County Administrator's Office

State of Florida

September 9, 2010

Honorable Members of the Okaloosa County Commission:

By this letter, your budget staff formally transmits the 2010-2011 Okaloosa County Budget. This document has been prepared through a cooperative effort between the County Administrator's Office and the Clerk to the Board's Finance Office.

POLICY OVERVIEW

On April 27, 2010, the Board of County Commissioners met in workshop session to discuss its budget policy for Fiscal Year 2010-2011, hereafter referred to as Fiscal Year 2011. This policy discussion guided your staff as we prepared next year's spending plan for your consideration. A quick review of the policies set by the board includes:

1. Continuing decline in property valuations and other reduced revenue projections will require further reductions in services, operational costs and capital projects.

2. The Board of County Commissioners would like to hold the millage rate at no higher than the present 3.2899 mills.

3. Salary adjustments for employees could possibly require pay reductions, preferably using a furlough program and would likely include no market adjustments or merit (performance) increases for Fiscal Year 2011.

4. Downsizing of government operations will preclude consideration for additional staffing except as identified for certain enterprise/proprietary operations.

5. If possible, the Board should target a General Fund Reserve of 8.35% or approximately 30 days of operating cash.

6. Minimal replacement vehicles will be considered this year and staff will continue to work on reducing the overall number of vehicles.

7. Funding losses may require reductions for existing civic and social programs.

8. To enhance further government fiscal transparency, the Board directed the full implementation of Performance-Based Budgeting for county departments and requested Constitutional Offices continue to provide detailed budget data for public examination.

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BUDGET HIGHLIGHTS

Millage Rate: The millage rate as presented is 3.2899 mills, which is below the currently calculated State mandated capped tax rate. Due to declining property values, this rate provides $5,285,806 less than last year in county-wide taxes. The total of ad valorem tax revenues included in the tentative Fiscal Year 2011 budget is $45,386,520. Of that total, $310,457 is generated from new construction being placed on the tax rolls. The total proposed budget for Fiscal Year 2011 is $280,536,430, which is an increase of $16,967,194 from the current year original budget. This 6.4% increase is mainly due to bond proceeds and increased debt service for the Courthouse Annex Extension project ongoing. Without the increased debt borrowing for this capital project, the budget would have declined based upon the reduction in valuation and tax revenue and the overall decline in tax-supported county service departments.

Board of County Commissioners Positions: The proposed budget includes an overall reduction of twenty-four (24) positions for the Board of County Commissioners staffing. This overall reduction is represented by the deletion of one (1) vacant position in Facility Maintenance and twenty-four (24) positions through the Voluntary Separation Incentive Program (VSIP) and the addition of one (1) position in Tourist Development. Since Fiscal Year 2008, a total of 88 positions have been eliminated from Board staff. The following is an overview of the position changes proposed for this next fiscal year.

1. **Corrections**. The following positions have been eliminated: one (1) Administrative Assistant II and five (5) Correctional Officer I's, for an overall reduction of six (6) positions.

2. **Facility Maintenance.** The following positions have been eliminated: one (1) Senior Jail Maintenance Technician and one (1) Pest Control Specialist, for an overall reduction of two (2) positions.

3. **Fleet Operations.** One (1) Welder position has been eliminated.

4. **Growth Management.** The following positions have been eliminated: one (1) Chief Fire Inspector and one (1) Planning Analyst, for an overall reduction of two (2) positions.

5. **Library.** One (1) Library Cooperative Administrator position has been eliminated.

6. **Northwest Florida Regional Airport.** The following positions have been eliminated: one (1) Lead Custodian and one (1) Senior Custodian, for an overall reduction of two (2) positions.

7. **Public Works.** The following positions have been eliminated: one (1) Survey Aide I, one (1) Program Technician II, one (1) Light Equipment Operator, one (1) Landfill Supervisor and one (1) Weighmaster, for an overall reduction of five (5) positions.

8. **Tourist Development.** Currently, the Tourist Development Department contracts out the cleaning service for the Visitor's Center. The Department has estimated an annual

savings of $10,000.00 as a result of deleting this cleaning service contract and adding one (1) part-time Custodian.

9. **Veterans' Services.** One (1) Veterans' Services Counselor position has been eliminated.

10. **Water & Sewer.** The following positions have been eliminated: one (1) WWTP Operator "B", one (1) Electronics Technician, one (1) Wastewater Effluent Disposal/R.I.B. Technician, one (1) Lift Station Technician and one (1) Engineering Intern, for an overall reduction of five (5) positions.

