

September 8, 2011

Honorable Members of the Okaloosa County Commission:

By this letter, your budget staff formally transmits the 2011-2012 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 12, 2011, the Board of County Commissioners met in workshop session to discuss its budget policy for Fiscal Year 2011-2012, hereafter referred to as Fiscal Year 2012. 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 would likely include no market adjustments or merit (performance) increases for Fiscal Year 2012 although a 3% salary increase to offset required employee contributions to the Florida Retirement System effective July 2011 is included as approved by the Board.
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. The Board will continue utilization of Performance-Based Budgeting for county departments and requested Constitutional Offices continue to provide detailed budget data for public examination.

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 \$2,179,666 less than last year in county-wide taxes. The total of ad valorem tax revenues included in the tentative Fiscal Year 2012 budget is \$43,138,305. Of that total, \$365,617 is generated from new construction being placed on the tax rolls. The total proposed budget for Fiscal Year 2012 is \$261,624,931, which is a decrease of \$18,796,865 from the current year original budget. This 6.7% decrease is mainly due to reduction in staffing and operations as well as the use of bond proceeds for the Annex Extension project and early prepayment of the TDC Conference Center bonds in Fiscal Year 2010 and Fiscal Year 2011.

Salary Adjustments: Six years ago, the Board approved a new Pay and Classification Plan that included a merit compensation of 1 to 3%. The Board voted to discontinue merit increases beginning Fiscal Year 2009 through the present. The last market adjustment was awarded in Fiscal Year 2009 in the amount of a 2% increase. For discussion purposes, \$608,107 (\$218,040 - General Fund, \$137,172 - Enterprise Fund and \$252,895 - Constitutional Officers) is required for each additional 1% increase for either a merit or market adjustment for employees of the Board and Constitutional Officers.

Beginning on July 1, 2011, the Florida Retirement System (FRS) became contributory. All employees, excluding DROP participants and rehired retirees ineligible for reenrollment in the FRS, are required to contribute 3% of their earnings pre-tax toward their retirement. On July 5, 2011, the Board approved a 3% pay increase for employees affected by the new FRS requirement, effective the fourth quarter of Fiscal Year 2011 and the entire Fiscal Year 2012. No additional funding is required for the fourth quarter of Fiscal Year 2011 due to retirement savings from reduced employer contribution rates. The funding for Fiscal Year 2012 is offset by the remaining savings from Fiscal Year 2011 employer contribution rate reductions.

Reorganization: The proposed budget includes a restructuring of county departments that streamlines the number of department directors for greater efficiency and cost effectiveness (See attached recently approved Reorganization Plan). Significant cost savings will be realized through the reassignment of duties and elimination of nearly the entire Administrative Services department budget including the positions of Assistant County Administrator and Executive Assistant II, as well as elimination of the Corrections Director position upon retirement of the incumbent. Total savings realized from these three position eliminations is \$338,319 annually. Additionally, \$8,980 was eliminated from operating expenses for the Administrative Services Department. We believe this reorganization will be both cost effective and beneficial to the citizens of Okaloosa County through positive service delivery. On August 16, 2011, the Board approved the re-titling of the Corrections Deputy Director position to Chief Correctional Officer to be consistent with the existing county ordinance. This change will be effective on September 16, 2011. Any further consideration of department director impacts, including compensation and title changes, will be deferred until Fiscal Year 2013. The changes include:

- Deletion of the Assistant County Administrator position from the Fiscal Year 2012 budget;
- The Public Works Director will oversee the current Public Works functions as well as Facility Maintenance, Fleet Operations, Information Systems and County Extension;
- The Public Safety Director will oversee the current Public Safety functions as well as the Corrections Department, Law Library and Court Services;
- In addition to the Human Resources Department, the Human Resources Director will oversee Risk Management, Purchasing and Veterans Services;
- The Library Cooperative and the BCC staff in Crestview will now report to the Administrative Manager.

Board of County Commissioners Positions: The proposed budget includes a significant reorganizational plan and an overall reduction of thirty three (33) positions for the Board of County Commissioners staffing. Since Fiscal Year 2008, a total of 118 positions have been eliminated from Board staff. The following is an overview of the position changes proposed for this next fiscal year.

1. Administrative Services. The following positions have been eliminated: one (1) Assistant County Administrator and one (1) Executive Assistant II, for an overall reduction of two (2) positions.

2. Airports. To benefit the department's internal capabilities of managing a complex portfolio of leases and agreements from all three airport facilities, add one (1) Airports Financial Services Specialist. This would provide parallel specialist positions that could segregate accounts payable and accounts receivable. Some cross-utilization of general administrative functions and back up could also be achieved.

