Budget Policy Document

April 2013

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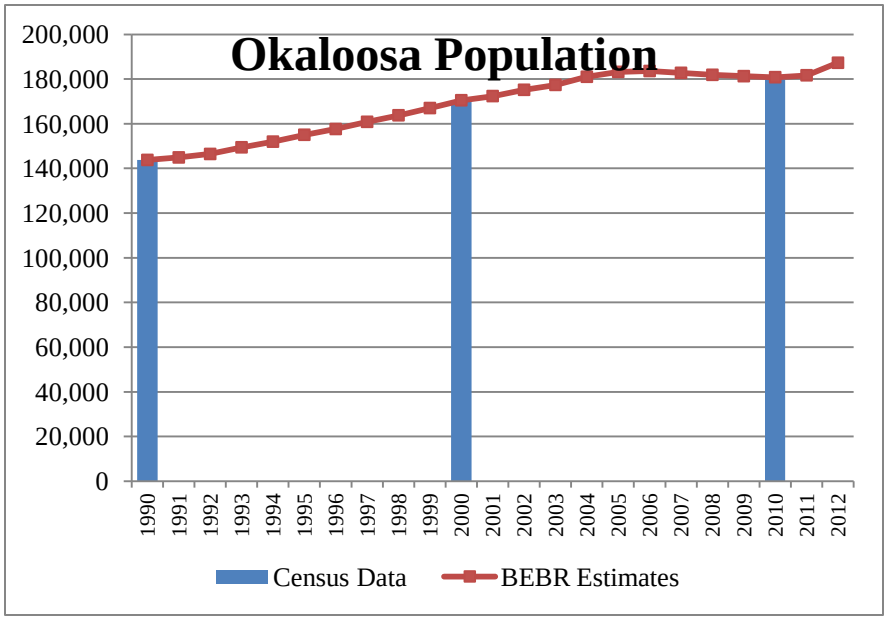
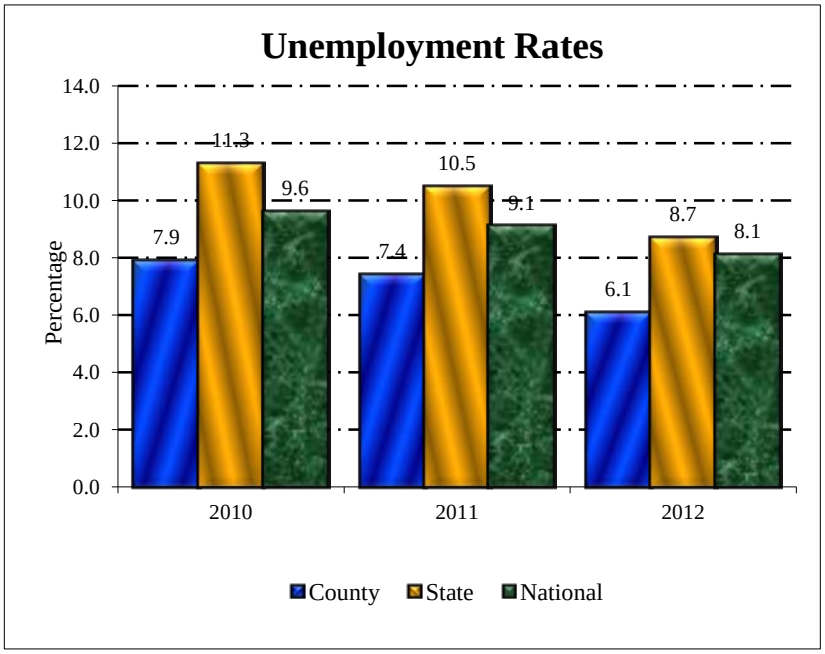
Board of County Commissioners
Okaloosa County, Florida

Fiscal Year 2014 Budget Policy Workshop

Economic Information

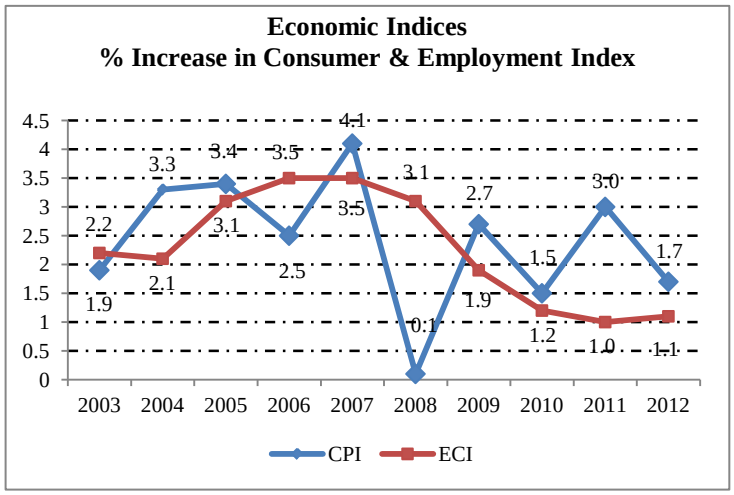
Population. As government exists for the benefit of the people, it is important to monitor population trends within the county. A sudden increase in the growth rate would exert pressure on the Board of County Commissioners to add new services or infrastructure. The total population changes reflected by both the census data, including the most recent, and the Bureau of Economic and Business Research (BEBR) is portrayed in the graph to the right, along with the table on page 3. After multiple years of increases and, most recently, decreases or basically maintaining the same level of population, the 2012 BEBR has now begun to increase again. The 2012 BEBR increased over 2011 by 3.1%.

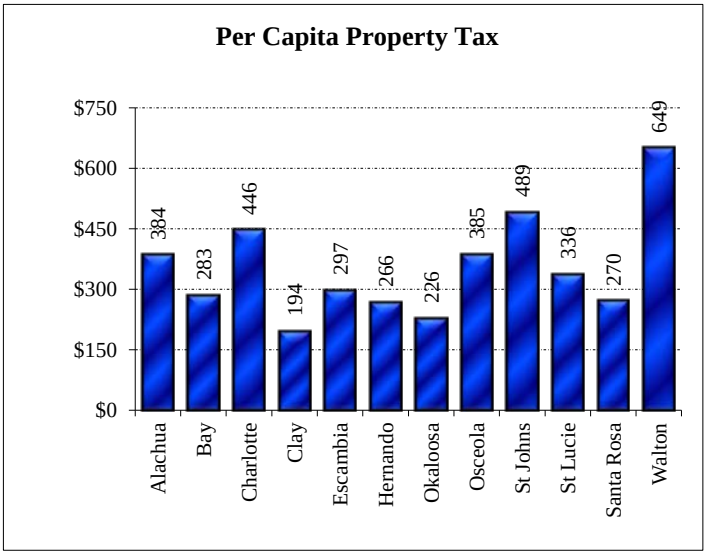




Unemployment. An increasing unemployment rate can indicate an economic slowdown, which can affect government revenue sources, such as sales tax and user fees. Additionally, the increase in the number of unemployed can increase the demands for certain governmental services, such as health care. The previous three Annual County, State and National unemployment rates are depicted in the graph to the left. Okaloosa County's 2012 annual rate of 6.1% is a decline from 2011 of 7.4% and a further decline from 2010 rate of 7.9%. Okaloosa County's rate still remains, as in previous years, well below the 2012 State and National rates of 8.7% and 8.1%, respectively.

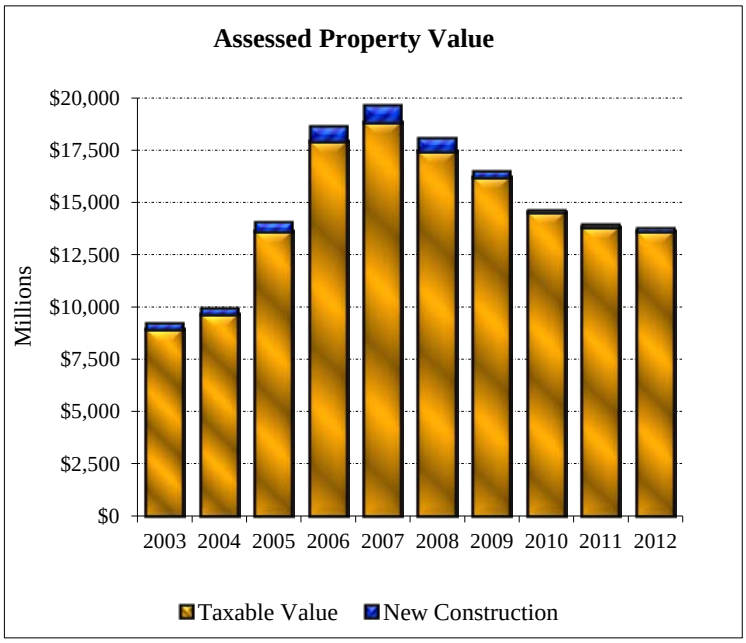
Inflation. The Consumer Price Index (CPI) tracks the overall change in prices in the economy by measuring price changes of a specific "basket" of goods and services. The Employment Cost Index (ECI) measures changes in compensation costs. Inflation erodes the purchasing power of the dollar and is an indicator of how much additional money is required to purchase the same amount of goods and services. The CPI and the ECI rates are at 1.7% and 1.1%, respectively, this year as depicted in the graph to the right. The ECI shows wages and salary costs for State and local government employees, only.





