770	\$720,999,709
<b>Percentage Difference</b>	14.21%	14.14%	13.92%	14.11%
<b>FY07 Adopted Revenue</b>	\$95,561,619	\$2,168,653	\$8,641,682	\$6,116,072
<b>FY07 Current Millage</b>	8.8887	0.4470	1.7676	1.2531
<b>FY08 Estimated Revenue</b>	\$108,127,477	\$2,461,119	\$9,788,283	\$6,939,181
<b>State Mandated Millage</b>	7.6468	0.3869	1.5329	1.2531
<b>State Mandated Revenue</b>	\$93,020,261	\$2,130,217	\$8,488,605	\$6,939,181
<b>BoCC Proposed Millage</b>	6.9136	0.3482	1.3698	0.9695
<b>BoCC Proposed Revenue</b>	\$84,100,806	\$1,916,988	\$7,585,668	\$5,368,688
<b>BoCC Proposed Reduction Above State Mandate</b>	\$8,919,455	\$213,229	\$902,937	\$1,570,494

Budgeted ad valorem revenues would be shown at 95% of estimates per Florida Statute

### **Commission Directive**

In light of the early estimates in mid June at the end of this special session and the need for a strategy to address both proposed statutory and constitutional changes to property tax, the County Commission on June 19<sup>th</sup> unanimously approved a strategy of approaching our two-year budget based on an overall reduction goal of 25%. While there were some stated desires to reduce the negative impact on employees, a 25% reduction can not occur without a reduction in personnel related expenditures in the terms of positions and salary. We have engaged our employees in a discussion of shorter work weeks to preserve jobs if the referendum passes. The statutory reduction is not severe enough to require that the level of significant compensation change.

The FY08 budget direction was to exceed the amount mandated by the statutory provisions and implement a 12% property tax revenue budget reduction. This was to be followed by a second year reduction (FY09) of 13% that would be necessary should the referendums pass. This 25% two-year property tax revenue reduction is based on an estimate provided by the Department of Revenue to the Legislative Committee on Tax Reform. Any more precise estimate can be debated by numerous sources due to the complexity of the

referendum question and the individual choices made by property owners that will follow.

The Commission unanimously requested that the County organization go through this painful “exercise” recognizing it would lead to a confrontation between our existing levels of service and expenditures and the reality of state statutory and citizen referendum imposed property tax reduction. While the exercise has and will produce consternation and lowered morale for County employees and among agencies recommended for reductions in County funding, the exercise provides the public a true picture of the ramifications of the imposed statutory and constitutional impacts on the County budget. The potential impacts are no longer speculative in nature or “scare tactics,” but are identified and presented here as specific reductions after an agonizing budget process.

There are additional benefits to this approach to the public, County employees and the Commissioners.

- The public benefits from this exercise because the impacts are being discussed in a sufficient time frame, prior to the referendum, for the public to understand the ramifications of their lowered property tax and required reductions in the County’s budget if the referendum passes.
- The benefit to employees of the County is that they are aware of the likely impacts to their employment and career advancement opportunities and have time to make choices without the urgency of immediate lay-off.
- The Commission should benefit from an open, transparent, and vigorous public discussion and testimony of the value of the services we provide to our citizens and an understanding of the difficulty local governments, like Alachua County, will have in continuing these services due to the actions of the State Legislature.

### **Budget Executive Summary**

It is the responsibility of the County Manager to present a balanced budget that reflects the anticipated revenues and requests the appropriate constitutional and department officials of the County for expenditures. **Although a 12% property tax reduction is not required by statute in FY08, I have submitted a tentative budget at that level at the direction of the Commission. The second year to reach a total 25% level reduction, we have had to estimate utilization of \$3.5 million in fund balance which reduces our FY09 fund balance below recommended levels. This would require a major further reduction in the already reduced FY09 expenditure levels.**

**It would be my professional recommendation to follow more closely the statutorily prescribed levels in FY08 of 5% to clearly lower our millage.**

**Then, give the people the opportunity to decide the January 29 referendum if they wish to approve constitutional provisions. This budget will provide our citizens with the knowledge of both the personal benefits to them and the impacts on their local government.**

**A tremendous amount of uncertainty continues to surround this matter. There may be legal challenges to this referendum that keep it off the ballot. It may also fail to obtain 60% approval if on the ballot. Should the referendum pass, a second round of service reductions will need to be determined to avoid reducing fund balance in FY09. The size of the reduction of approximately \$3.5 million would likely necessitate a reduction in capital improvement program or the elimination of a General Fund service.**

Listening to the debate of the special session, I believe it was the intent of the statutory legislation to limit the impact on MSTUs funding fire services by limiting the amount of reduction caused by special session on property tax relief to no greater than 3%. **Any further reduction beyond 3% to fire services funded by the MSTU should not be inferred as due to the special session statutory provisions.** The reduction of 12% is provided as a part of the exercise at your request. To meet FY09 reductions in the General Fund, some matching funding would no longer be available for partial cost sharing of all MSTU programs.

The expenditures in the Tentative Budget for Fiscal Year 2008 will total \$323 million. The General Fund total will be \$117 million, the Unincorporated Services Municipal Services Taxing Unit total will be \$6.7 million and the Law Enforcement MSTU total will be \$17 million. The total budget amount can be somewhat misleading as more than \$46 million or 16% of the budget reflects the transfers between funds required in governmental accounting.

At the 12% property tax reduction level, the millage rate in the General Fund Tentative budget would be 6.9136 countywide, .3482 mills for the Unincorporated Services Municipal Services Taxing Unit, 1.3698 mills for the Law Enforcement Municipal Services Taxing Unit, and .9695 mills in the Fire/Rescue MSTU. The budget includes a .25 mill levy for the voter-approved Alachua County Forever Environmentally Sensitive Lands Program.

If the Board wishes to follow only the 5% statutory rollback requirement in FY08, the additional revenue that would be allotted to the General Fund would be approximately \$9 million, \$213,000 in the Unincorporated MSTU and approximately \$900,000 in the Law Enforcement MSTU. At the 3% reduction required for the MSTU – Fire, we would have approximately \$1.6 million of additional revenue to allocate above the 12% you requested as part of the budget exercise.

