County Administrator's Office

State of Florida

August 29, 2016

Honorable Members of the Okaloosa County Commission:

By this letter, your budget staff formally transmits the proposed revised 2016-2017 Okaloosa County Budget. The revisions included herein are the result of direction received from the Board during a series of budget workshops spanning the past several weeks.

As proposed by the Administrator and endorsed by the Board, the Fiscal Year 2016-2017 County Budget does not contemplate a tax increase. Property values are projected to increase 4.29% with ad valorem revenue increasing approximately $2,409,300. This modest increase combined with the state revenue sharing of $400,000, and the state sales tax revenue, $1,530,000, are expected to contribute approximately $4,339,300 in additional General Fund revenue for Fiscal Year 2016-2017. Initial requests for funding far exceeded the projected additional revenue by $7,000,000.

Budget development began in earnest several weeks ago during a series of budget reviews with the County departments and Constitutional Officers. After several rounds of cuts necessary to balance against projected revenues, the total budget across all funds for FY 2016-2017 is $368,802,073.

The spending plan for next year represents an increase of $37,462,826 (across all funds) or approximately 11.3% above the approved budget for FY 2015-2016.

Budget Drivers and Unanticipated Expenses

Health Related Increases

Health & Dental Insurance: The County's healthcare plan was initially projected to increase over 10%. To ensure the County explored all options available to mitigate costs, the plan was rebid and several variations were considered. The plan selected was a cost neutral option for the county. The County's dental plan will increase approximately $54,000 a 25% increase over FY 2015-2016.

Inmate Health Care: Due to the rising inmate population at the County Jail, certain escalators are triggered in the inmate health care contract with Corizon. As a result, healthcare costs for our inmate population will increase by 11%, $268,000.

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Medicaid: Medicaid expansion will continue to disproportionally affect Okaloosa County in the coming year. Our County's Medicaid costs are projected to jump by 9%, $158,000.

Medical Examiner: The County had a 28% increase in case volume with a 48% increase in autopsies. The County's Medical Examiner costs are projected to increase by 22%, $106,000.

Public Health Department: The Public Health Department has requested an additional $100,000; 17% increase to continue the current level of support provided the County.

Proposed Employee Compensation and New Positions

Employee Compensation: The life blood of the County is it's employees. Over a four year period from 2009-2012, County employees did not receive salary adjustments for either cost of living or merit other than a 3% adjustment to offset increased costs related to changes with the Florida Retirement in 2011. Furthermore, employees have been asked to do more as staff reductions were necessary to balance the budget. To put this in perspective, the CPI since 2009 has grown by nearly 12%, while County employees have realized a cost of living growth of only 6% (most of which occurred from modest increases over the past three budget years). The proposed budget for FY 2016-2017 proposes a modest $1,000 increase per full-time employee. This is approximately a 2.5% equivalent pay adjustment. Across all funds, the pay adjustment equates to approximately $1,000,000.

New Positions: The proposed FY 2016-2017 budget contemplates several new positions to rebuild organizational capacity and correct deficiencies noted by the Auditor General and the County's External Auditor. During the economic decline, the County eliminated nearly 90 positions, many in professional, middle management and administrative support positions. While the list of positions requested by departments was lengthy and the number of new positions offered in this budget is modest, we will be addressing critical needs important to an organization of our size and complexity. Funding for the General Fund supported new positions is approximately a $170,000 increase.

- Purchasing's capacity and ability to process all of the needs for the County has become a focus. The County has approximately 1,400 contracts, grants and agreements, all containing specific details and legal requirements. To better support the County's needs and stay within compliance of these contracts and agreements, the budget proposes the following procurement positions:
    - Purchasing Specialist for the Purchasing department
    - Contracts and Lease Coordinator to support and be funded by Tourism (45%), Water & Sewer Fund (45%) and the General Fund (10%)

- In addition to the Purchasing positions, this budget includes funding for two new grants related positions. The County receives approximately $89 million in state and federal grants. In addition to these grants, the county will be receiving millions more in BP RESTORE settlement funds for projects within the county that the County will need to oversee. In an effort to ensure the County stays in compliance, the budget provides funding for:
    - Grants & RESTORE Manager
    - Grants Coordinator for the Purchasing department

- To support the County's growth and respond to the building community's request for improved service in the Code Enforcement and Inspections divisions which were downsized during the economic downturn, the five positions below will be added. To partially offset these costs, a fee increase proposal will be forthcoming.
    - Construction Inspector III
    - Construction Plans Examiner
    - Planning & Permitting Technician
    - Two Administrative Assistant II positions

- In an effort to continually reevaluate the County's staffing needs, we are eliminating the Administrative Manager from the County Administrator's budget.

- The General Fund is adding a total of six positions while the enterprise and other supporting funds are adding 13 positions for a total of 18 new positions when incorporating the Administrative Manager that was eliminated.

Capital Outlay, Equipment, and General Fund Reserves

P.J. Adams Construction Trust Fund: In 2015 the Board established the P.J. Adams Construction Trust Fund to dedicate taxes for the construction and expansion of the P.J. Adams Parkway. The funding for this district is anticipated to be $355,000.