Risk Management: Increased claims experience has again caused the Group health insurance to project out a 16.9% increase in premiums. To control this significant premium increase, our brokers have negotiated with BlueCross BlueShield a new base that will reduce the projected increase to 9.9% while still keeping many of the benefits whole. Also, there will be a buy-up plan available to the employees for those that wish to elect richer benefits. The greatest change to the new plans will be an increase in the pharmacy coverage whereby employees will now have to share a greater cost for prescriptions from the present $15/$30/$50 three tier co-pays for drugs, to a $15/$50/$80 co-pay program. The $40 per month employee contribution will continue and a $395.82 contribution for those employees electing family coverage. Dental insurance has renewed at a 3% increase while the Long Term Disability and the Life insurance will remain the same. For Fiscal Year 2011, staff anticipates the need to increase the per employee cost for health insurance benefits from $8,220 to $9,037.

The excess property, liability and workers compensation insurance markets continue to be more favorable, with the insurance market for excess property beginning to gradually harden. General liability and Workers' Compensation insurance markets are continuing to remain stable. The Board has authorized Risk Management to go out for RFP on the property & casualty insurance program for Fiscal Year 2011. As of the date of this document however, Risk has not received the bids but anticipates them to be even or below present budget levels. Staff will work closely with responding vendors in the RFP process to negotiate an acceptable renewal including options that will allow Okaloosa County to continue its effective protected insurance program.

Reserves: The proposed General Fund budget provides reserves of $2,686,908 as compared to $2,768,027 provided in last year's budget. This establishes a reserve of 8.3% in the General Fund.

Capital Projects: The Capital Outlay Construction Trust Fund includes several projects or reserves for future capital outlay this next year and includes "unrestricted" reserves in the Capital Outlay Judicial Department of $3,932,930 and in the Capital Outlay Reserve Department of $1,500,000.

Courthouse Annex Extension. The new 85,000-square-foot, 3-story judicial center is under construction at 1940 Lewis Turner Boulevard adjacent to the Fort Walton Beach

fairgrounds. The total cost of this facility is $26,898,526 and has been fully funded by bond proceeds and judicial reserves. Of this total, $22,400,229 is for the guaranteed maximum price (GMP) for construction by the construction manager (Skanska/Lord & Son, Inc.) and $4,498,297 for all other costs outside the GMP (furniture, fixtures, equipment, audio/video technologies, permitting, etc.). The facility is projected for completion approximately October of 2011.

Shalimar Courthouse Annex. With the completion of the Courthouse Annex Extension in October of 2011, the Board can develop plans in Fiscal Year 2011 for the renovation of the Shalimar Courthouse Annex. Plan development in Fiscal Year 2011 will maximize south-county rent savings, currently approaching $1,000,000 annually, by consolidating certain county offices into the Shalimar facility. The Board hopes to have a judicial determination on any required uses at the Shalimar Courthouse Annex in order to ensure compliance with the facility's original reverter clause. However, currently scheduled for return to a renovated Shalimar Courthouse Annex are offices for the Board of County Commissioners, County Administrator, Supervisor of Elections, Tax Collector, Property Appraiser, Sheriff Investigations and Booking, certain Clerk of the Circuit Court offices and other Board departments and other outside agencies.

If renovation plans can be finalized in Fiscal Year 2011, with the actual renovations taking place in Fiscal Year 2012, occupancy of the newly remodeled Shalimar Courthouse Annex could begin in October 2012 and be completed with the expiration of the current lease agreements for the Tax Collector and Property Appraiser approximately fourteen months later (December 2013). $500,000 for the development of renovation plans for the Shalimar Courthouse Annex has been included in the Fiscal Year 2011 proposed budget.

Old Fort Walton Beach Hospital Projects. Approximately 25,000 square feet of space in the Old Hospital became available for County use this year. Staff has been studying which uses will eliminate rental fees and maximize citizen services. Currently, the County is abating the asbestos containing materials from the space and then will renovate 1064 square feet for Veterans Services and 961 square feet for a shared conference room and mechanical space. Additionally, for FY 2011, plans are being formulated to make needed infrastructure updates to the approximately 20,000 square feet two story portion as well as renovate the first floor to provide a much needed dental clinic for the Health Department. All renovations for FY2011, as well as the total cost of the asbestos abatement, are being provided by Health Department funding.