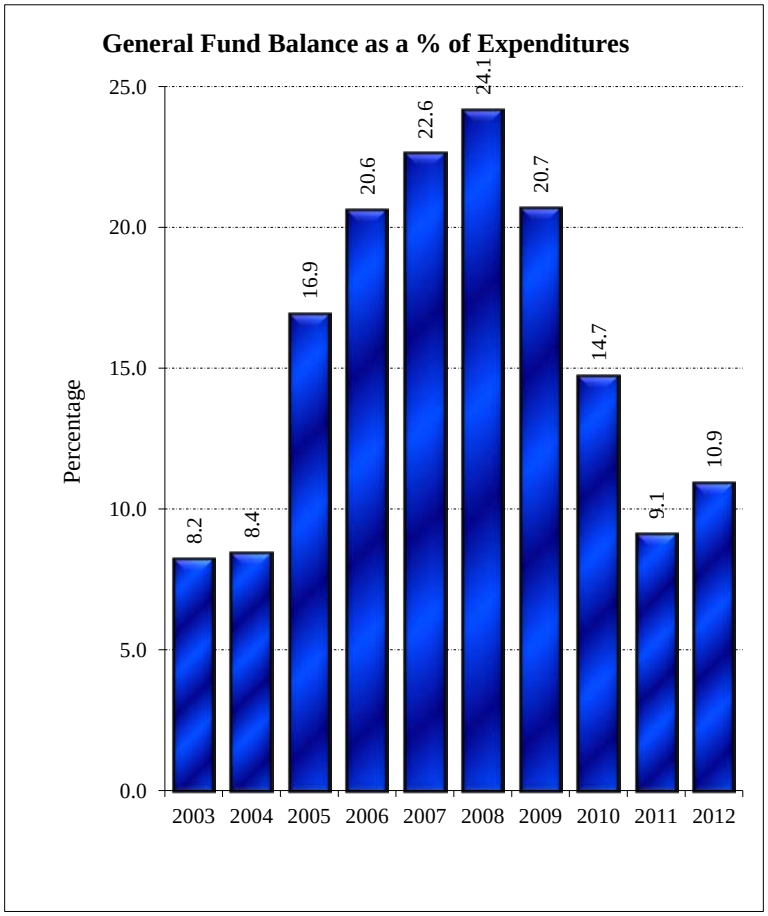
Per Capita Property Tax. This indicator measures the burden of the countywide millage of property taxes per capita based upon the latest Department of Revenue and Florida Association of Counties, "Millages by County" table of 2012. Okaloosa County's per capita property tax has decreased slightly due to continued reduction in countywide valuation of property and continued millage reduction while increasing in population more than certain other counties compared. As compared with counties of similar size or geographical location in the chart to the left, Okaloosa County ranks second lowest of the per capita property tax for Fiscal Year 2012.

Assessed Property Value. Without increases in assessed value, the Board of County Commissioners loses flexibility in raising revenues without a millage increase. The average taxable property valuation and new construction valuation for the last ten years has been $14,610,142,200 and $387,267,750, respectively, as demonstrated in the graph to the right and the table on page 3. Since 2007 until 2012 the valuation has declined back to around the 2005 valuation level. The value last year decreased, although the trend in the decline seemed to slow somewhat. The new construction amount increased slightly after steady declines for a number of years. The County foresees total value leveling off somewhat with new construction returning to minimal growth patterns.



POPULATION AND ASSESSED PROPERTY VALUE - TEN YEAR HISTORY

	BEBR Population		Assessed Property Value			
Tax Year	Population	% Increase	Taxable Value	% Increase	New Construction	% Increase
2012	187,280	3.1	$13,565,838,217	-1.6	$150,981,280	29.1
2011	181,679	0.1	$13,781,239,430	-4.9	$116,982,246	17.7
2010	180,822	-0.1	$14,499,871,635	-10.4	$99,333,290	-63.8
2009	181,281	-0.1	$16,174,789,111	-7.1	$273,899,521	-57.7
2008	181,880	-0.1	$17,410,630,993	-7.4	$647,210,535	-19.8
2007	182,760	-0.1	$18,806,840,352	5.1	$807,308,507	18.8
2006	183,587	0.2	$17,899,368,086	31.8	$679,764,247	47.9
2005	183,192	1.2	$13,576,903,661	26.1	$459,612,742	37.8
2004	181,008	2.0	$10,767,916,378	12.0	$333,519,672	9.7
2003	177,372	1.3	$9,618,024,001	8.2	$304,065,557	-1.1



General Fund Balance. Undesignated fund balances are measures of reserves at fiscal year end and are indicators of how well Okaloosa County will be able to withstand an emergency or a revenue shortfall. In 2003 and 2004, the General Fund fund balance was at its lowest point in many years due to storm activity occurring during that time. In light of the annual audit analysis and the Auditor General's annual Financial Condition Assessment process, the consistent buildup and analysis of this fund balance percentage is critical. The 2008 fund balance peak and the buildup of fund balance leading up to that peak was a concentrated effort during the positive economic times and the locally positive increasing assessed valuation of the County. That buildup has played a vital role during these difficult and declining economic times. Over the past ten years the average percentage has been approximately 15.6% or almost two months of operational emergency funds available. Current levels have increased slightly over last year, due to improving economic times and currently maintain about forty days of operational emergency funds available.

Local Government Revenue

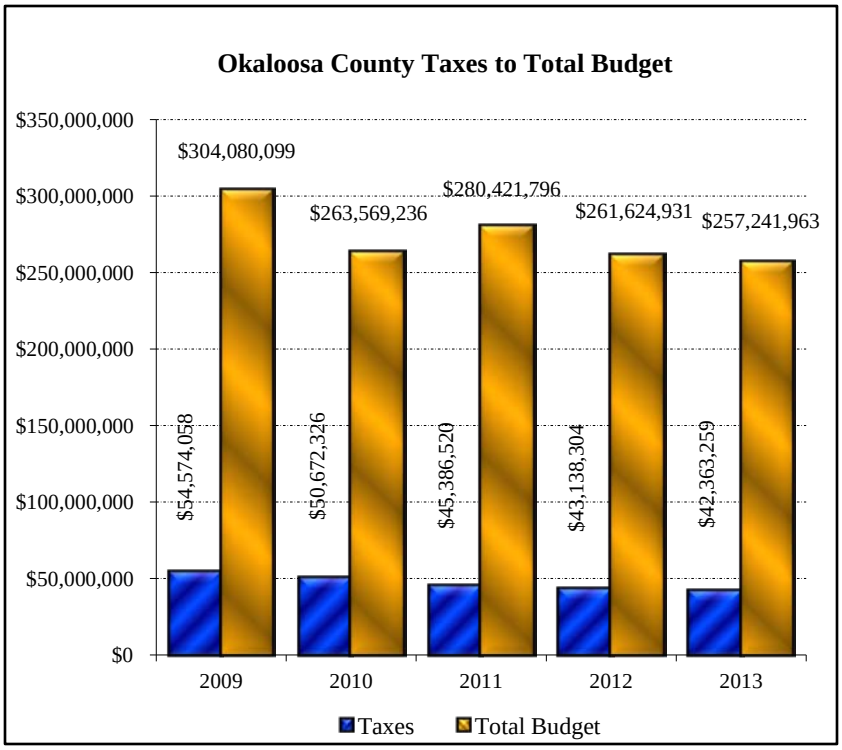
General Information

The ability of local governments to raise revenue for their operations is narrowly constrained by the State Constitution.

No tax shall be levied except in pursuance of law. No State ad valorem taxes shall be levied upon real estate or tangible personal property. All other forms of taxation shall be preempted to the State except as provided by general law (Article VII, section 1(a), Florida Constitution).

With the exception of the ad valorem tax and several constitutionally authorized State shared revenue programs, local governments are dependent on the Legislature for the authority to levy any other forms of taxation, thereby increasing the relative importance of the ad valorem tax.