## **STATUTORY LIMITATIONS / FUTURE CAP ON REVENUE GROWTH**

The new statutory limitations on property tax have greatly curtailed the additional revenue that would have been available to Alachua County in FY08 and will do so in future years. Countywide preliminary taxable value increased by \$1.6 billion, representing a 14% percent growth. This would have resulted, prior to the statutory provisions, in a \$14 million dollar increase in General Fund ad valorem revenue. However, due to the statutory limit of 5% the General Fund, ad valorem revenue is required to decrease by approximately \$2.5 million compared to FY07. The Municipal Services Taxing Unit preliminary taxable value increased approximately \$700 million, representing a 14% percent growth. This would have increased the Unincorporated Services Municipal Services Taxing Unit revenue by approximately \$331,000 and the Law Enforcement Fund MSTU revenue by approximately \$1.1 million. Again, we are not using these total increases, but simply providing them in this letter for your edification on increase in valuation.

A major constraint on future revenue growth is the statutory language that creates a cap on the ability for local governments to increase revenue. These property tax revenue caps are determined based on the annual change in per capita personal income and our growth in new construction values. Therefore, staying within FY07 expenditure levels is essential because the valuation increases in the good years will not be captured, while downturns in the economy that reduce valuations and other revenues will impact us negatively as they always have. This means preserving our reserve funds is essential to deal with economic downturns, unfunded state mandates, and the natural disasters that frequent Florida.

Bond companies such as Moody's have recognized that the Florida reforms, particularly the constitutional measures, could greatly reduce financial flexibility to issue debt. We are concerned that much alteration in our current bond program or delay might run into such new concerns. This is also of concern as we are likely to be in the bond market in the future for major capital projects. Since we are a community without a 1% optional sales tax for infrastructure, we have limited alternative sources for any pay-as-you-go capital improvement projects in the future.

## **IMMEDIATE NEW REVENUE OPTIONS IN BUDGET**

Revenue diversification continues to be necessary and more urgent in Alachua County particularly if we implement the kinds of reductions reflected in this Tentative Two-Year Budget. In FY08 we are proposing new probationary fees generating \$50,000 and Metamorphosis capacity expansion which will generate \$120,000 in additional revenue. Building fees and other County fees are being increased in our annual fee policy to offset costs of some services and enterprise operations expenses. These will be reviewed and approved by the Commission as a part of this budget.

Funding of \$2.1 million will be added to the CIP during the upcoming year to reflect the County's share of the five cent gasoline tax effective January 2008. A full year of gas tax revenue will be budgeted in FY09 at \$2.8 million.

### **EMPLOYEE REDUCTIONS AND COMPENSATION**

At the 12% reduction level, the FY08 Tentative Budget reflects a net decrease of approximately 34 Board positions below FY07 staffing levels. The chart below outlines the proposed FTE reductions, by major area, over the two year budget period.

<b>Alachua County Board of County Commissioners</b>					
<b>Number of Employees Submitted for Fiscal Years 2008 Through 2009</b>					
<b>Department</b>	<b>FY07 Adopted</b>	<b>Submitted Change for FY08</b>	<b>FY08 Tentative</b>	<b>Submitted Change for FY09</b>	<b>FY09 Planned</b>
<b>Information &amp;</b>					
Telecommunications Service	51.00	(2.00)	49.00	(1.00)	48.00
General Government	50.00	(2.00)	48.00	(2.00)	46.00
Administrative Services	74.80	(6.25) (2)	68.55	(1.80)	66.75
Community Support Services	68.00	(3.00)	65.00	(1.00)	64.00
Court Services	100.75	(8.00)	92.75	(4.50)	88.25
Fire & Rescue	243.00	(3.00)	240.00	(18.00)	222.00
Environmental Protection	37.60	(1.60)	36.00	(2.00)	34.00
Growth Management	63.00	(2.00)	61.00	(1.00)	60.00
Public Works	231.00	(6.00)	225.00	(10.00)	215.00
<b>BoCC Total</b>	<b>919.15</b>	<b>(33.85)</b>	<b>885.30</b>	<b>(41.30)</b>	<b>844.00</b>
<b>Constitutional Office</b>					
Clerk of Circuit Court F&A	25.00	0.00	25.00	(1.00)	24.00
Court and Corrections	2.00	0.00	2.00	0.00	2.00
Judicial	16.00	(0.50)	15.50	(1.00)	14.50
Property Appraiser	58.00	0.00	58.00	0.00	58.00
Sheriff (1)	824.50	24.00 (3)	848.50	24.00 (3)	872.50
Supervisor of Elections	13.00	1.00 (3)	14.00	0.00	14.00
Tax Collector	70.00	(4.00)	66.00	(3.00)	63.00
<b>(1) No detail of FTE reductions provided</b>					
<b>(2) Including 2 unfunded additional position requests for the Division of Facilities</b>					
<b>(3) Unfunded additional position requests</b>					

For FY08 and FY09, the Sheriff's certified budget is requesting 48 new positions to staff the jail operation. I would recommend specific staffing breakdowns be provided to the County Commission by the Sheriff on the detail of what personnel reductions are being proposed as a part of the 25% budget reduction plan. According to Chief Deputy Huckstep, 24 of these positions are being requested in FY08 to staff current jail operations—12 for shift staffing hospital inmate monitoring, and 9 for administrative technical functions. These may have justification but do not meet the Commission's criteria for FTEs for new facilities only. In FY09, 24 of the 48 positions are proposed for staffing the new barracks

which would meet the budget policy for new facility staffing to be included in the FY09 budget. From a historical basis, in FY06 the Commission funded 12 positions for the staffing of the jail renovation recently completed. This would result in a total of 60 positions added to the Jail Department for the fiscal years 2006 through 2009, and would exceed any other single functional area increase.

Two new employees are being requested by Alachua County Facilities division—one building mechanic to accommodate the new jail barracks, estimated to be completed by September of 2008, and one building mechanic to staff the new Fire/Rescue station expected to come on line in November of 2008.

Employee compensation increases are necessary over the next two years. To meet the 12% goal in FY08 all employees would be offered an after-tax bonus of \$1,000 which would not be rolled into their salary base. The benefit plan in FY08 would remain the same including the dental benefit added this year by the Commission. We will determine salary considerations in FY09 based upon the results of the January 29, 2007 referendum and based upon collective bargaining agreements for FY09. Failure to provide compensation will also impact our recent efforts to stabilize our compensation and classification plan in relationship to the job market. Losing our intellectual capacity, passion and experience of disenchanted employees is the greatest setback that may occur over the next two fiscal years.

### **UTILIZATION OF LIMITED RESERVE FUNDS**

Contrary to Governor Crist's accusations about inflated reserve funds in Florida Counties, it should be pointed out that our reserves are set by policy at 5%. This is in the medium range of fund balance recommended in professional literature. An appropriate reserve in operating funds is an indicator of fiscal health when seeking bond financing with rating agencies. Our enterprise funds and self-insurance funds carry actuarially recommended levels of reserves based on the level required for long term facility, equipment replacement, and risk management purposes. Our General Fund reserve for contingencies has increased by more than \$4 million since FY01, following my recommendation of a seven-year program to increase our insufficient fund balance. Please recognize this is a fiscally important multi-year achievement noted by our bond rating companies. This achievement demonstrates the fact that we have not imprudently spent all the revenue taxes produced.