Department of Public Safety/Community Services Complex/911 EOC. In previous fiscal years, Okaloosa County has funded the construction cost of $7 million to Northwest Florida State College for the County's portion of construction of the 911 Emergency Operations Center. The project was awarded in May of 2008 to Speegle Construction of Niceville and is expected to be open for operation by Fall of 2010. For Fiscal Year 2011, additional funding for furniture, fixtures, and equipment (FF&E) in the amount of $548,503 has been bumped to Fiscal Year 2012 to accommodate budget constraints.

Resources/Parks. The Resources/Parks Division continues to focus on implementation of the objectives outlined in the Parks Master Plan. A periodical analysis of labor, equipment and material costs incurred by the various parks throughout the county indicates that the most appropriate split of costs between the Parks MSTU and the General Fund County Parks is 65/35%. The Resources/Parks Division currently maintains 18 General Fund County Parks and 31 MSTU Unincorporated Parks. Projects included in the proposed Fiscal Year 2011 budget includes renovations to Beach Accessway #3, minor refurbishing at Beach Accessways #2 and 4 and improvements to Wilderness Landing, Woodlands Neighborhood Park, Lake Silver Park, Rocky Bayou Estates Park, Choctawmar Park, Baker Ball Park and Garden City Park.

Solid Waste Program. Okaloosa County provides solid waste collection and disposal services to franchise areas located in unincorporated areas of the County. The contracts for collection will expire in April, 2011. In May the Board of County Commission tabled the issuance of a Request for Proposals (RFP) for 30 days and directed staff to determine if interest existed from the current vendor to renew the existing solid waste services contract with reduced fees for collection and disposal along with other contractual incentives. Staff, along with a representative from Kessler Consulting, met with representatives of Waste Management, Inc. (WMI) to determine if conceptual approval could be reached for various contract terms prior to the BCC imposed deadline of June 15th. Concessions offered by WMI satisfy many of the initiatives staff sought to address during the negotiation process. The new terms include: reduction in collection and disposal costs to our customers, proposed a new floor fee for recycling material which will produce additional revenue as market demand for recyclable material increases, a shorter duration contract that will allow the County to pursue new, cost-saving, disposal technologies in the future. Staff received the BCC's approval to finalize negotiations with WMI and prepare a draft contract for solid waste services for a period of five years with one five-year renewal term.

Public Works/Transportation. Okaloosa County maintains 280 miles of dirt roads (including 74 miles of cold mix base stabilized roads), 656 miles of paved roads, 67 bridges and 9 large culverts. The County accepted approximately 1.6 miles of paved roads into the maintenance system so far in Fiscal Year 2010.

Over the past several years gas tax revenues declined therefore General Fund support into the County Transportation Trust Fund (CTTF) was increased. This year revenues have somewhat stabilized so the General Fund expects to provide $4,401,655.

The Board has indicated rural road improvements are a priority. Therefore, $1,495,000 has been allocated for "other road improvements". This funding will provide improvements and surface treatments for paved, base stabilized, and dirt roads located in the rural parts of the county. Projects planned for Fiscal Year 2011 include: paving Keyser Mill Road, paving Okaloosa Lane, widening and overlaying Buck Ward Road, surface treating aging cold mix roads, and continuation of the annual resurfacing list for each district. In March, 2010, the Board approved a proposal to reallocate funds in the CTTF to make temporary repairs to Keyser Mill and Old River Roads, widen and overlay Lake Silver Road, and use a chip seal surface treatment to improve 5 cold mix roads

(Haybarn Road; Trawick Creek Road; and Quasar, Astro, and Galaxy Drives). These improvements have been completed.

Public Works/Stormwater. The Board is dedicated to addressing the ever increasing Stormwater challenges of the county. Efforts began last year to establish a more inclusive Stormwater Budget. This year the stormwater budget has been developed with dedicated personnel and operational funding which will efficiently track all costs associated with Stormwater projects. Declining revenues have delayed needed capital stormwater improvements. Therefore the focus has been redirected to address catastrophic failures of the aging infrastructure which has reached the end of its life span. Projects planned for Fiscal Year 2011 include: Gap Creek Phase I improvements, Dorchester Place retention pond expansion, Mar Walt Drive drainage improvements, Foxwood Estates Phase I improvements, and matching funding for various NRCS Emergency Watershed Protection (EWP) projects. Aging infrastructure and declining revenues have presented opportunities to more adequately define needs and increase awareness of funding limitations. Continued funding reductions are forcing the department to explore funding options such as a dedicated stormwater utility or additional local option gas taxes.