3. Corrections. The following positions have been eliminated: five (5) full-time and one (1) part-time Correctional Officer I, one (1) Administrative Assistant II and one (1) Corrections Director, for an overall reduction of eight (8) positions.

4. County Administrator's Office. One (1) Construction Project Manager position has been eliminated.

5. County Extension. One (1) Office Supervisor position has been eliminated.

6. Information Systems. One (1) GIS Technician II position has been eliminated.

7. Library. One (1) Bookmobile Coordinator position has been eliminated. To be in compliance with state aide/grant requirements, one (1) Library Cooperative Coordinator position has been added. This addition and deletion results in a net reduction/addition of zero (0). These changes have been discussed with and supported by the Library Cooperative Board and the Library Directors.

8. Museum. One (1) Museum Director position has been eliminated.

9. Public Works. The following positions have been eliminated: One (1) Survey Aide I, one (1) Survey Aide II, one (1) Drafting & Design Supervisor, one (1) Bridge Foreman, one (1) Environmental Services Manager and one (1) Public Works Manager, for an overall reduction of six (6) positions.

10. Public Safety. The following positions have been eliminated: One (1) Communications Technician (Relief), three (3) Paramedic and three (3) EMT (ALS), for an overall reduction of seven (7) positions.

11. Purchasing. One (1) Senior Buyer position has been eliminated.

12. Water & Sewer. The following positions have been eliminated: One (1) Executive Assistant I, one (1) Utilities Line Locate Crew Chief, one (1) WWTP Apprentice, one (1)

Meter Reader, one (1) Master Painter, one (1) WWTP Operator “C”, for an overall reduction of six (6) positions.

Risk Management: The Group Health Insurance program has reached a healthy state whereby the cost of claims has been significantly reduced. Our brokers have negotiated a 4% renewal increase with BlueCross BlueShield (BCBS), keeping the present plans in place. The county will continue to provide a base plan while also making a buy-up plan available for those that wish to elect richer benefits. Pharmacy coverage will continue at the present \$15/\$50/\$80 co-pay program. Since 2008, Okaloosa County has participated in a ProShare agreement with BCBS. This next fiscal year the County anticipates receiving approximately \$425,000 in premium refunds. In anticipation of receipt of those ProShare funds, the \$40 per month employee contribution has been suspended as part of the proposed Fiscal Year 2012 budget. An agreement has been reached with Standard Insurance whereby Dental, Statutory Life, Long Term Disability will renew at last year’s rates provided the county includes a vision coverage which will be fully voluntary and at no cost to the county. Fiscal Year 2012, staff anticipates the need to increase the per employee cost for health insurance benefits from \$9,037 to \$9,423.

The county’s property and liability insurance program continues to receive positive results from the RFP process conducted last year. The excess property insurance market should come in between 0-5% increase; subject to the impact the March 2011 tsunami in Japan will have on worldwide markets. Likewise, insurance brokers have projected a flat premium even in light of the recent Florida legislation that will raise the sovereign immunity limits from \$200,000 to \$300,000. Workers compensation insurance markets have leveled out with an anticipated 5% increase for next year. Staff will work closely with brokers 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 \$2,684,137 as compared to \$2,688,651 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 \$3,540,275 and in the Capital Outlay Reserve Department of \$1,500,000.

Shalimar Courthouse Annex. With the completion of the Courthouse Annex Extension in September of 2011, plans are moving forward to receive design build proposals later this year for the renovation of the Shalimar Courthouse Annex. Proposed is a two-phased renovation of the facility designed to eliminate rented areas, currently approaching \$1,000,000 annually and consolidation of 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, the first phase of renovations would take place in Fiscal Year 2012 and include offices for the Board of County Commissioners, County Administrator, Supervisor of Elections, Sheriff Offices, Clerk of the Circuit Court offices and other

Board departments and/or outside agencies. Phase II renovations would take place in Fiscal Year 2013 and include court facilities, Property Appraiser and Tax Collector. Both phases have a preliminary total estimate of \$6,000,000.

Old Fort Walton Beach Hospital. The Health Department's dental clinic project, that was to occupy much of the 1st floor of the 2-story section, is on hold and may not be feasible to proceed due to changes in state funding for the Health Department. While disappointing, this may pose some new space opportunities for other county offices. Staff will continue to develop a plan with options for consideration. However, the 2nd floor is scheduled to be remodeled in Fiscal Year 2012 for county use. The county's Information Systems Department will be relocated to the facility to eliminate future rental fees. Traffic Operations will be relocated there, also. Other county operations will follow as appropriate. Funding for the project of \$225,000 has been included in the Fiscal Year 2012 proposed budget.