Unfortunately, just after achieving this 5% reserve level in the General Fund, we have had to utilize approximately \$3.5 million of the FY09 to balance the budget to meet the total 25% reduction. This would leave less than an estimated \$800,000 in our FY09 balance. This is unwise and fiscally imprudent; so if the full Commission directive is met at 25%, a far greater amputation of programs will have to occur, post referendum approval, in both the General Fund and

potentially corresponding expenses in the MSTU. A reduced fund balance will be difficult to rebuild with the previously mentioned revenue caps on property tax imposed by legislative tax reform, and we are into a period of increased storm activity according to scientific reports by the Hurricane Center.

### **COMMUNICATIONS SERVICE TAX (CST) – RECOVERY OF UNDERPAYMENT**

This year we were notified that an outside audit indicated cable communications services tax due to the County was underpaid by approximately \$1,000,000 over the past two years. We are awaiting final audit results, but expect to begin receiving additional revenues to recover the underpayment by the end of this calendar year. We expect the repayment to be spread out over the next two years. The Tentative Budget includes a \$500,000 increase in CST revenues that is allocated to the MSTU reserves. These are where they were originally collected. This will preserve our balances closer to current policy and available for emergencies. This is our plan for these funds to assure fund balance is maintained.

### **REDUCTIONS HAVE IMPACTS**

In the effort to meet the 12% FY08 requested level of reduction, significant and serious reductions have been made in this Tentative Budget. These reductions are outlined in total in the chart entitled FY08 Budget Issue Cost Summary. The consequences of the reductions are even more severe with the two year 25% decrease in property tax revenue combined impact. In summary, the impacts of these reductions are as follows:

- Operational expenses have been reduced from FY07 levels by 2% in most departments and were suggested in Constitutional Offices. Travel and training has been reduced by 25% in all BOCC departments. Salary increases have been eliminated in FY08 and a \$1,000 after-tax bonus offered in their place with future compensation issues in FY09 deferred until we see the results of the referendum.
- In recent years, numerous departments, such as Animal Services, Court Services, and Fire/Rescue, have implemented state-of-the-art programs. These include programs like Maddie's Fund No-Kill Shelters, wildfire mitigation planning as directed in our Comprehensive Plan, and alternative sentencing programs to lower jail populations. These programs have been expanded by recent significant revenue growth and have been reduced to reflect the 25% reductions back to FY05 levels of service.

In discussing the continuation of these programs, it is important to determine if the structure of some County programs, to be effective in their current scope, require larger capital facilities which are unfunded in the

Capital Improvements Program (i.e. Animal Services and Court Services). Others such as Growth Management and EPD may require amendments to the Comprehensive Plan to allow further reductions. Environmental Protection and Growth Management experienced minor reduction impacts by use of FY05 base budgets as a source of reductions.

- Reductions of approximately 34 positions and reductions in salaries below market level reduce our ability to staff programs and keep valued and motivated employees. This will translate into the reality of delayed projects, slower response times, longer waits in lines, and the potential of inexperienced staff in key positions. Organizational capacity problems have been discussed with the Commission. Even in the best of times the workload climbs annually. These reductions will aggravate this problem by reducing our capacity to perform and needs to be followed by efforts to lower citizen expectations. If the Board chooses to reduce at the statutory level (5%) and restore core service funding, they may wish to reconsider personal service increases.
- Elimination of CAPP and Outside Agency funding has a negative impact on both the agencies and the community. The elimination of funding for these agencies may appear harsh, but in light of the reductions in core governmental services and staff layoffs, it is appropriate in preparing this Tentative Budget at the 12% level. An alternative for the Board to consider is to reduce these organizations by a percentage equal to the core service cuts or set a new funding level and decide which agencies should and should not be funded. In FY09, facing utilization of reserves of \$3.5 million and further reductions to core service, phase out of funding is paramount.

This is an appropriate year for a legitimate policy discussion of the financial policy of taking general taxation revenue, such as property taxes, and allocating it to private groups and non-profit organizations. The non-profit sector or third sector can provide valuable services to the community. However, it is a frequent criticism of us that these types of grants and aide program are not a core service of government and spends taxpayer money on programs they do not support.

Three questions may be appropriate in regard to funding outside groups during these times of cutbacks and as supply-side thinking dominates the legislature:

1. Are the Outside Agencies that receive funding more or less important than the core governmental service, such as law enforcement, fire/rescue, planning, road maintenance etc. which are being reduced this year?

2. Are the organizations we choose not to fund going to lose large amounts of leverage dollars from other sources that benefit our community, and if so, who besides the County needs to step up and join the partnership?
  3. If property tax reduction restores funds to households and businesses, will these citizens and business enterprises be willing to donate more to support these organizations in lieu of public taxes?
- Several years ago, the County Commission authorized the County Manager to create a technology fund to annually fund new vocational and enterprise technology improvements. The FY08 budget reduces our \$600,000 technology program by \$200,000. In addition, the ITS Director will have to decrease the Technology Fund balance in the future by transferring \$200,000 to fund software maintenance. The \$200,000 remaining in the technology fund limits our ability to fund major enterprise-wide programs such as the integrated court management system that was proposed last year based on recommendations to track jail population data by individuals as they move through the system.

Slower implementation and adaptation to new technology will reduce our ability to implement hardware and software changes countywide that would increase our efficiency. Insufficient funds create inefficient transitions in implementing new software programs that leave some departments maintaining outdated systems while others are moving forward with more efficient technologies. Remember, these are not one-year reductions, so our technology funding will be limited overall and you will see isolated efforts to revert back to each area pursuing its own technology applications through grants as the monies permit and not a coordinated advancement countywide.

Technology such as e-governance, websites, and streaming video not only provide a level of efficiency, they also enhance local government. Streaming video of Commission meetings, indexed and archived and accessible from any location through the internet, should be celebrated as a step forward in the ability of citizens to participate and be knowledgeable of local government. Our founding fathers believed an informed public was required for successful democracy, and today that requires modern communications technology and internet applications.