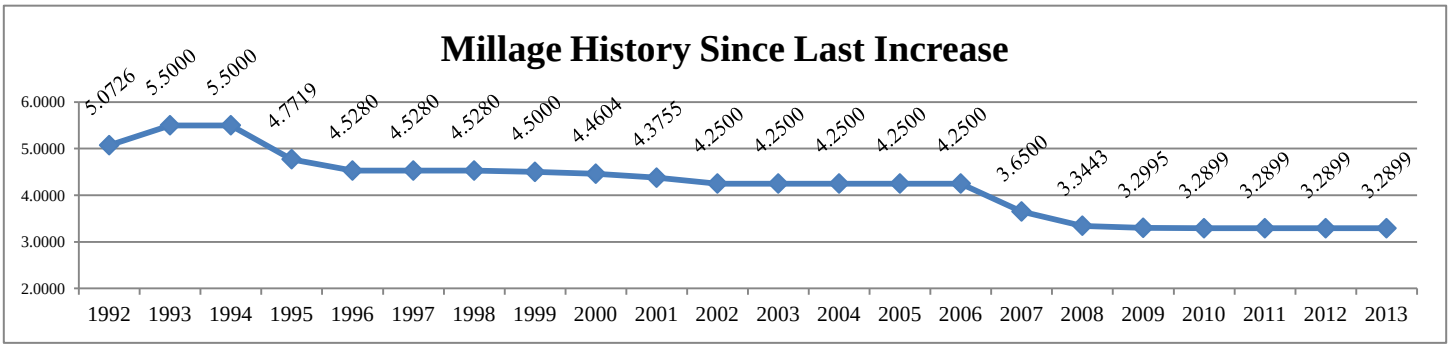
To ensure tax equity, appropriate allocation of revenues and expenses between the incorporated and unincorporated areas of Okaloosa County are evaluated annually.



Florida Statutes prescribes that appropriation of no less than 95.0% of all receipts reasonably anticipated being received from all sources, thereby establishing an almost 5.0% margin for error in revenue estimates, particularly in the area of ad valorem tax revenue.

Ad Valorem Tax

Okaloosa County's property taxes comprised about 17.0% of total revenues in Fiscal Year 2013. Increasing property values is the largest potential source of revenue to support growth in service demands for most local governments. The State Legislature, along with the Tax Reform Commission, has and continues to study the



Ad Valorem Tax System imposed by the Florida Constitution. Some laws and Constitutional changes have already passed limiting this source of revenue. Staff continues to monitor ongoing legislative activity. Ad valorem taxes are currently used in the *General Fund, County Health Department and Emergency Medical Services*. Local governments may levy ad valorem taxes subject to ten mills for county purposes.

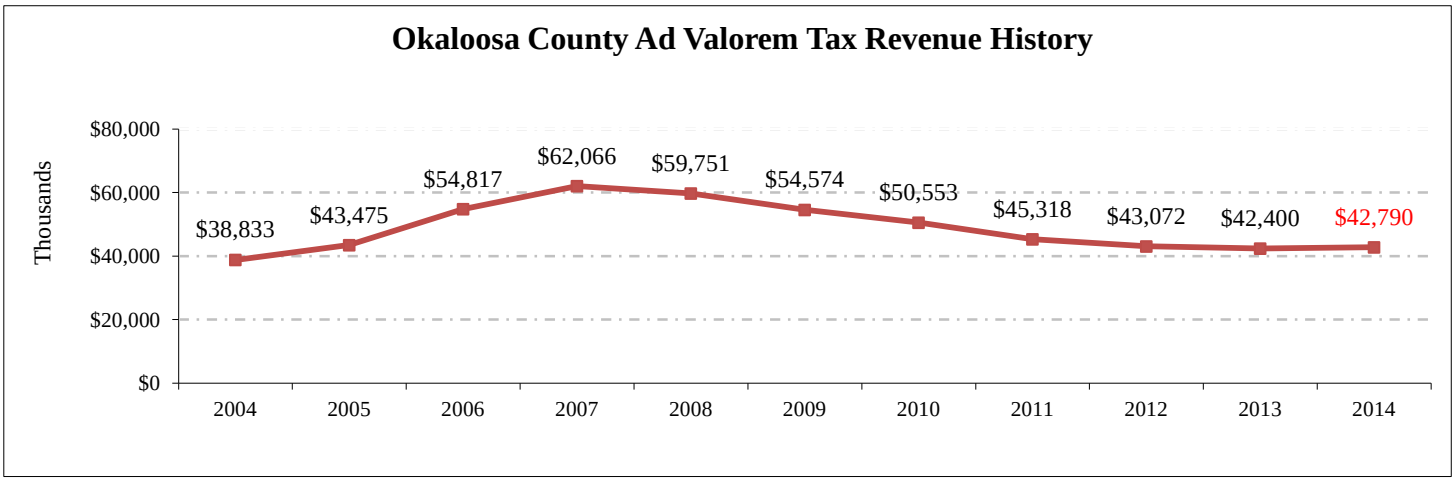
Two targets attractive to County citizens, as well as the State Legislature, as they debate local government response to citizens' desire to lower taxation, are the *current millage rate* and the *rolled-back rate*. Adoption of the rolled-back rate would generate the same amount of tax dollars as the prior year, plus the amount generated by new construction. For the most part, the new construction dollars generated are intended to fund existing services demanded by owners of the new property.

Based on Final 2013 Taxable Value of $13,565,838,217

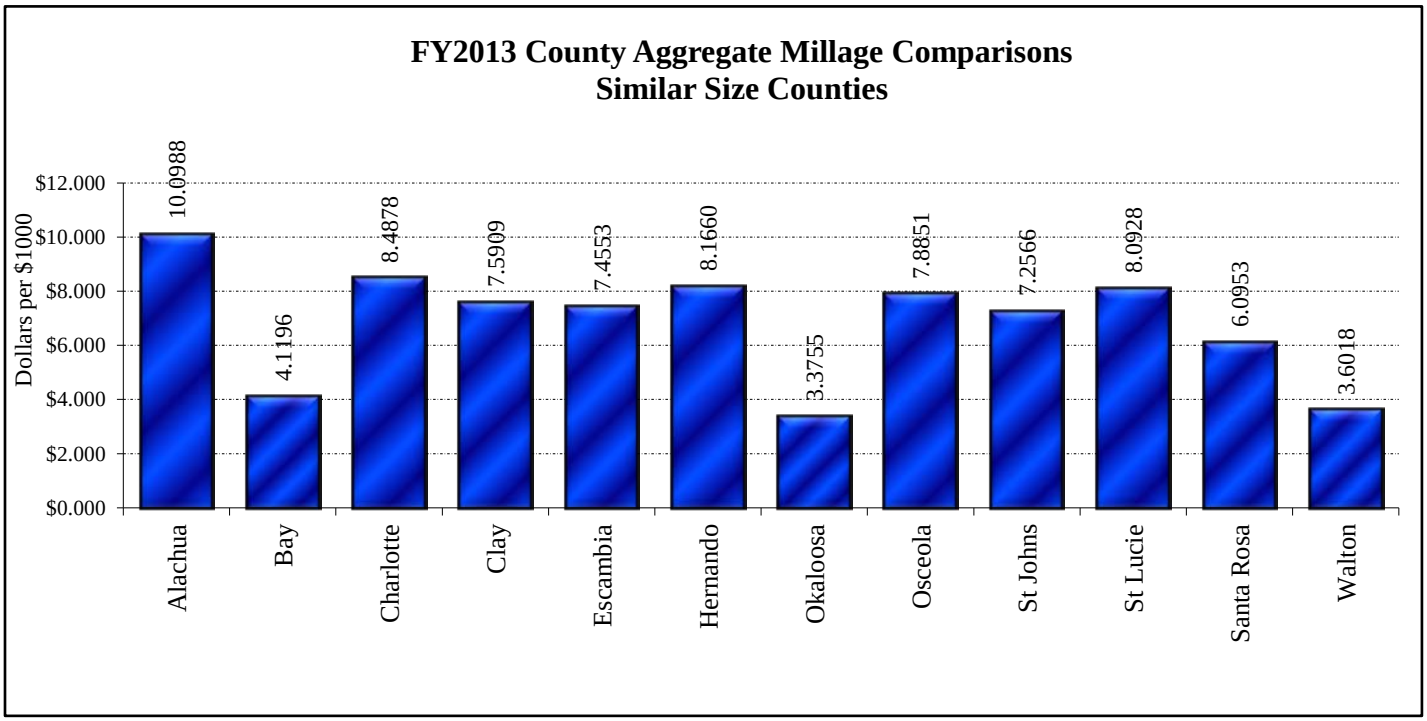
Board of County Commissioners				Taxes paid by Taxpayer*	
Millage Rate	Increase	County Taxes@95%	Increase	$100,000	Increase
3.2899		$42,398,739		$328.99	
3.3500	0.0601	$43,173,280	$774,541	$335.00	$6.01
3.5000	0.2101	$45,106,412	$2,707,673	$350.00	$21.01
4.0000	0.7101	$51,550,185	$9,151,446	$400.00	$71.01
4.5000	1.2101	$57,993,958	$15,595,219	$450.00	$121.01

*Before exemptions & discounts.