Brackin Building. The Tax Collector's Crestview operations recently moved out of the Crestview Courthouse and into newly renovated space on the 1st floor of the Brackin Building. Plans are being finalized to remodel the 2nd floor for the Property Appraiser's use. The Property Appraiser will then vacate their current offices in the courthouse. Funding for the project of \$45,000 has been included in the Fiscal Year 2012 proposed budget.

Crestview Courthouse. A task force has been put together to compose a master plan for the future allocation of space at the courthouse. Major remodeling projects will be postponed pending the outcome of the space master planning. However, all of the court-related operations at the courthouse are in need of additional space. Therefore, the offices vacated by the Tax Collector will be lightly prepared for other uses until the master planning process is complete. The Fiscal Year 2012 proposed budget includes \$15,000 for this project.

Public Works/Stormwater. The Stormwater Division continues to track and address stormwater issues. A phased approach is being developed to address large capital projects in order to make better use of available funding and resources. Capital projects include a phased approach to improving the Gap Creek drainage basin and making drainage improvements in Foxwood Estates (Phase II) in Crestview. These two capital projects will deplete the \$500,000 in previously allocated funding. The balance of funds available in the Stormwater Division will be utilized to address catastrophic failures of aging infrastructure. The Stormwater Division will continue to take advantage of Emergency Watershed Protection (EWP) funding from the Natural Resources Conservation Services (NRCS) when available. Compliance with unfunded mandates, such as the National Pollution Discharge Elimination System (NPDES) MS4 permit, has resulted in expanded regulatory requirements for construction and inspection of projects and maintenance procedures. These additional work processes will present a challenge to best utilize existing funds and personnel until a revenue source can be determined.

Parks. The Parks Division is responsible for improving and maintaining 59 park properties in accordance with the Parks Master Plan. Care and maintenance of the fields

at Baker Park, Garden City Park, Shalimar Elementary Park, and Shalimar Port Dixie Park have reverted to the Parks Division from local organizations. The new program allows groups or organizations to reserve fields for practice or games for a fee. The Parks Division continues to maintain a cost split between the Parks MSTU and the General Fund County Parks of 65% and 35% respectively. Projects included in the proposed Fiscal Year 2012 budget include improvements at Beach Accessways #1, #2 & #7, Don Stillwell Park (Phase II, Garnier's Plant Site), Island Golf Property (35 Acres), Rocky Landing Park (Niceville), Wilderness Landing, Dorcas Path, Choctawmar Park, and Lake Silver pavilions.

Solid Waste. Okaloosa County provides solid waste collection and disposal services to franchise areas located in unincorporated areas of the county. The Solid Waste Department successfully negotiated two new 5-year contracts with Waste Management, Inc. (WMI): one for Solid Waste Transfer Station Operation and another for a Residential Solid Waste and Recycling Collection Franchise Agreement. The new Solid Waste Agreements and companion Ordinance resulted in fee reductions to our customers, a new methodology for billing multi-family customers, not-to-exceed fees for commercial recycling, and revenue sharing for recyclable materials. The provisions agreed upon by WMI are beneficial to the county's solid waste customers by reducing monthly costs, providing additional recycling bins, and the addition of tires to bulk collection. Aging remediation system infrastructure at Wright and Baker Landfills will require significant attention in Fiscal Year 2012 to remain compliant with regulatory requirements. Niceville Landfill remediation activities are in the Pilot Study phase which will evaluate a potential cleanup technology. Regardless of the outcome of the Pilot Study, a permanent remediation system will be required to address groundwater and surface water chemical impacts. The Pilot Study will conclude in 2012 and a permanent remediation solution will be necessary by the end of Fiscal Year 2012 or early Fiscal Year 2013.

Public Works/Transportation.