## **CONSTITUTIONAL OFFICES ENHANCEMENTS**

The County Commission adopted a budget strategy for the FY08 and FY09 budget years to require constitutional officers to submit budgets at the same level as the BOCC. To be clear, the Board's stated budget strategy specified no new

FTEs would be considered unless related to newly constructed space. No FTE increases requested below are funded in the Tentative FY08 and FY09 budgets. In addition, the failure of some Constitutional Officers to identify the specific reductions necessary to meet the Board's directive, including FTE reductions, does not provide the public information as to the impact of the statutory and constitutional referendum impacts.

At present we have received the following:

- The Clerk of the Court submitted a reduction budget, met the Board's target, and this will result in the elimination of one FTE.
- The Chief Judge submitted a reduction budget by agreeing to reduce discretionary non-Article V funding, met the Board's target, and will result in the elimination of 2 FTEs.
- The Tax Collector submitted a reduction budget, met the Board's target, and will result in the elimination of 4 FTEs in FY08 and 3 FTEs in FY09.
- The Property Appraiser has not submitted the reduction budget as of 7/6/07 as requested by the Commission. We reduced The Property Appraiser's budget to the target amount as directed by the Board.
- The Sheriff submitted a letter reducing the certified FY08 budget, but did not meet the Board's target. The Sheriff's reduction lowers her FY07 \$65.3 million budget by \$2.5 million or 4%. The Sheriff's submittal does not include detail on reductions nor does it indicate the loss of any FTEs. Unlike the Fire MSTU, there were no special provisions for the MSTU funding law enforcement and they are at a 5% rollback. The Sheriff's FY09 budget was reduced below the submittal to meet the Board's 13% directive and this was done as in the MSTU - Law Enforcement. Both the Commission and the Sheriff are heavily impacted in the FY09 or post referendum reductions.

The Sheriff is requesting funding for a total of 48 new positions totaling \$3.3 million related to jail staffing and \$1.2 million for continuation of the CAD replacement and record management system hardware. Only 24 of the new positions meet the Commission's guideline of being required by new facilities and would, if approved, be added in FY09.

- The Supervisor of Elections has submitted the reduction budget, met the Board's goal, and is asking for an enhancement for the 2008 presidential election of \$357,000 which she will reduce in the FY09 budget. We are jointly suggesting that we allow County employees to be utilized and trained to assist in election activities for providing citizen information, monitor polling environments, and poll working.

- The Public Defender and the State Attorney are not subject to the reduction, as their budgets are covered by Article V and are funded by the state with the exception of technology, office space, and utilities.

### **MSTU- LAW ENFORCEMENT**

This MSTU funds the majority of Sheriff's patrol in the unincorporated area and we have continued to utilize the 70% MSTU / 30% General Fund allocation. The Sheriff has continued to work with municipalities on paying their MSTU equivalent by contract, but as of this budget transmittal, only the City of Archer has agreed to participate in the MSTU and no law enforcement contracts have been signed with other cities that do not have their own police departments, including Newberry. The statutory reduction in this MSTU is 5%, and the Sheriff has made some effort to reach the Board imposed property tax revenue reductions of 12% and 13% respectively, but we have received little detail and no altered certified budget reflecting these revised totals.

### **MSTU - UNINCORPORATED**

The MSTU Unincorporated funds services to citizens in the unincorporated area that are not a part of the Fire Rescue or Law Enforcement MSTU. The statutory reduction required this year was 5%. A major activity funded by the MSTU Unincorporated is development related activities such as Code Enforcement and Planning. In the Tentative Budget, the MSTU Unincorporated property tax revenue has been reduced by the required 25% over two years. No new enhancements are funded. Reductions of two part-time employees in the Environmental Protection Department,, one development review planner in Public Works, and one planner in Growth Management were required to meet this reduction.

It is important to note over FY05 through FY07 the more information and increased level of regulation, preparation, inspections, and reviews due to the Comprehensive Plan, Land Development Regulations, and related code enforcement. This is an investment in the quality of life and environmental protection of our residents and community. To further alter staffing in these programs, which grew to staff these major policy areas in recent years, will hurt the users of these services and requires a willingness to reduce regulatory enforcement and/or may require a Comprehensive Plan amendment.

An alternative to the reduction of personnel is to eliminate the Mosquito Control Program which is currently funded at \$216,000. This is a health safety issue during certain periods of heavy mosquito blooms.

### **MSTU – FIRE UNINCORPORATED**

This Municipal Services Taxing Unit funds fire fighting services and related expenses in the unincorporated area of Alachua County. The statutory provisions enacted by the Legislature require this MSTU to not receive reductions in ad valorem proceeds below 3% of FY07. The Legislature took this action in order to prevent the reductions of MSTU funded fire services by county governments due to Property Tax Reform. On June 26, 2007, clarification was sought of the Commissions to impose the 12% and 13% in the MSTU as a part of this Tentative Budget exercise and was directed to do so.

The impact of a full 25% cut in FY08 and FY09 on the MSTU Fire Unincorporated (and General Fund jointly funded positions) totals 21 FTEs and requires major reductions in our fair share agreements with many municipalities. The statutory level reduction limitation of 3% would result in far less, if any active fire fighter reductions and would be met by reducing the special recruitment positions and operational expenses.

### **CAPITAL IMPROVEMENTS PROGRAM**

The easiest way to deal with periods of lower revenues is by deferring maintenance and capital projects. It is easy, but it leads to a backlog of deficits and inefficient operations. Despite the emphasis on expenditure reductions, we have attempted to continue to address necessary capital improvements and infrastructures such as roads that we have funded through our recent bond issue. We are proposing to reduce but continue to regularly set aside monies to our capital improvements program.

The Tentative Budget reduces the Capital Improvements program by \$500,000 in FY08 and an additional \$500,000 in FY09. This is a two year reduction that reduces our contributions by \$1 million. This is down from our total allocated in FY07 and reduces the progress we were making on needed capital improvements in the County from the much criticized "windfall" of property taxes in FY05 through FY07. The cap that is statutorily placed on property tax revenue in the future will reduce our ability to fully fund our capital improvements or replenish reserves in the future.

A major impact of the reduction is a reprioritization of projects particularly in the area of parks, with a focus on elimination of planned recreational improvements at Jonesville Park. In FY08, the Tentative Budget recommends that San Felasco Park be offered to another entity such as the City of Gainesville, with other facilities to follow or to be deferred or reduced in scope due to cut backs in maintenance and staffing. Parks and recreation programs are being reduced throughout the state by county governments due to property tax reform.

The FY08 Budget funds \$9.25 million in total for the CIP program, with \$1.5 million allocated for Capital Facilities, \$900,000 allocated for Parks, \$3 million allocated for Roads and \$400,000 allocated for Technology.