For sake of discussion, staff has estimated a 1% increase in local value. That scenario would produce an estimated increase in value amounting to a total value of approximately $13,690,000,000 in countywide value for Fiscal Year 2014. If this estimate is close to accurate, then taxes generated for Fiscal Year 2014 countywide will be approximately $42,790,000, assuming adoption of the current millage rate of 3.2899 mills. This amount would be $390,000 more than current year taxes countywide or about $13,000,000 per each 1.0000 mill or $1,300,000 per each .1000 mill. Based upon the State maximum millage rate computation last year the Okaloosa County maximum millage rate was calculated to be 5.2657. Although the staff estimates a minimal increase in value this year, the prior year *decreases* in value have hampered the County by not providing additional dollars to maintain the current services and not providing for the fixed cost increases in the budget and, thereby, not providing any dollars for needed capital projects.



Adoption of the current rate would generate approximately 1.0% more dollars based upon the current valuation estimate. Last year's millage rate target was set at 3.2899. This target rate is a rate above which the Board of County Commissioners does not intend to levy property taxes. The graph below depicts how Okaloosa County's aggregate rate, the lowest of all similar counties by size or geographical location, compares to other counties.



A separate unincorporated ad valorem millage assessment is utilized to fund unincorporated county park activities and improvements. Property valuation for the unincorporated area, based upon the same percentage estimate as mentioned above for Fiscal Year 2014 is estimated to be approximately $6,500,000,000. Unincorporated ad valorem millage assessment at the current rate of 0.1800 mills will generate approximately $1,110,000 in Fiscal Year 2014. The approximate *increased* amount in the unincorporated area assessment would generate about $10,000 more than current year taxes or about $585,000 per each .1000 mill.

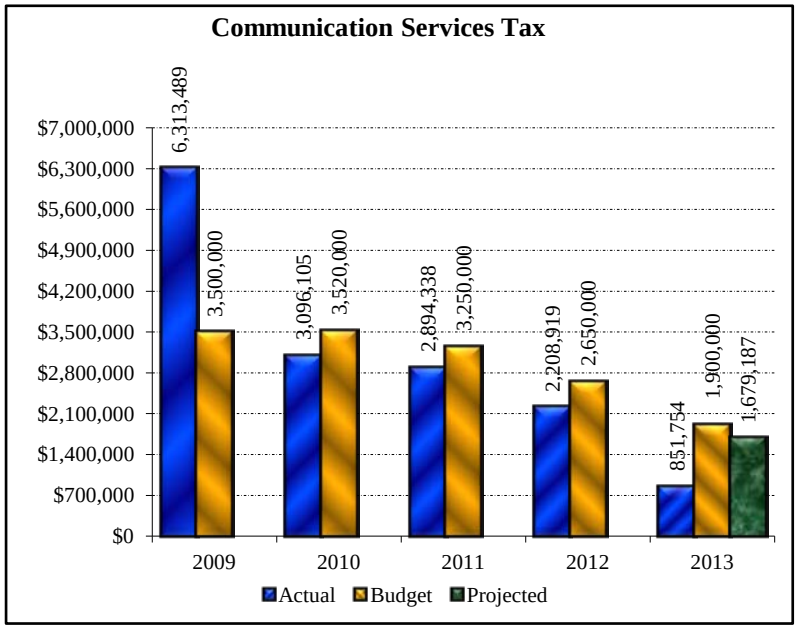
Fiscal Year 2014 revenues will be estimated at 95.0% of actual taxes levied in view of early payment discounts and successful appeals of appraised value or denied exemptions to the Value Adjustment Board.

Policy Recommendation. Because of the current demand for new services, the increase in operating costs and unfunded mandates from the State, infrastructure and capital project delays, as well as, minimal anticipated increases in taxable valuation, staff recommends consideration by the Board of County Commissioners to increase the current rate of 3.2899 mills, countywide, and establish a higher target rate of 3.6249 mills. This .3350 mill would generate an additional $4,351,211 to overcome the projected budget gap; however this countywide operating millage combined with the Municipal Service Taxing Unit (MSTU) millage would still remain below all other comparative millages indicated in the graph above. If the certification of value from the Property Appraiser shows substantial increases or decreases or the State Legislature makes major legislative changes in valuation, adjustments can be made at that time, depending on the amounts of change and the amounts of any unanticipated mandatory appropriations.

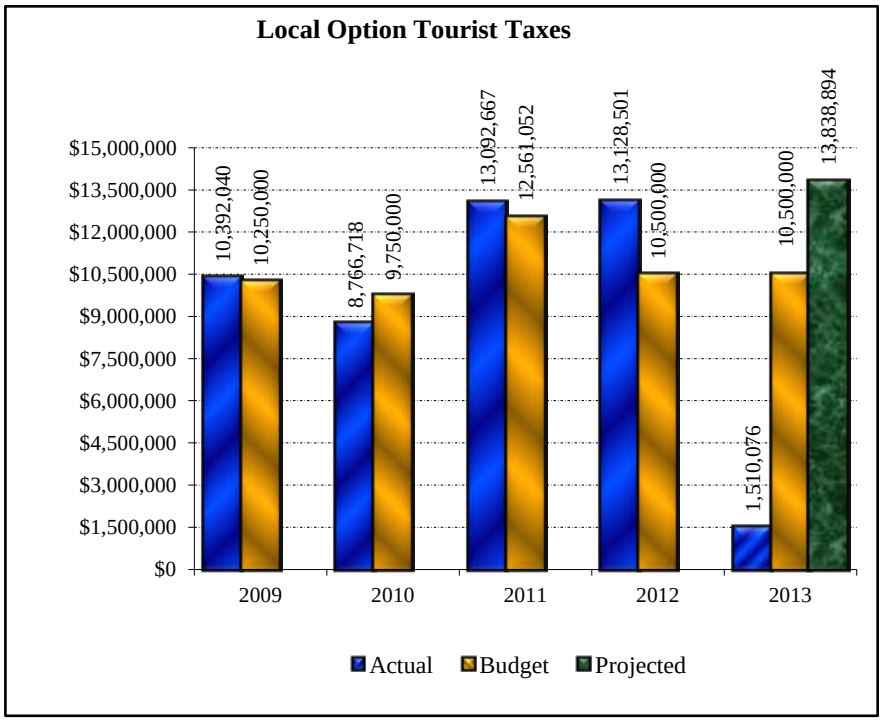
Local Option Taxes

Local Communications Services Tax. The local communications services tax represents the combined amount of taxes that a non-charter county is authorized to levy on communications services. This local tax replaced various revenue sources of local governments and is substituted for the cable television franchise fee for all counties.

These tax revenues distributed to local governments may be used for any public purpose, including a pledge to repay indebtedness. As a protection for bondholders, the tax revenues received by local governments are deemed to be a replacement source for those tax revenues repealed by the enacting legislation.



The Communication Services Tax in Okaloosa County, as of January 1, 2006, is currently levied at 2.3%. The County has no additional increase available for this revenue source. Budget staff estimates the Fiscal Year 2013 revenue to *decrease* from the Fiscal Year 2012 total of $2,208,919 by approximately (-$529,732) to a total of $1,679,187. Fiscal Year 2014 revenue is estimated at $1,600,000 and currently is accounted for in the *General Fund*. The last five years of trends and projection are shown above.



Local Option Tourist Taxes. Counties, for the most part, are authorized to levy five separate tourist development taxes on transient rental transactions pursuant to Florida Statutes Chapter 125.0104. Depending on the particular tax, the levy may be authorized by vote of the governing body or referendum approval. Generally, the revenues may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy.