Okaloosa County maintains 207 miles of dirt roads, 74 miles of cold mix base stabilized roads, 652 miles of paved roads, and 73 bridges and large box culverts. The County accepted approximately 2.18 miles of paved roads into the maintenance system in Fiscal Year 2011. Tax revenues continue to stabilize with the Constitutional Gas Tax (CGT-80%) contribution projected to be \$1,525,000 and Local Option Gas Tax (LOGT -3 of 6 cents) to be \$1,575,000. Resurfacing revenues will be \$100,000 LOGT and \$400,000 CGT funding. This revenue and additional general fund contributions will make it possible in Fiscal Year 2012 to resurface 4+ miles of asphalt roads; continue the road striping program; reestablish the cold mix base stabilization program for West Plympton Road, Clear Creek Road, and several additional roads in the north-central area of the county. Additionally, Public Works is planning to complete Phase II of the CR 393 project and the northern portion of Fairchild Road "dirt to pave" project. Progress continues for the reconstruction of a portion of Antioch Road. Research also continues for possible solutions on Okaloosa Lane. For Fiscal Year 2012 the Bridge Section budgeted to convert two wooden bridges to concrete at a materials cost of \$100,000 each to continue their 20-year program to convert all wood bridges to concrete.

Water and Sewer. The 17 mile force main connecting the new sewer pump station at the 7th SFG cantonment to the Arbennie Pritchett Water Reclamation Facility (WRF) has been completed. The transfer of personnel into the new cantonment is underway and flows from the pump station have begun.

Demolition is proceeding at the old Garniers treatment plant site. Virtually all of the equipment and debris from the project will be recycled, with a significant amount of funds being raised from the sale of used equipment, as well as scrap copper, steel, and aluminum.

A CDBG grant has been obtained for two 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 entail the construction of a new pump station. The Sylvania Heights project is under construction and should be completed before the end of this fiscal year. The Clifford Street project will be under construction before the end of Fiscal Year 2011 and will be completed early in Fiscal Year 2012.

The largest project in the Fiscal Year 2012 Capital Improvement program will be our share of the cost to upgrade the NVOC wastewater plant to provide for biological nutrient removal, along with the conversion of the sprayfield to Rapid Infiltration Basins (RIBs). This project is necessary in order to comply with a Consent Order from the Florida Department of Environmental Protection (FDEP). Funding will be covered by the use of reserves.

OCWS staff continues to work closely with Eglin AFB staff to prepare to implement the diversion of the flows from four existing wastewater plants to the new Arbennie Pritchett Water Reclamation Facility. In addition, staff is preparing to respond to an RFP from Eglin for the privatization of water distribution and wastewater collection system utilities.

Due to the need to replace aging mission critical infrastructure, as well as to provide for necessary operations and maintenance expenses, OCWS staff will be requesting consideration of a five-year rate plan that starts with a 1.95% annual increase for Fiscal Year 2012, followed by one 2.75% annual increase, followed by three 3.75% annual increases. Staff and rate consultants perform a yearly Revenue Sufficiency Analysis and staff will report the results of those evaluations back to the Board each year.

Northwest Florida Regional Airport. The Terminal Additions Phase II project will complete 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 two new aircraft gates while the lower apron level will accommodate Transportation Security Administration offices currently located in modular trailers. Project construction cost is \$5,357,137. The Rehabilitation of North Parking Lot project consists of milling and overlaying the 17-year-old pavement surfaces of existing short and long term lots and remodeling the current undersized Airport Operations Center. Estimated project cost is \$2,000,000. The East Side Additions project will consist of installing overhangs above the fuel farm tank operations area and the addition of new security cameras on the east side of the airport. Project cost is \$307,629.

Bob Sikes Airport. The Taxiway A and Stormwater Master Plan will rehabilitate the existing pavement and widen to 75 feet for taxiways serving anticipated larger aircraft per FAA design standards. Stormwater infrastructure systems and retention facilities will be installed to facilitate future demand and development. The project cost is \$10,300,000. The West Area Parking Lot project will add additional landside vehicle parking behind the planned new FBO terminal building to be constructed by Emerald Coast Aviation. The estimated project cost is \$800,000. The North Apron Rehabilitation project will resurface 167,739 square feet of aircraft parking space. The project cost is \$1,350,000, which is 100% OTTED funded.

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 \$4,000,000. The Taxilane Connector will connect the south end of the airport to the north end keeping motorized vehicles and pedestrian traffic off of the active taxiway. The project is estimated to cost \$595,000. Neighborhood Noise Mitigation & Insulation Program implementation will provide for the insulation and/or purchase of four residential properties identified in a recently completed Part 150 Noise Compatibility Study. Estimated cost is \$1,400,000.

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 \$12,000,000 and approximately 1.7 miles of beach in Destin with an estimated cost of \$8,000,000. Total restoration funding required is approximately \$25,000,000, which includes the debt service on a construction bond. The funding for this project will come from the 1st cent of the Tourist Development Tax, state funds and the beach restoration MSBU. Both the Okaloosa Island and Western Destin project areas are designated as “critically eroded” by the state. Restoration of these beaches will provide storm damage reduction and recreational benefits to all county citizens. The final recommended orders for both permits are imminent. Exceptions to the judge's orders must be filed within 30 days. The Secretary of FDEP then has 90 days to take final action on the permits.