Capital Projects: The proposed FY 2016-2017 budget addresses needed capital projects and vehicle/equipment needs. The Crestview Courthouse replacement represents a $12.8 million increase over the project that initially started as a renovation project. The Courthouse project's increase is funded by the 2016 bond issuance. The County maintained its AA Standard and Poor's rating during the bond issuance. Approximately $480,000 in new capital project requests are proposed in this budget and include: south courthouse annex security improvements, jail space remodeling to handle the additional capacity with additional security improvements, County facility air conditioning replacements to meet new EPA regulations and aging equipment replacement. The total proposed Capital Outlay budget for FY 2016-2017 is approximately $25.9 million.

Supervisor of Elections – Elections Equipment: The equipment utilized for elections was replaced during FY 2015-2016. The new equipment will take advantage of technological efficiencies and improved security while improving the experience for voters with disabilities. The FY 2016-2017 proposed budget incorporates $208,146 for this three-year lease payment.

Vehicles and Equipment: By re-implementing the vehicle and equipment replacement program, we have been able to gain ground on a growing repair and maintenance trend in our Fleet Operations Division. The majority of the recommended new vehicles and equipment can be found in the County's enterprise fund departments. As it relates to the General Fund, the proposed budget includes: replacement vehicles for Code Enforcement, Corrections, Parks, and Mosquito Control. Additional equipment purchases are recommended for Facility Maintenance, Information Technology, Parks and Mosquito Control.

General Fund Reserves: Based on recommendations from the Auditor General and the County's External Auditor, the Board has continued to place an emphasis on growing the General Fund reserves. General Fund Reserves are expected to increase by $215,272 for a

total projected reserve budget of $6,786,767. FY 2016-2017's proposed budget for reserves totals more than $3.8 million over the FY 2012-2013 budget or approximately a 130% increase in funding.

Law Enforcement

Sheriff's Office: Okaloosa County continues to place a premium on public safety and a strong law enforcement presence. Community surveys routinely place law enforcement as a top priority among the myriad services government provides. Over the past three budget cycles, significant attention has been given to the Sheriff's office and increasing budgeted expenditures. The budget recommendation this year mirrors actions taken by the Board in recent years. The Sheriff's initial request for the FY 2016-2017 budget included a spending plan increase of 10%, or approximately $3.3 million to address pressing law enforcement needs throughout the County. Unfortunately, sufficient dollars are not available to fully fund this request and address all of the competing priorities the County is faced with next year. It is recommended that the Board allocate an additional $2.7 million to fund additional officers and address budget needs. This $2.7 million is an increase of 8% to the Sheriff's budget over last year's allocation, for a total budget of $36,211,982.

Special Revenue and Enterprise Funds

Tourist Development Department: Overall, the Tourist Development Fund continues to be healthy after another year of significant growth. For the FY 2016-2017 proposed budget, we anticipate continued growth as revenues are projected to total $54,774,450, or an increase of 21% or $9,314,636 over last year.

Department of Airports: The County owns and maintains three airports: Destin-Fort Walton Beach Airport, Destin Executive Airport, and Bob Sikes Airport. The main hub of commercial activity of the County's three airport system continues to be Destin-Fort Walton Beach Airport. Service has expanded with new carriers servicing eleven new cities. This growth is realized in the airport's passenger facility charges and customer facility charges which are forecasted to increase collectively by $3.2 million, or 22%. For the FY 2016-2017 proposed budget, we anticipate continued growth as revenues are projected to total $34,811,706, an increase of $5,346,235 from last year.

Water and Sewer Department: The Water and Sewer Department provides potable water and sanitary sewer service to a number of franchise areas throughout the County exclusive of those served by municipal utilities. The proposed FY 2016-2017 budget reflects an 11% increase in revenue for next year, or an estimated increase of $7,186,339.

Solid Waste and Recycling: The Solid Waste and Recycling Services in Public Works manages contracted services for the collection and disposal of solid waste within the County's north and south franchise areas. In addition, the Division is responsible for the management of four closed landfills, three of which remain in active remediation. The proposed FY 2016-2017 budget reflects a 1.6% increase in revenue for next year, or an estimated increase of $144,000. The contract for solid waste services has been extended thru March of 2017 and will be solicited through a Request for Proposals. Depending on the outcome of this solicitation and subsequent award, we anticipate additional savings may be offered to our solid waste customers.

Summary

Having now completed department level reviews and a series of four public workshops, the proposed FY 2016-2017 budget reflects a detailed analysis of the County's budgetary needs and priorities for the coming fiscal year. With guidance from the Board throughout this process, staff has addressed pressing organizational needs including: public safety, vehicles/equipment, capital improvements, finance/administration, Federal/State Mandates, and manpower shortages. The proposed budget accomplishes many of these objectives without raising the millage rate. This overall comprehensive effort will culminate in two public hearings to formally adopt the final budget: September 6, 2016 in Crestview and the final hearing on September 19, 2016 in Shalimar.

Lastly, the budget before you would not have been possible without the assistance of our budget team members and our department heads. I would like to acknowledge the outstanding efforts and assistance provided by Mr. Gary Stanford, Finance Director; Mr. David Skarzynski, Budget Manager; Ms. Kay Godwin, Deputy County Administrator; Mr. Frank Hart, Budget & Compliance Manager; Ms. GinNeal McVay, Human Resources Director and Mr. Jason Autrey, P.E., Public Works Director.

Respectfully Submitted,

John Hofstad
Okaloosa County Administrator