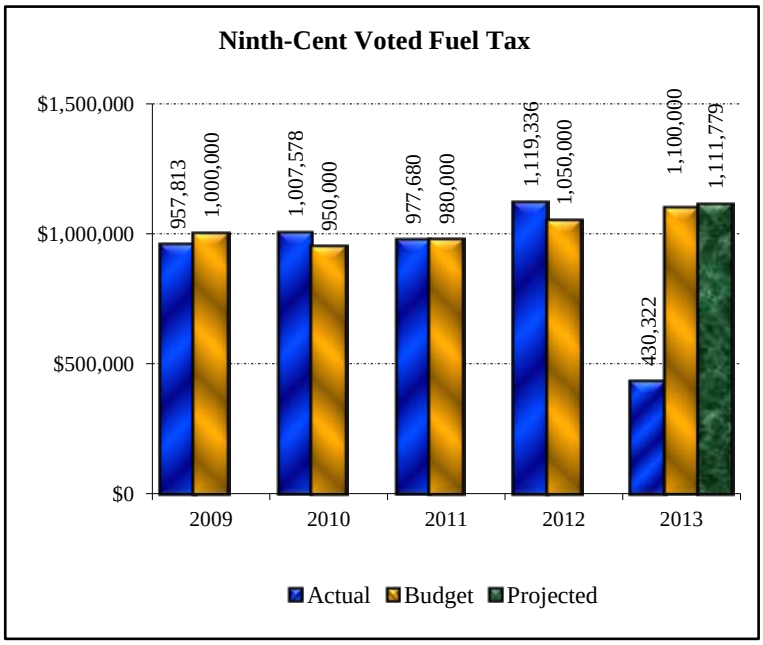
Okaloosa County now levies the entire five percent tourist development tax authorized on all transient rental transactions in the sub-county tourist development tax district. The 1st percent is earmarked for beach, park improvements and maintenance, shoreline protection and restoration

improvements. The 2nd percent provides administration, as well as beach, waterway and tourist destination facilities improvements along with lifeguard services. The 5th percent is used for tourism promotion. The 4th percent is pledged to payment of debt service for the Convention Center. Since Fiscal Year 2011, the Board called a large portion of these bonds, utilizing a Special Redemption provision. The remaining outstanding bonds should be completely called and paid off on October 1, 2013 utilizing this provision. The 3rd percent is for convention center and other facility operations.

Fiscal Year 2013 revenue appears to be continuing to increase after the promotional advertising following the oil spill incident in the Gulf of Mexico. Budget staff estimates the Fiscal Year 2013 revenue to increase from the Fiscal Year 2012 total of $13,128,501 by approximately $710,393 to a total of $13,838,894. The last five years of the five percent levy trends and projection are shown on the graph on the previous page. The Fiscal Year 2014 revenue is estimated to collect about $13,750,000.

Local Option Infrastructure Surtax. Local governments are authorized to levy numerous types of local discretionary sales surtaxes pursuant to Florida Statutes Chapter 212.055. The only local option sales tax that has been utilized by the Board of County Commissioners, and continues to be a potential major source of discretionary funding for capital projects, has been the Local Option Infrastructure Surtax which was levied initially to fund Jail Construction in 1989 and most recently utilized solely by the Okaloosa County School Board to fund major school renovation from 1995 until 1999. According to the State 2013 estimate, a one-cent sales tax would generate $31,649,702 countywide. This tax is intended to be distributed to all local governments within the County. This tax, as divided by the State formula, would generate approximately $21,159,995 (66.85%) for the Board of County Commissioners and approximately $10,489,707 (33.15%) for Okaloosa's municipal governments. Currently, 48 of the 67 counties in the State levy some portion of these discretionary taxes, with 20 of these counties levying the Infrastructure Surtax portion previously levied by Okaloosa County.

Local Option Fuel Tax. Local governments are authorized to levy up to 12 cents of local option fuel taxes with three separate levies. All counties receive 7 cents worth of tax revenue on diesel fuel, regardless of whether or not the county is levying no tax on motor fuel or at the maximum level.



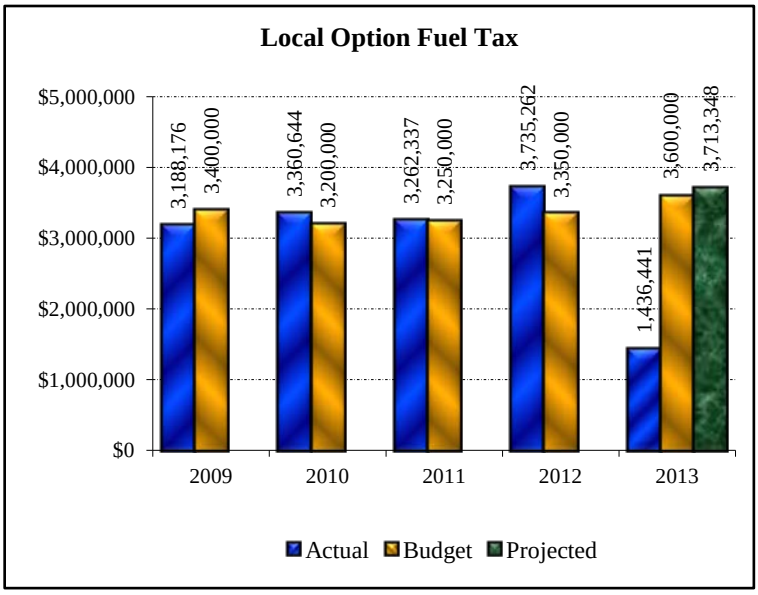
County Ninth-Cent Voted Fuel Tax. The County imposes the County Ninth-Cent Voted Fuel Tax on all gasoline sales for the purpose of paying the cost of establishing, operating and maintaining a transportation system and related facilities and the cost of acquisition, construction, reconstruction and maintenance of roads and streets.

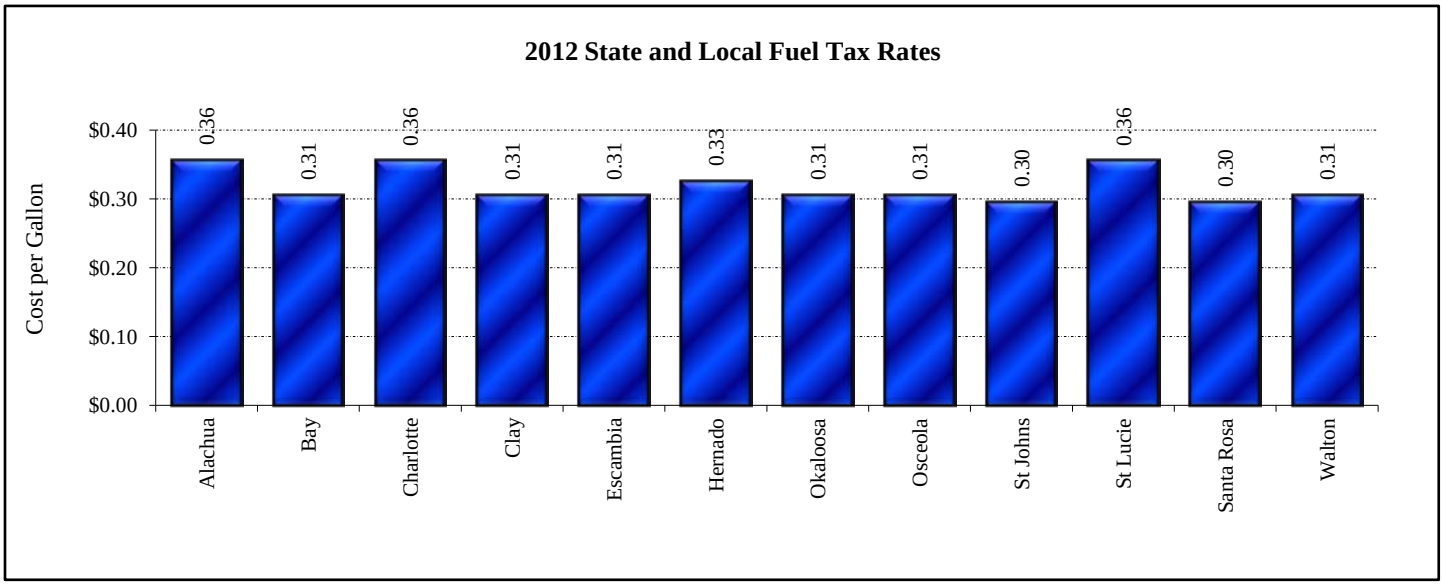
This is a tax of 1 cent on every net gallon of motor and diesel fuel sold within a county. The tax may be authorized by an ordinance adopted by an extraordinary vote of the governing body or voter approval in a countywide referendum. Currently, 51 of the 67 counties in the State levy this 1 cent tax.

Budget staff estimates the Fiscal Year 2013 revenue to *decrease* from the Fiscal Year 2012 total of $1,119,336 by approximately (-$7,556) to a total of $1,111,779. This tax is projected to generate approximately $1,100,000 for Fiscal Year 2014 and is accounted for in the *County Transportation Trust Fund* for operations and maintenance. The proceeds of this local fuel tax are not required to be shared with the municipalities.

First Local Option Fuel Tax. Of the 12 cents that local governments are authorized to levy, the First Local Option Fuel Tax, is a tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold within a county. This tax may be authorized by an ordinance adopted by a majority vote of the governing body or voter approval in a countywide referendum. Generally, the proceeds may be used to fund transportation expenditures. Currently, 66 of 67 counties in the State levy the full 6 cents of this tax.