Miscellaneous Issues:

1. Fleet Operations. Fiscal Year 2012 will be the fifth consecutive year in which the county’s fleet will see no significant replacement of equipment and vehicles. Currently there are 60 vehicles, including nine ambulances, within the fleet having over 150,000 miles. Lack of timely replacements has resulted in drop in reliability and an increased frequency of repairs, many of which are major. The Board’s most urgent fleet needs are the replacement of ambulances, dump trucks, work trucks and specialized pieces of heavy equipment. The Fiscal Year 2012 budget will include replacement of two ambulances.

2. Growth Management/Inspections. With the support of the Building Industry Association, the Board’s timely revision of the Inspection Division fee schedule has enabled the Inspections Enterprise Fund to operate with an anticipated positive balance. The proposed Fiscal Year 2012 budget is the first in four years for which a General Fund

subsidy should not be required to balance the division budget, and also includes the division's share of the annual general government cost allocation. The Enterprise Fund should also begin to reduce the total deficit of approximately \$1,865,400 which includes past years' General Fund supplements and cost allocation waivers, though it cannot provide this amount in a single fiscal year. Notwithstanding the current positive balance, the proposed budget is fiscally conservative and includes the minimum funding level necessary to allow the Inspections Division to fulfill its obligations.

3. Reductions to Social Services/Museums/Libraries & 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, Shelter House, Baker Block Museum, Destin Fishing Museum and Elder Services. At its August 2 budget review the Board agreed to withdraw financial support to Bridgeway, Inc. for its Meals on Wheels Program. Because of a business decision, Bridgeway had advised the Board that it would no longer provide this service. Bridgeway receives a 5% cut for its Baker Act Services and the Crisis Stabilization Unit. Also receiving a 5% cut are the Okaloosa Island Fire District, the Soil Conservation District and the Child Protection Team. The Heritage Museum receives a 20% reduction. The increased reduction for the Heritage Museum was to more closely align it with the revenue received by the other county museums following the loss of the Heritage Museum's county-funded director's position.

In order to maintain state funding, the proposed budget includes the establishment of a Library Cooperative Coordinator's position rather than the previous higher classified Library Cooperative Administrator position. In order to fund this position without additional revenue from the county, the Library Cooperative Board has agreed to park the bookmobile for one year and eliminate the unfilled Bookmobile Coordinator's position. The Library Cooperative budget as proposed includes a 5% reduction in expenses from the previous year.

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 \$1,306,165.

5. Sustainability/Energy Savings. Over the past five years, thousands of individual modifications have been made to county buildings that make them more energy efficient. As a result, many tens-of-thousands of dollars are being saved each year that would have paid out for utilities. With all this, much more remains to be done. Consistent with the recommendation made by the ISP as a result of their 2009 study of the Sustainable Okaloosa Committee's programs, dedicated funding for sustainable initiatives has been increased from \$55,000 to \$100,000 in the proposed Fiscal Year 2012 budget.

6. Okaloosa County Transit The Transit budget proposed for Fiscal Year 2012 does not include any Tourism Development Council (TDC) funding for the four tourism (Destin) routes as recommended by the TDC. However, due to the Florida Department of Transportation's (FDOT) allocation of additional US 98 Corridor funds during the current fiscal year, these four routes will remain in operation for Fiscal Year 2012 using the additional FDOT funds which can be carried forward. There is no guarantee, however, that such funds will be available for future years. The remaining fixed routes and paratransit service will be maintained at their current levels despite a 43% reduction in general revenue funds. This reduction is made possible by the allocation of the additional FDOT funds which enables the County to leverage additional Federal Transit Authority (FTA) funds during Fiscal Year 2012. However, reducing the general fund contribution will result in a faster drawdown of the FTA and other revenues which could affect transit planning in future years.

7. Law Enforcement Educational Incentive Match. On the heels of the Okaloosa County Sheriff's announcement that his office would be reinstating the law enforcement educational incentive match, the Board directed the County to fund the incentive match for qualifying Corrections employees. That projected amount has been added to the Corrections Department budget.

ACKNOWLEDGEMENTS

I would like to acknowledge the outstanding effort by Mr. Gary Stanford, Finance Director, Mr. David Skarzynski, Budget Manager, Ms. Sandee Launch from the County Administrator's Office and Ms. Kay Godwin and Ms. GinNeal McVay from the Human Resources Department 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