Future planning efforts are underway for a new jail expansion and the Community Change Center for Court Services on state property off NE 39<sup>th</sup> Ave. adjacent to the current jail. We are also engaging the developer in the Town of Tioga in a conversation about creating a space for a decentralized all County service center in a new phase of the Jonesville development adjacent to the current existing fire station property off SR 241 within the Jonesville activity center. Such an MSTU oriented service center would be utilized by all Constitutional Offices and have a heavy emphasis on technology and cross trained staffing by County service providers. This could be done in a lease or lease build agreement dependent on resources available. None of these facilities are funded in the FY08 or FY09 budget.

The Finance Team is reviewing our bonding options and requirements over the summer, and the capital improvements program will be discussed in a special meeting in August.

### **ANOTHER UNFUNDED MANDATE: REGIONAL CONFLICT COUNSELS**

Despite the rhetoric and action of the special session, the County Commission continues to be faced with the State passing on to Alachua County government additional unfunded mandates. CS/Senate Bill 1088 creates Regional Conflict Counsels (RCCs) which will be responsible for handling criminal conflict cases when the public defender has a conflict of interest. The counsels will also be responsible for representing all indigent parents in dependency proceedings and other civil cases where persons are entitled to legal representation at state expense. According to the legislation, the RCCs will have 384 new full-time employees statewide. The counsels are geographically located in the five District Court of Appeals (DCAs). Alachua County is in the 1<sup>st</sup> District, and the RCC headquarters for this district is in Tallahassee. There will be 108 new employees working in the 1<sup>st</sup> District, 18 of which will be located in the Alachua County based 8<sup>th</sup> Circuit.

By defining the Regional Conflict Counsels as part of the state court system, the legislation therefore requires counties to fund the construction or lease of facilities, information technology, utilities, communications, and security for the Regional Conflict Counsels. Included in the legislation is \$2.2 million (of non-recurring dollars) for the first year's "start-up" costs statewide. If the costs in the first year exceed the one-time \$2.2 million appropriation, taxpayers across the state are required to fund the additional expenses. After the first year start-up, taxpayers will be required to fund 100% of the recurring annual expenses listed above. The result is yet another unfunded mandate created by the State Legislature and the Governor on the backs of local taxpayers. The additional expense to taxpayers comes at a time when all local governments across the state have to make critical service-level cuts to local programs due to reductions in local revenue forced by the Legislature and Governor during the latest Special

Session. This Tentative Budget doesn't provide additional lease space for this additional office requirement.

### **JAIL OVERCROWDING**

As County Manager, I continue to be concerned about jail over-crowding as daily populations exceed a 1,000 individuals. We are over capacity, and this is both a liability and unsafe situation shared by other counties in the State. The Legislature again enacted laws which are aggravating this problem, such as the Anti-Murder legislation passed during the last session. Several alternatives to incarceration initiatives were implemented last year to address this problem, and with the support of the new Sheriff, these initiatives are gaining momentum. The Jail Population Manager position is operational but in need of technological assistance in identifying areas to alleviate overcrowding. However, recent freezes on positions in Court Services and funding cutbacks in technology may diminish our abilities to implement the entire program pending the Commission budget decision on the level of reduction in the budget.

There is no funding in the Tentative Budget or CIP program for a temporary jail facility, and the estimated cost of that facility is \$2.8 million. If authorized and able to be completed prior to the opening of the barracks, the staffing would require bringing on an appropriate number of barracks staff earlier than anticipated.

The Board has authorized construction of a \$5.4 million barracks jail project funded through bonds (\$4.3 million in construction). This project, as requested by the new Sheriff, will add 128 barracks beds and 40 beds in cells at the existing jail facility. This project is expected to be completed in September 2008 and the Sheriff is requesting 24 personnel in FY09 to staff that facility.

We are proceeding with the Sheriff in examining the site adjacent to the current jail complex owned by the State for the purpose of a future long term jail expansion and/or an alternative treatment facility expansion for Court Services on the NE 39<sup>th</sup> Ave. corridor. A new, larger jail facility expansion is beyond our financial means at this time unless included in a sales tax proposal. We believe the total cost of a new jail expansion beyond the current barracks is likely now out of reach of bonding with existing revenues.

### **CONTINUED EMPHASIS ON ROAD MAINTENANCE**

Alachua County has over 650 miles of paved roadways with over half of this amount rated in need of repair. Over 90 miles of this total system need significant reconstruction which frequently costs over \$1.5 million per mile. In FY07 the County Commission authorized a 15 year bond issue for \$30 million to invest in and improve a portion of the 90 worst miles of roadways. This bond issue is made possible by the commitment of \$3 million in gasoline tax revenue annually.

In order to deal with the Ad Valorem reduction, we will be shifting \$1 million of General Fund support from Public Works operations back to the General Fund and make necessary reductions to utilize gasoline tax for new projects to the extent possible. Expenditure reductions in FY08 and FY09 were made based upon maintaining safety as the top consideration.

This budget continues to reflect a core service priority on roads. Once we receive confirmation from Department of Revenue, the FY08 Budget will be amended to reflect the addition of \$2.8 million generated by the recently enacted five-cent Gasoline Tax which will be dedicated to the Commission-approved priorities for additional resurfacing and repaving projects of existing roadways, alternative resurfacing of dirt roads, as well as sidewalk and bike path construction. A major problem continues to be the need for funding new roadways in the unincorporated urban cluster to allow major road interconnectivity and reduce traffic on concurrency plagued roadways.

It is our intention to utilize gasoline taxes as much as possible for road construction and resurfacing. The further reduction of property tax revenues will reduce the ability of the General Fund to contribute to operational expenditures in the Public Works Department. Gas tax, excluding the new five cents, can be expended legally for routine transportation maintenance and operations of roadways.

### **PARKS EFFORT SUFFERS**

As economist Hank Fishkind, Ph.D. indicated in his review for the Legislature of the anticipated impacts of property tax relief, the counties would have to reduce "quality of life" projects. Areas such as park operations, that are for the most part discretionary, will take a back seat to funding core County services. A 25% budget reduction required staff to seriously consider if parks and recreation activities can flourish under such reductions. We love our parks but may wish to find a better home to funding these expanding expenditures.

This budget eliminates the parks and recreation \$400,000 grant program offered to our municipalities last year from the increased FY07 revenues. It furthermore, reduces administrative and maintenance positions authorized last year. We anticipate the reduction in the bond issue proceeds planned for Jonesville Park by the Commission and their re-authorization for use of roadways or criminal justice projects if required. The Public Works Department believes that the funding for park maintenance and development either needs a new funding source or potentially should be offered to municipalities. This would be consistent with the Commission's Vision Statement on recreation programming being a municipal service. Privatization by the private sector or formal adoption by civic associations for the operation and maintenance of these parks are also possible given the operations at these facilities.