Okaloosa levies all 6 cents of this first local option gas tax on all fuel sold in the County. Budget staff estimates the Fiscal Year 2013 revenue to *decrease* from the Fiscal Year 2012 total of $3,735,262 by approximately (-$21,914) to a total of $3,713,348 or approximately $618,890 per cent, for unincorporated Okaloosa County, only. Budgeted distribution includes $1,800,000 (50.0%) to the *County Transportation Trust Fund* for operations and maintenance and $1,800,000 (50.0%) to the *Road and Bridge Construction Fund* for road resurfacing and individual commission district road construction. This tax is projected to generate approximately $3,700,000 for Fiscal Year 2014. The graph on the right shows that this 6 cent levy has provided a somewhat stable source of revenue for transportation expenditures for the last five years.



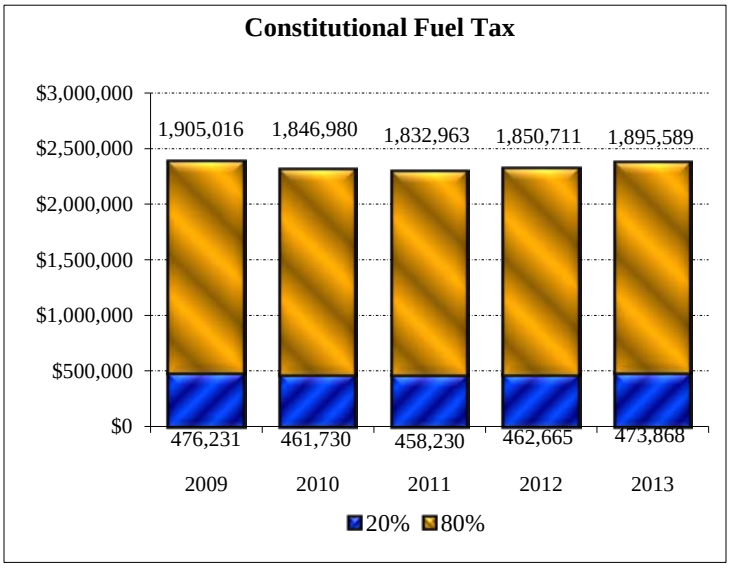


Second Local Option Fuel Tax. The final 5 cent local option fuel tax, known as the Second Local Option Fuel Tax, is a 1 to 5 cents levy upon every net gallon of motor fuel sold within a county. *Diesel fuel is not subject to this tax*. This additional tax shall be levied by an ordinance adopted by a majority plus one vote of the membership of the governing body or voter approval in a countywide referendum. There are 24 of 67 counties that levy some or all 5 cents of this tax. Proceeds received from this additional tax may be used for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted local government comprehensive plan. Okaloosa County ***does not*** levy any portion of this tax on fuel purchases in the County. This tax would generate approximately $911,709 per cent levied countywide and is required to be distributed with the municipal governments. Distribution shall be by the Department of Revenue (DOR) according to the distribution factors determined at the local level by interlocal agreement between the county and municipalities within the county's boundaries. If no interlocal agreement is established, then the distribution shall be based on the transportation expenditures of each local government for the immediately preceding 5 fiscal years as a proportion of the total of such expenditures for the county and all municipalities within the county. These proportions shall be recalculated every 10 years based on the transportation expenditures of the immediately preceding 5 years.

Policy Recommendation. Due to the magnitude of capital improvement needs in the County, the Board should continue to consider additional revenue sources available to them. The most recent Okaloosa County increase occurred when the Board of County Commissioners levied both the final cent of the First Local Option Fuel Tax and the County Ninth-Cent Voted Fuel Tax in 2004. For purposes of any fuel tax considerations, an additional assessment would need to be imposed by July 1, 2013 to have an effective date of January 1, 2014, which would provide nine months of additional revenue for Fiscal Year 2014.

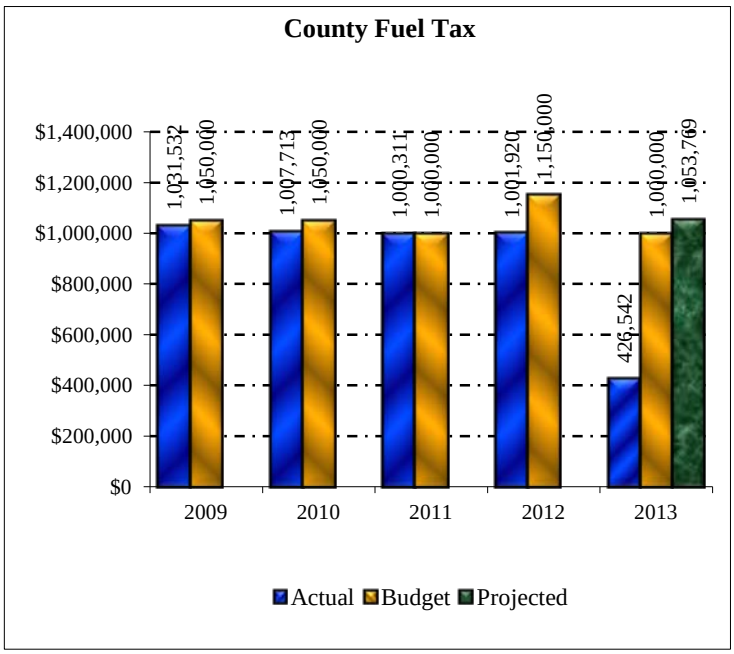
State Shared Revenue

State-shared and intergovernmental revenues have continued to be a significant source of support for the County, although declining in recent years. Typically, legislation is passed each year that results in changes to the State's sales tax base or sales tax administration. Such changes have the potential for fiscal impact, either positively or negatively, to county governments via these revenue sources.



Constitutional Fuel Tax (20.0 percent). Constitutional Fuel Tax is a two-cent tax levied on each gallon of motor fuel and reserved for counties only. Distribution is based on the formula in Article XII, Section 9(c)(4) of the Florida Constitution. The distribution formula consists of three components: (1) an area component, (2) a population component, and (3) a collection component. Before distribution, the monthly allocation is divided into two parts - an 80.0 percent portion and a 20.0 percent portion. Budget staff estimates the Fiscal Year 2013 revenue to *increase* from the Fiscal Year 2012 total of $462,665 by approximately $11,203 to a total of $473,886. Current trends indicate about $470,000 anticipated from the 20.0 percent portion during Fiscal Year 2014 to be used for operations and maintenance in the *County Transportation Trust Fund*.

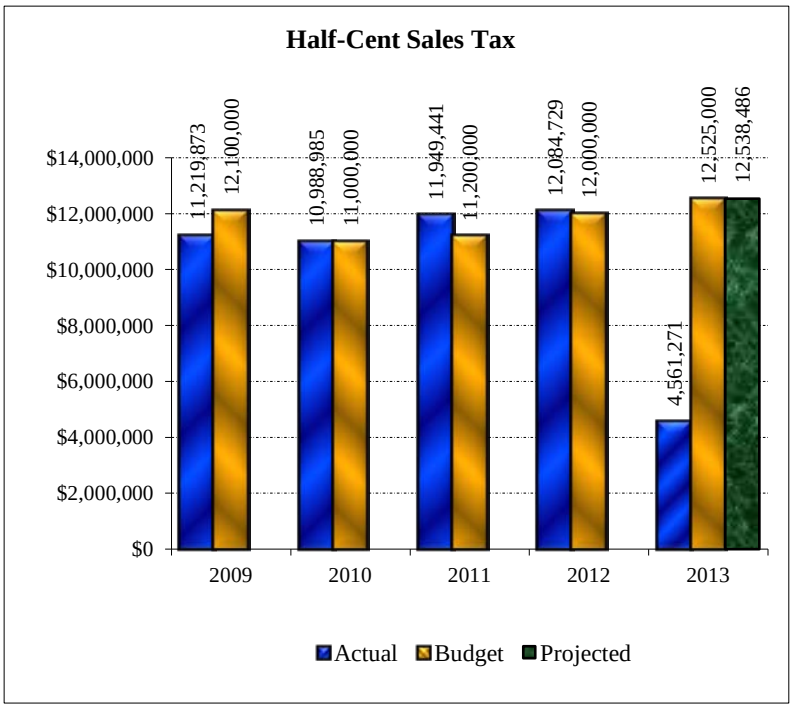
Constitutional Fuel Tax (80.0 percent). Constitutional Fuel Tax is utilized for construction projects and other uses authorized by Florida Statutes Chapter 206.47(7). This portion is segregated in the *Road and Bridge Construction Fund* where any project greater than $400,000 must be let to contract with the lowest bidder, with certain exceptions. Budget staff estimates the Fiscal Year 2013 revenue to *increase* from the Fiscal Year 2012 total of $1,850,711 by approximately $44,878 to a total of $1,895,589. Current trends indicate about $1,880,000 in total proceeds from the 80.0 percent portion to be collected and used for construction projects in the *Road and Bridge Construction Fund* in Fiscal Year 2014. The trend of both portions of the Constitutional Fuel Tax for Okaloosa County is depicted on the previous page.