Water and Sewer Projects. Construction of the new 10 MGD Arbennie Pritchett Water Reclamation Facility is now complete and the new plant is in service. OCWS will now move forward with the demolition of the old Garniers Wastewater Plant. Requests for Qualifications and bid documents are now being prepared with bid award projected for early fall 2010.

The wastewater interconnect project under the terms of the interlocal agreement with the City of Ft. Walton Beach has been completed and all flow from the City is now diverted to the Arbennie Pritchett WRF. This project results in consolidation of services and increased revenue to the County. Under the terms of the agreement, OCWS is now sending reclaimed water to the City's golf courses.

In order to serve the 7th Special Forces Complex, construction is currently underway on a sewer pump station and over 16 miles of force main. This project is expected to be completed in fall 2010. Negotiations with Eglin staff are also underway to provide for the diversion of wastewater from 4 Eglin plants to Arbennie Pritchett WRF. During FY 2011, OCWS staff will most likely be underway in survey, design, and permitting for the Eglin Wastewater Treatment project.

A CDBG grant has been obtained for 2 projects: 1) Sylvania Heights Water System Improvements, which will increase the number of fire hydrants and size of water mains, and 2) Clifford Lift Station Improvements, which will replace pumps and other rehab to the station.

The OCWS 5-year Capital Improvement Program also calls for a project to replace about 21,000 feet of aging force main from the Rocky Bayou Lift Station to the NVOC sewer plant during FY 2011. OCWS also plans to begin design of a new Main Island Lift Station, another one of our oldest, largest, and most critical lift stations.

Due to several factors that are driving up expenses during a period of flat or declining revenues, the Water & Sewer Department will be proposing a five year plan later this year that includes three consecutive 4.75% annual increases, followed by two years of consecutive 4.0% annual increases. Staff and rate consultants perform a yearly Revenue Sufficiency Analysis and staff will report the results of those evaluations back to the BCC each year.

Northwest Florida Regional Airport. Conditional upon federal and state aviation grant funding: *The Terminal Additions Phase II* will be construction of a 5,500 square foot concourse pier addition on the south end of the existing terminal building. The addition will include an upper level hold room to serve up to two new aircraft gates while the lower apron level will accommodate Transportation Security Administration offices currently located in modular trailers. Estimated project cost is $6.2 million. *The West Credit Card Parking Lot Expansion* will entail expansion of the existing 122 stall parking lot to a total of 680 parking spaces. The estimated project cost is $2.7 million. *The Rehabilitation of North Parking Lot* consists of milling and overlaying the 17-year-old pavement surfaces of existing short and long term lots. Estimated project cost is $2 million.

Bob Sikes Airport. Conditional upon several federal and state aviation grants, the *Rehabilitation of Taxiway A and Storm Water Master Plan* first phase will be accomplished. Taxiway A is the primary aircraft taxi route parallel to the runway. The surface will be strengthened and intersections widened to facilitate the largest of aircraft while the storm water improvements will afford expedited permitting for future development. Additional aircraft apron and landside vehicle parking improvements may take place to facilitate aerospace companies' requirements. Project costs are estimated at $12 million.

Destin Airport. The *Air Traffic Control Tower (ATCT) Project* will begin with an environmental impact study, final site study, and design. The project has been delayed for several years pending acceptance into the FAA Contract Tower Program which will assist in construction and provide funding under federal contracts. The estimated cost is $4 million. *Neighborhood Noise Mitigation & Insulation Program* implementation will provide for the insulation and/or purchase of 4 residential properties identified in a recently completed Part 150 Noise Compatibility Study. Estimated cost is $1.4 million.

TDC/Beach Restoration. Current proposed beach restoration projects for Okaloosa County include the 2.8-mile section on Okaloosa Island at an estimated cost of $12 million and approximately 1.7 miles of beach in Destin with an estimated cost of $8 million. Total restoration funding required is $20 million.

The Okaloosa County Tourist Development Council (TDC) is estimated to provide a total of $12,376,322 for the projects. This will include the payment of debt service for the bond with total funding coming from the Tourist Development Trust Funds 1st cent of tourist development taxes and the Board of County Commissioners approved (MSBU) Municipal Services Benefit Unit for Destin/Okaloosa Island.