New funding for Parks and Recreation could be accomplished through a special district with its own funding source, and new facilities and their maintenance could utilize the one cent local option sales tax. The problem however, will always be the County's ability to cover maintenance cost of facilities over time as opposed to the construction costs.

### **SPACE NEEDS REMAIN UNRESOLVED**

It is a clear fact that there is a need for space to house the operations of County government that must be constructed or leased in the near future. Reduction of employees may mitigate that in some areas but not eliminate it. Inadequate or dysfunctional space allocations diminish the productivity and effectiveness of several County operations at the present time and impact customer service beyond what might be realized. My concern remains that the needs for major maintenance and new construction compete for the same limited dollars. In recent years we have had to relocate from downtown leased space due to odors in one case and a rat infested building more recently.

The FY08 budget contains lease space authorized for the Supervisor of Elections and continues bond projects for the construction of the Sheriff's Jail Barracks. The FY09 budget includes a multi-year plan for the new Court Support Building and remodeling the State Attorney's office for Growth Management by 2010.

### **NEW FIRE FACILITIES COME ONLINE**

The FY08 budget provides for the construction and operation of a new Jonesville Fire Station which comes on line in November 2008. There is also a new rescue station adjacent to the existing Fire/Rescue headquarters in Gainesville under design. Crews for these facilities are already funded, having been in operation in other locations. An additional facilities maintenance person has been included as the only new position required. The Jonesville Fire Station is the first fire facility to qualify to use impact fees in its financing.

### **IMPACT FEES INCREASE CONSIDERED FOR INCREASE**

In August of 2008 the County Commission will consider increasing Impact Fees in Alachua County. The current Impact Fees began collection in May of 2005 and are now included as a revenue source in our Capital Improvement Program. As the Capital Improvements Program is implemented, impact fees will be allocated for specific projects based upon their geographic area and the new capacity they generate. The new fees have been submitted to the Board at 100% of their justification by the County Impact Fee Administrator. Between now and August 28, 2007 the County Commission may consider the implementation of this increase and consider whether the fees should be discounted and/or phased in over multiple years. It should be pointed out that Impact Fees, even at 100%, will not totally fund, nor are they anticipated to fund, new roadways and

facilities resulting from new development. For this reason, it is important to recognize both the contributions from growth as well as more productive source of taxation to fund infrastructure, such as the one cent local option sales tax.

### **HOMELESS PROGRAMS AND ACADEMY FOR BUSINESS OWNERSHIP (ENTREPRENEUR CHARTER SCHOOL)**

The County has been notified by the City of Gainesville that they have proposed to eliminate in their budget the funding for the Office of Homelessness which is defined in an inter-local agreement with the Housing Authority. Currently, the County has allocated \$200,000 for the homeless program meant to fund the Office and the One Stop Center. The City of Gainesville has chosen not to fund the homeless office, and therefore I am recommending that the County match the City's \$36,000 reduction and make these funds available for reallocation to other needs in the County's General Fund.

A total of \$100,000 was allocated in prior years to fund an Entrepreneur Charter School, now known as the Academy of Business Ownership and remains unexpended in the County's fund balance. The City Manager has recommended eliminating the City's funding for the project.

### **STORMWATER MANAGEMENT PROGRAM**

The Board of County Commissioners directed County staff last year to proceed with the implementation of a study to establish a stormwater management program. This is necessary for water quality as well as prevention of flooding and proper drainage. The FY07 budget authorized \$895,000 from the General Fund balance to be utilized for the development of this study and plan. Due to efforts in addressing the road bonding issues and other related work, as well as the loss of engineering staff, the Public Works Department has only recently formalized a scope of services with the consultant to bring before the Board in August. If the Board approves the scope of services, it is estimated that the creation of the plan and the public involvement process would require 18 months to complete. It is anticipated that revenues from any assessed fees for stormwater would not be available in the FY08 or FY09 Budgets.

In August the Board may wish to seriously consider whether or not we wish to proceed with the study if there is no political support for its likely implementation. Special assessments have been controversial and difficult to bring to fruition but are recommended by financial experts as one of the only options for local government revenue diversification.

The Commission should be aware that if a study is done, it would provide us with very useful information on drainage basins within Alachua County that would be a benefit in dealing with development related storm-water issues. Additionally, national stormwater permits will require more actions be taken by counties to

control runoff and insure water quality. Where these projects are mandated, if a funding source like an MSBU or Stormwater Assessment is not available, the future cost will come from the General Fund and our limited property tax base.

In FY08 the \$895,000 that was transferred to Public Works will be returned to the General Fund reserve as part of our budget reductions. Should we proceed with the study, we will loan this amount from the Capital Improvement Fund for payment of the study and recoup the loan from the Stormwater Assessment when enacted.

### **FAIRGROUNDS/BUSINESS PARK DEVELOPMENT**

This year the County Commission saw fit to invest a portion of the property tax revenues or “windfall” in the acquisition of the Weseman Tract. The acquisition at a cost of \$2 million is being planned as a site for a new fairgrounds and corporate business park. Over the next two fiscal years the County Commission will be developing this facility in a master plan format with funding from our existing stream of economic development revenue totaling \$400,000 annually. This project needs to be our major economic development effort for the next two-year budget period. The return on investment in the case of the development of this property as both a fairgrounds and business park deserves our continued funding from the General Fund. This combined facility of fairground and 50 acre business park has a potential return on investment of millions of dollars of revenues to the community and thousands of jobs. Redevelopment of the existing fairground is an integral part of the revitalization effort in East Gainesville.

The General Fund also receives the proceeds from occupational licenses which are estimated to be \$311,000 in FY08. These funds, which originate from the business community, have been requested to be expended on economic development. As the Fairgrounds project shows, the County has expended far more than this amount on economic development projects.

### **GASOLINE TAX FUNDS REGIONAL TRANSIT SYSTEM**

Under the two year 25% reduction scenario, County staff found it difficult to meet the objectives without reducing funds generated from property taxes in the General Fund being transferred to Public Works. While we recognize a planning commitment to mass transit, we know there will be an increasing requirement to fund RTS in the future; this is recognized to be the case with current routes. The County has yet to consider additional funding of the Community Transportation Coordinator.