County Fuel Tax. A one-cent tax is collected on each gallon of motor fuel sold, in accordance with Florida Statutes Chapter 206.60. Budget staff estimates the Fiscal Year 2013 revenue to *increase* from the Fiscal Year 2012 total of $1,001,920 by approximately $51,849 to a total of $1,053,769. Okaloosa County anticipates receiving approximately $1,025,000 from this source in Fiscal Year 2014. Revenues received from this tax are to be used for transportation-related expenses. Current law authorizes expenditure of these funds to be used solely for the acquisition of rights-of-way; the construction, reconstruction, operation, maintenance, and repair of transportation facilities, roads, bridges, bicycle paths, and pedestrian pathways. All of this tax is used for support of the *County Transportation Trust Fund*. The graph to the left depicts the trend of County Fuel Tax for the last five years.

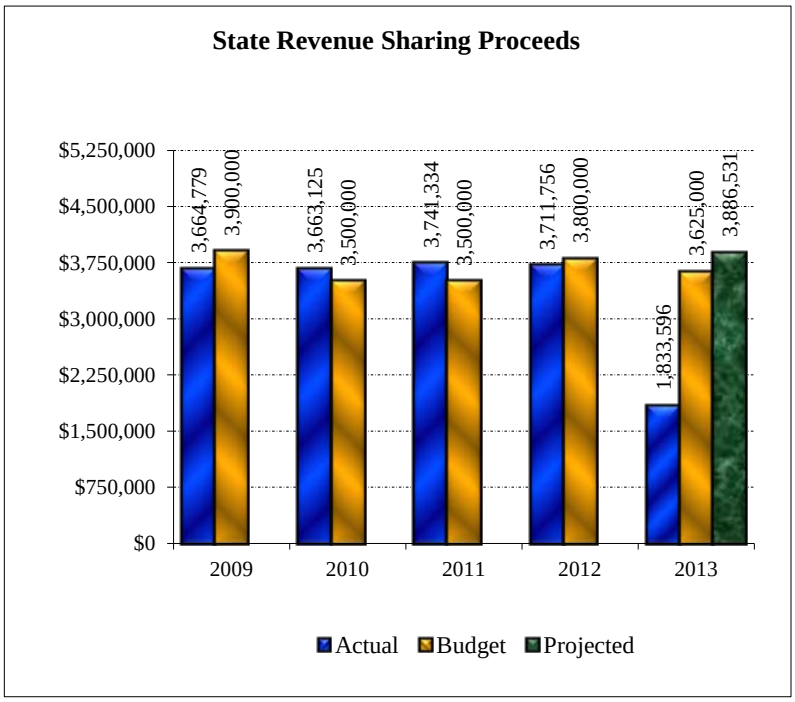
Sales and Use Taxes. Beginning July 1, 2000, and in each fiscal year thereafter, the sum of $29,915,500 is divided into as many equal parts as there are counties in the state of Florida. Therefore, an amount equal to $446,500 shall be distributed to each county. A subsequent distribution is made to the School Board. The use of this revenue is at the discretion of the Board of County Commissioners. Okaloosa County's distribution is accounted for in the *Debt Service Fund*.

Local Government Half-Cent Sales Tax. Half-Cent Sales Tax began in October 1982 pursuant to Florida Statutes Chapter 212. The local government share is based on the sales tax collected in each county. Each county's share is determined by dividing the sum of the unincorporated area population plus two-thirds of the incorporated area population by the sum of the total county population plus two-thirds of the incorporated area population. Budget staff estimates the Fiscal Year 2013 revenue to *increase* again from the Fiscal Year 2012 total of $12,084,729 by approximately $453,757 to a total of $12,538,486. Current trends indicate receipt of $12,550,000 from this source in Fiscal Year 2014. This tax is a major source of revenue, currently increasing, for governmental funds.



Local Government Half-Cent Sales Tax revenue will be utilized for a portion of the funding of the operations of the *General Fund*. This revenue source is pledged to fund the debt service on the Courthouse Annex Extension project. The graph to the left reflects an upward trend of this revenue to Okaloosa County over the last four years.

State Revenue Sharing. Revenue Sharing proceeds are derived from a portion of the State sales and use taxes along with a portion of the State's cigarette tax. These funds are appropriated among counties based on a weighted average of proportionate county populations, unincorporated county populations, and county sales tax collections. Budget staff estimates the Fiscal Year 2013 revenue to *increase* from the Fiscal Year 2012 total of $3,711,756 by approximately $174,784 to a total of $3,886,540. Okaloosa County projects to receive approximately $3,800,000 for Fiscal Year 2014. The First Guaranteed Entitlement portions of the proceeds, $147,680, is pledged for debt service; however, it is not anticipated that all funds will be required for debt service as other sources of funding are available. Under current Medicaid statutory changes, counties are required to pay a portion of their mandated contribution for Medicaid utilizing this state shared revenue. For further detailed information, see the narrative on Page 22.



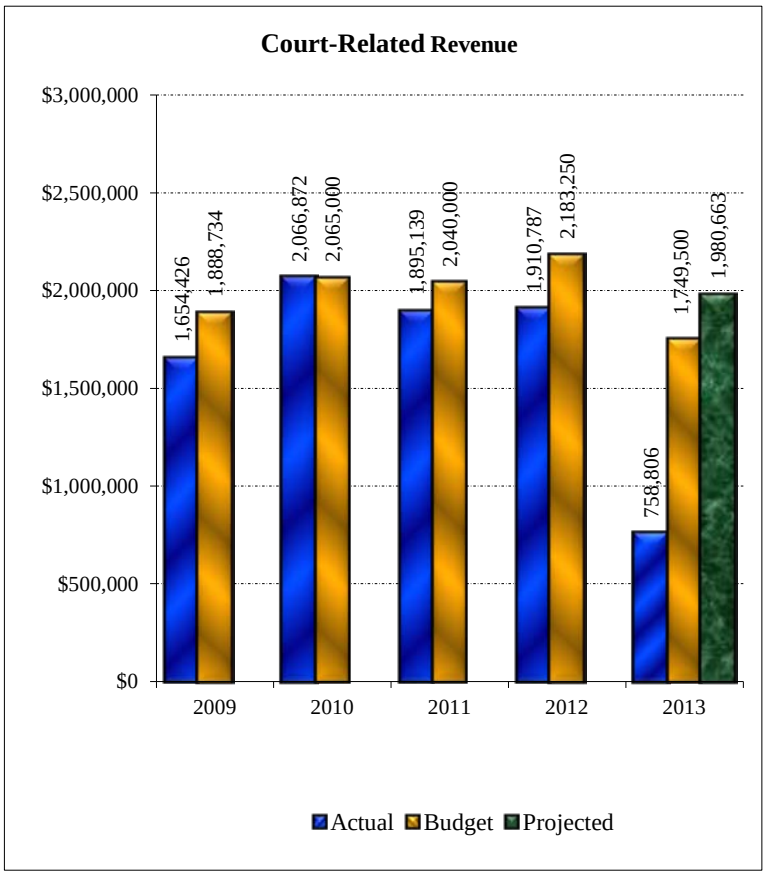
These proceeds will be utilized for a portion of the funding of the *Okaloosa Debt Service Fund*. The five-year graphical revenue trend is depicted in the graph to the right.

User Charges/Fees

Local governments possess the Home Rule authority to impose user and regulatory fees and service charges to pay the cost of providing a service or facility or regulating an activity. Examples of such fees or charges include building permit fees, rezoning fees, recreational facility charges, and charges for comprehensive plan amendments. In contrast to taxes, user fees and service charges bear a direct relationship between the service received and the compensation paid for the service.

Rates and charges for all of the enterprise funds are evaluated on a routine basis. Enterprise fund rates are established in Okaloosa County to provide services related to Water & Sewer, Airport, Solid Waste, Inspection, Emergency Medical Services and Convention Center activities. Many of the current rates and charges for enterprise activity are not sufficient to support some of the levels of service maintained in the past, partly due to the current difficult economic times. In the Water & Sewer Fund, a five-year rates and charges plan, to be reviewed annually, was approved to begin October 1, 2011, to provide support for necessary capital projects, although continued analysis and cuts in other expenses were ongoing.

User charges for governmental operations are not as prevalent as in the enterprise fund area; however, there are some collected through governmental funds, especially in the area of court-related charges.