Beach restoration projects for the State designated "critically eroded" beaches of Okaloosa County will provide storm damage reduction and recreational benefits to County citizens. Additionally, once a beach is restored and maintained, it becomes eligible for Federal funding, through FEMA, for future restoration should the beach be significantly damaged by storms.

Permanent funding sources are essential in the effort to restore and maintain the area's beaches. Conservative estimates for the restoration projects approach $20 million, which does not include funding for periodic maintenance or recovery from catastrophic events. Matching funds from the State of Florida are not expected for the foreseeable future due to the current economic conditions.

With no State funding anticipated, the TDC will continue to pursue a Federal Shore Protection Project for our area. The required studies were authorized by Congress in 2006 and, in 2009, Congress appropriated $96,000 for a Reconnaissance Study. This study is nearing completion. The next step is a Feasibility Study requiring a local contribution of approximately $600,000 to match the expected Federal government's funding appropriation and a commitment from Okaloosa County agreeing to be the local sponsor for the project. Once construction is complete, Okaloosa County will have a Federal funding partner for future beach restorations for 50 years.

Miscellaneous Issues:

1. **Fleet Operations.** The County's fleet continues to age as there have not been funds for a comprehensive vehicle/equipment replacement plan since Fiscal Year 2007. Many vehicles have well in excess of 100,000 miles and are requiring a higher degree of maintenance to keep operational. This current year some relief was provided to Public Works as 4 new leased road graders were received and the Board authorized the purchase of some additional equipment. While the replacement of ambulances has been the exception in previous years, the proposed budget does not include the purchase of any new ambulances.

2. Growth Management/Inspections. Due to severely declining revenues in inspection fees to the Growth Management Department, the Inspections Division has dramatically reduced its operational costs over the past several years. This has included staff reductions and numerous other budget-tightening initiatives. Even with these efforts, the Inspections Department has produced significant budget deficits for the past several years. To date these deficits (including General Fund supplements and waiver of cost allocation funding to the General Fund) total $1,865,400 for four fiscal years. In order to help balance this fund without further staff reductions, it is necessary for inspection rates to be adjusted prior to the beginning of the new fiscal year. The proposed budget reflects such a minimal rate adjustment to eliminate the General Fund supplement. However, the increased revenues are not anticipated to fully cover cost allocation appropriations to back to the General Fund.

3. Reductions to Social Services/Museums & other agencies. To remain consistent with revenue reductions occurring, the proposed budget includes a 10% reduction to the following agencies that receive a direct appropriation from the Board: Economic

Development Council (EDC), Head Start, Day Care Services, Elder Services, Bridgeway Inc. (meals on wheels), Shelter House, Baker Block Museum, Heritage Museum, Destin Fishing Museum, Okaloosa Island Fire District, Okaloosa Hazmat Team, Soil Conservation District, West Florida Regional Planning Council, Bridgeway Inc. (Baker Act), Bridgeway Inc. (Crisis Stabilization Unit) and the Child Protection Team.

4. Community Redevelopment Agencies (CRAs). The County has five Community Redevelopment Agencies in four cities (Destin (2), Crestview, Cinco Bayou and Fort Walton Beach). The total funding for the next Fiscal Year is anticipated to be $1,485,233.

5. Sustainability/Energy Savings. While many energy saving initiatives have been implemented during the past several years, there remains much more that can be accomplished to reduce costs and better manage our natural resources. Following recommendations from a study conducted by the Institute of Senior Professions to provide dedicated funding for sustainable initiatives, $55,000 has been included in the Fiscal Year 2011 proposed budget.

6. Okaloosa County Transit. The proposed budget includes the Tourist Development Council recommendation eliminating $258,000 in transit funding. This reduction in funding eliminates the four routes that service the TDC taxing district which comprises the existing routes on Okaloosa Island and Destin. Depleting stimulus funds coupled with reduced General Fund support also results in the elimination of both Crestview Routes, 1 Fort Walton Beach Route and the Express Route (North/South) in the proposed budget.

ACKNOWLEDGEMENTS

I would like to acknowledge the outstanding effort Mr. Gary Stanford, Finance Director, Mr. David Skarzynski, Budget Manager and Ms. Donna Miller, Assistant County Administrator put into developing this proposed budget. I would also like to commend our staff and the constitutional officers for their cooperation through the budget reviews and for the additional work to provide the detail within the document.

Respectfully submitted,

James D. Curry
Okaloosa County Administrator