The FY08 budget continues funding for RTS at a cost of \$809,000 of gasoline tax revenue. County staff believes that a commitment to the CTC could run in the millions of dollars to provide transit services in rural areas. For this reason and in

light of the reduction of resources in the General Fund, Public Works staff believes that the Commission should seriously look at the ridership levels on RTS routes to determine if the expenditure of Gasoline Tax on mass transit is the best use of this \$809,000 commitment. Concern exists that the amount of ridership and roadway capacity enhancement created by the RTS contribution would provide greater benefit if directly applied to new road capacity. This would benefit a greater percentage of County residents and it is hard to argue that mass transit is an urban service and associated by the city itself with annexation campaigns.

Projections of lower gasoline usage have been forecasted as costs rise, but there is little indication of that occurring at this time. Current estimates support that we will receive an additional \$1 million in Gasoline Tax next year. We are cautious over the long term as FDOT and other agencies predict a decline in this revenue source and will continue to use conservative estimates.

### **FLOW CONTROL DECISION TO IMPACT SOLID WASTE**

The County Solid Waste Program continues to function in a highly competitive environment for collection and disposal. The County improved its position in the marketplace by entering into agreements with waste haulers to deliver their waste to the transfer station at a market-based cost. As a result, the Transfer Station is processing 180,000 tons of waste annually and is in a significantly improved financial position. Based on the current budget reduction strategy, it is anticipated that the County will suspend the \$100,000 annual transfer from the General Fund in the FY08 budget.

As the County Commission is aware, the County has been concerned about the potential to lose the City of Gainesville's solid waste. The loss could have serious negative impacts on the cost effectiveness of the transfer station operation. Fortunately, the County and City are making progress on developing a joint business plan. It is anticipated that the plan will be presented to the joint City/County Commissions toward the end of the calendar year.

A concern that has yet to be resolved is a \$2.35 surcharge that is scheduled for January, 2009 at the New River Landfill. Both the City and County staffs are concerned with the potential negative financial impact of the surcharge and are jointly working with the New River Landfill Management to reach a mutually satisfactory resolution.

In April 2007, the US Supreme Court, in a 6-3 decision, upheld the solid waste flow control ordinances of the Oneida-Herkimer Solid Waste Management Authority. As the County's transfer station is a publicly owned and operated facility and the waste is transported to a publicly owned and operated landfill, it is now feasible to institute a solid waste flow control ordinance directing all waste generated in the County to the County's transfer station. County staff is

investigating the benefit to the citizens of the County if a flow control ordinance was adopted.

In partnership with Gainesville Regional Utilities, Progress Energy, and the University of Florida, the County operates a full-scale 28-acre bio-reactor at the Southwest Landfill near Archer. The landfill is producing energy rich landfill gas. The gas is collected, fed to engines and “green” electricity is generated without contributing to the increase of global greenhouse gases. Gainesville Regional Utilities is marketing the electricity produced at the site as part of its GRU Green Energy program.

The County is exploring the commissioning of a white paper on technical and financial issues related to organics recycling and waste water issues at the South west landfill. This could involve a potential partnership with the City of Archer to solve their sewer plant needs, however, outside capital funding is necessary, and a formal discussion of opening of the Southwest Landfill would require public involvement out of concern for the neighborhood with the City of Archer’s support.

### **ANNEXATION TRANSITION AGREEMENT**

In FY07 the City of Gainesville and Alachua County entered into an Annexation Transition Agreement. This agreement provides a schedule for representatives of the City and County to identify appropriate areas and time frames for annexations. This initial effort will be undertaken this summer and at some point in FY08 we will provide this information to the Commission. The intent of the annexation agreement is to identify the fiscal and service delivery impact of annexations and how they may be mitigated to avoid immediate impact on the County. It is likely that annexations will have impacts in future years that reduce revenues to the County’s MSTU. This budget reflects no fiscal impact from any major annexations in the FY08 and FY09. However, discussions of annexations of areas such as Butler Plaza would certainly have significant impact on the County budget, particularly the Sheriff’s MSTU.

### **ALACHUA EXCELS/ FOCUSING ON PERFORMANCE**

Our Alachua Excels program continues to guide our organization, and we have taken great pains to maintain our vision and values articulated in our guiding documents during this discussion of major reductions to the County. We have communicated openly with our employees, held meetings, and solicited ideas about how to deal with the impacts of property tax reform.

The County continues to implement our Aligning for Success program. This program will assist in identifying performance measures to aid managers and Commission in evaluation of County programs and discussions with citizens on the outcomes of our efforts related to expenditure of taxpayer resources.

We will also be implementing our “Creating a Sustainable Workplace” program in cooperation with the national Alliance for Success organization and Innes Strategy, Inc.

We will continue to strive to be an Employer of Choice despite reductions of operating funding and travel and training by maintaining our commitment to organizational and employee development. This will involve training programs, communication, and teamwork initiatives with in-house resources and on-site opportunities versus travel.

### **BUDGET ALTERNATIVES REQUIRE STRATEGIC THINKING**

As the Board discusses the issues contained within the two-year Tentative Budget and the recognition that the public may enact the constitutional changes that will alter property tax revenue in the future, there is a natural tendency to fall into a malaise. We should not forget however, that political polling of the general public tell us that although property tax reform was heavily supported, the same levels of support exists among citizens for their local elected officials and the services provided by local government. Our own citizen surveys in Alachua County and those of the Gainesville Sun showed similar high levels of support and satisfaction for local government services.

A choice exists. First, the Commission may accept the new reality of diminishing resources that the property tax reform suggests and downsize our county government organization, reduce its role, and reduce programs. If the Commission’s goal is to downsize government, implementing this Tentative Two-Year Budget will certainly begin that process. I have been a manager in far more conservative communities with less quality of life and less compassion, so I know how to lead a downsizing effort.

On the other hand, if the Commission feels our services have value and our citizens need and appreciate them, you may wish to aspire to the visions you have articulated over recent years as a collegial body. I would suggest the following ideas be considered as budget strategies over the next several months to finance and maintain our County services:

- CHOICES is one of the major accomplishments in recent years of the County Commission and one of the most controversial. We have attempted to keep the faith with the public that supported this additional sales tax, and the Commission has made minimal program changes. The Commission may wish to again consider its duration, or in light of the reduced funding that is being proposed to healthcare agencies such as Meridian, the Health Department, and other health related services the County offers, I believe it is an opportune time to consider what program changes might be made in the ordinance and structure of the program to

accommodate the appropriate use of the fund balance of \$23 million dollars. Any changes should and must meet the legal restrictions, ethical considerations, and credibility issues with the public.

- Reconsider and implement a Fire Assessment to fund Fire/Rescue Services in the unincorporated area and equitably spread the cost to all properties in the County. We do not need to delay this action during another round of merger talks. A Fire Assessment as a revenue source for our municipalities and the County to finance consolidation or a merger would be the logical approach that governments will likely migrate towards around the State.
- Implement the Stormwater Assessment to deal with stormwater related issues, at least in the essential drainage basins that require capital improvements and recognize that maintenance costs otherwise are being borne by property taxes or gas tax revenues in lieu of road repairs. Shifting tax burdens to benefit areas is a means of lowering millage while actually addressing issues and solving problems.
- Require a fee structure be developed and proposed for all existing County services which would provide a greater level of fee-based funding for County programs in the event the January 29 referendum passes. The choice, should the referendum pass, may appear to be what programs to cut, but it could just as well be what fees should be enacted to allow users requiring County programs to fund those programs.
- Encourage the creation of an independently funded parks and recreation special district that would assist the County's municipalities and unincorporated area to provide a voter approved funding source for a quality parks and recreation program. Another option would be to privatize park operations allowing civic groups, neighborhoods, municipalities, or private vendors to operate these facilities if we are unwilling or financially unable.
- Re-focus Animal Services away from the Maddie's Fund inspired or "No-Kill" concept of shelter operation with its high operational and capital facilities needs towards an emphasis on prevention of animal births and responsible ownership with a more traditional shelter operation. In addition, the Commission may wish to consider providing Animal Services to the unincorporated citizens only and funding this service from the MSTU. Municipalities requesting this service would be required to pay their fair share.
- Sell the naming rights or sponsorship of County owned lands, buildings, roads, and programs. This is already permissible, per County policy, for new buildings, but has not been marketed deliberately to raise funds for

maintenance of existing facilities or sponsorship of informational programs such as Alachua County Talks. We could let every service club sponsor a park, every patron of the arts a performance, every environmentalist of means a nature area, and every sports organization an athletic venue. Who cares what a facility is called or who sponsors a program in supply side economics, if a donation is made and the sponsorship is in good taste, and if the sponsorship allows the facility or program to exist?

- Examine opportunities for consolidation of municipal services among Alachua County’s local governments. Such services could include fire and law enforcement, planning, training, and parks and recreation. Such consolidation efforts should be based on a deliberate discussion of the role of County government in an urbanizing county and the governance structure that assures the principle of representative government is maintained by allowing people to vote for those controlling their services.
- The County should encourage citizens in leadership positions throughout the community to lead the effort in a citizen initiative to pass a one-cent local option sales tax for a multi-year period. This would produce \$40 to \$45 million dollars per year to construct and expand necessary public capital infrastructure. To maintain our ranking as a quality community and to assure economic development, the County needs adequate, well designed public infrastructure. Passage of a one-cent sales tax should be as important to a university, educational or business leader as it is to a County Commissioner, as infrastructure funding is necessary and its passage takes a dedicated community wide network of support.

## **THE EROSION OF HOME RULE**

The special session was successful in providing immediate property tax relief at the cost of local government service levels. But it did not fix the principle problem of the valuation of property on the “highest and best use,” and it will take until the January 29 referendum to address the Save Our Homes issue.

However, something else significant happened this year in the special session besides the reduction and future capping of property taxes—perhaps something more important to the history of the State than the tax cut itself. That was the deliberate erosion of the civic and legal principle of “home rule” by the actions of the State Legislature. The 1968 Constitution of Florida formally established the “home rule” principle which basically says local governments can run their operations and set tax levels locally, provided they do not conflict with state law, a local special act, or the Constitution. Charter Counties in the State, of which Alachua County is one, were given a broad constitutional authority and power to do so. By design the State Legislature is not the County Commission and the Governor not the Mayor or Chair of a local government. This year, the tenets of

home rule became very unclear in the media, in the Capital, in the Governor's Mansion, and in the civic understanding of perhaps a majority of Florida residents.

"Home rule" is as important a word in government as "academic freedom" is at the University or "sovereign nation" is in international diplomacy. The concept is a double-edged sword much like freedom of speech or freedom of the press, which causes some occasional discomfort to folks, but provides a great security to individual rights. Local autonomy of decision making by locally accessible elected representatives has been a treasured source of community strength, accountability, and innovation in local government in America for years. We believe that local elected officials, making decisions locally, in open government meetings, based upon local knowledge and concern for their community, tend to make the best decisions.

It has been a concern to both academics and practitioners of local government to listen to State Legislators make hasty decisions this year about the historic, principle source of local government financing. Then came the populist rhetoric, designed to devalue local government services as "dog parks," local government officials as "drunken sailors," and threats of our Governor participating in local campaigns "against any local official who lays off a firefighter" as a result of the State's intervention in local governmental finances and operations. It was clear that many reformers didn't know some basic facts about how local governments, the diversity and interconnectedness of local government structures in different places, or how the fiscal resources or programs of local government are used and limited by law. Worse yet is they couldn't admit it.

There should be more of a concern about the erosion of home rule by the State Legislature and the powerful regional delegations within the state that can now cause unfunded mandates on city and county governments, alter their expenditure levels, and control their principle and historic source of revenue.

As I write this budget message on July 4<sup>th</sup> 2007, I am reminded of the fact that it was the local residents of Concord and Lexington that came out of the taverns, public meeting houses, and churches and took to the town green or commons to resist the authority of a Colonial Governor who was controlled by a far away King and Parliament.

The result was an American tax revolt. But our Founders had the ingrained wisdom to debate if the states and their hamlets and towns should be ruled by a centralized few or preserve the relationships of autonomous states and localities where local representatives made decisions with knowledge of local needs, environment, and culture. We need that home rule debate again in Florida.

The voice of the people is always most likely to be heard on taxes and community needs more often by neighbors holding the local government offices

than by those in higher offices, farther away in larger political bodies or in geographic areas represented by stronger political delegations.

In this extremely difficult budget season, if this Commission chooses to reduce taxes and reduces programs, then the County organization recognizes you must do so. It is far more preferable to our management team and hopefully our citizens that it is decide here in Alachua County, rather than by politicians in Tallahassee, most of whom our citizens will never know personally as a neighbor or friend.

## **CONCLUSION**

I would like to thank the Constitutional Officers, the Office of Management and Budget, and the many County employees who worked diligently to prepare this budget and make difficult suggestions on short-term and long-term reductions and realignment strategies. Finally, this budget reflects the directives of the Commission for beginning an exercise that will prepare the organizations for both statutory and constitutional impacts as high as 25% as we can identify them today. As always, I will be encouraging my staff to implement the priorities of this Commission and the role we are assigned in good times or bad. I look forward to assisting you in the next few months as you undertake your review of the budget presented here today.

Finally, as they say, "Remember, this too shall pass."

In Public Service,

Randall H. Reid