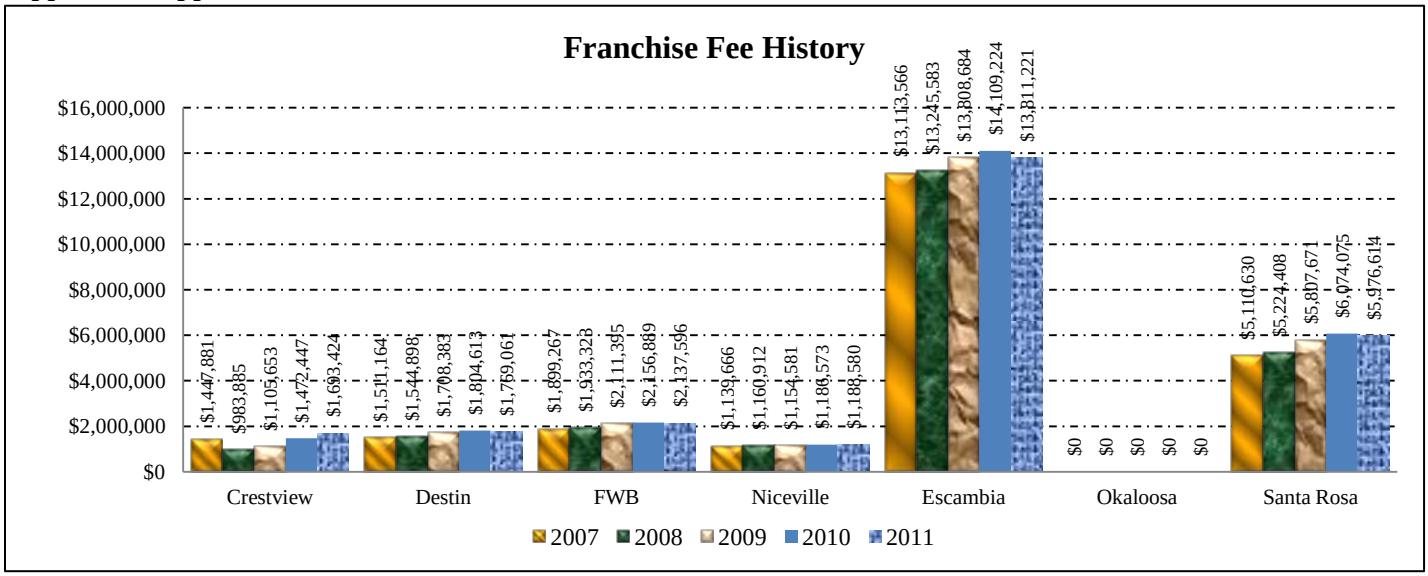
Court-related charges. The majority of court-related expenditures paid by counties were transferred to the State in July 2004, along with most of the revenues generated through the court. The only exception is the locally imposed or statutorily imposed court assessments that accrue to the County. Some statutory areas for the judicial system remain a responsibility for the County. These responsibilities primarily cover the areas of facility-related costs, security and communications or technology.

Locally, as authorized by the Legislature, the Board enacted in 2004 a $65 court cost on felony, misdemeanor, delinquent act, or criminal traffic offenses that is divided four ways (25.0% each) to provide funding for Teen Court, Law Library, Legal Aid and Innovative Court programs. This fee is anticipated to generate $388,243 for Fiscal Year 2013, a $38,613 *increase* from Fiscal Year 2012 total of $349,630. Additionally, the Board recently enacted a $30 surcharge on civil and criminal traffic infractions to provide funding and debt service support for a limited amount of court facility improvements. This surcharge is anticipated to generate $689,925 for Fiscal Year 2013, a (-$14,348) *decrease* from Fiscal Year 2012 total of $704,273. Statutorily, the Board also remains responsible for the information technology (IT) needs of the State Attorney, Public Defender and Courts; however, the Legislature has dedicated a $2 per page recording fee to provide funding to meet these requirements. The $2 fee is expected to generate $504,025 in Fiscal Year 2013, an *increase* of $125,115 from Fiscal Year 2012 total of $349,630. At the request of Okaloosa County Sheriff and Okaloosa County School Board, in November of 2011 the Board adopted Ordinance 11-17, to collect an additional five dollars ($5.00) with each traffic penalty for the purpose of funding traffic education pursuant to the Doris Slosberg Driver Education Safety Act. This funding will be distributed to the School Board and Sheriff's Office to provide driver education programs. The ordinance is known as *The Megan Warman Driver Education Safety Ordinance*. This revenue is expected to generate $75,115 in Fiscal Year 2013, an *increase* of $4,545 from Fiscal Year 2012.

It remains the responsibility of the Board to effectively manage these sources to ensure compliance with its statutory obligations.

Budget staff estimates the Fiscal Year 2013 total court related revenue to *increase* from the Fiscal Year 2012 total of $1,910,787 by approximately $69,876 to a total of $1,980,663. Okaloosa County projects to receive approximately $2,000,000 for Fiscal Year 2014.

Franchise Fees. Last year the Board of County Commissioners explored utility franchise fees on electric and gas companies for the use of public rights-of-way. Using the maximum assessment (6%) on electric and gas utilities, the imposition of franchise fees in the unincorporated area, similar to those imposed in the incorporated areas already, would potentially generate $7,500,000 of additional revenue. The enactment of any franchise would require the agreement of the electric or gas utilities and last year's discussion was met with mixed support and opposition from the utilities.



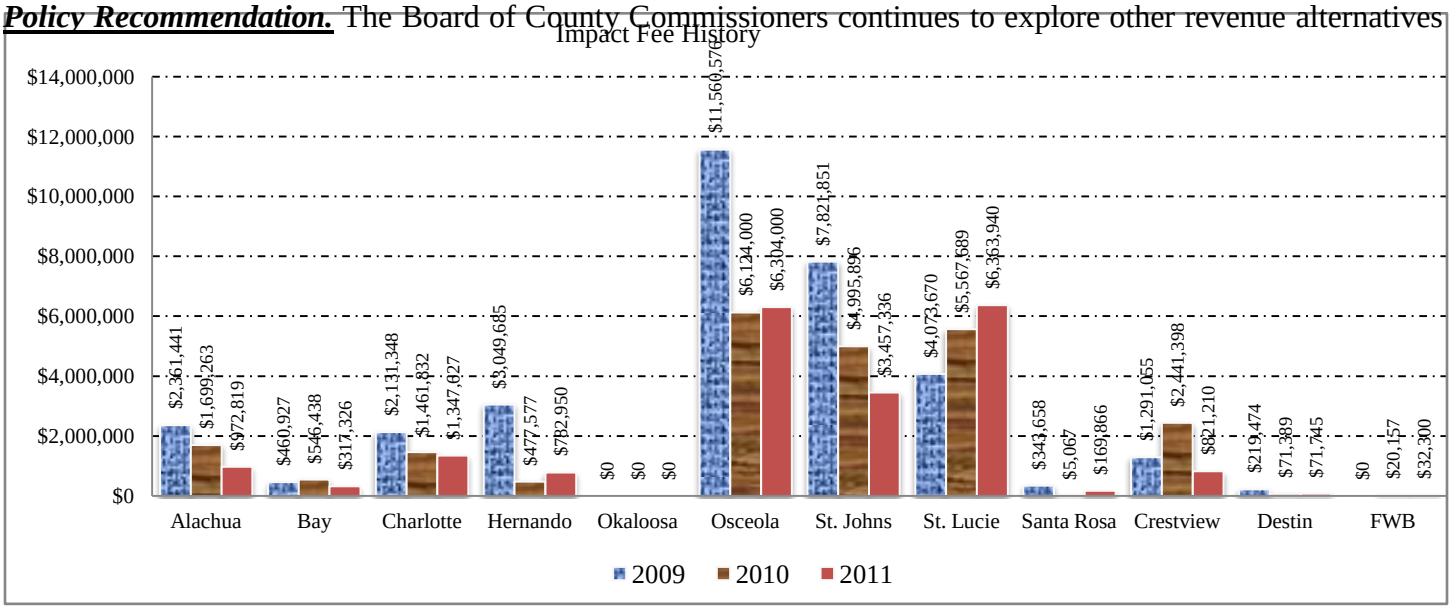
Special Assessments. A special assessment may provide funding for capital expenditures or the operational costs of services provided that the property, which is subject to the assessment, derives a special benefit from the improvement or service. The courts have upheld a number of assessed services and improvements, such as: garbage disposal, sewer improvements, fire protection, fire and rescue services, street improvements, parking facilities, downtown redevelopment, water and sewer line extensions and stormwater management services.

Florida Statutes Chapter 125.01(1)(q) outlines the many facilities and services that can be funded from the proceeds of special assessments imposed by county governments, via the municipal service taxing unit (MSTU) or municipal service benefit unit (MSBU). The Board of County Commissioners has assessed, by ordinance, certain special assessments related mainly to street lighting requests made by certain areas of the County. The MSBU program has been expanded to cover channel maintenance, landscape and subdivision maintenance, as well as road improvements. The Board of County Commissioners approved a revised MSBU Policy and Procedure for road maintenance in October 2007. This policy's mission was to empower the Board of County Commissioners and property owners the use of statutory authority to acquire alternative funding for infrastructure, improvements, construction and maintenance. The Board has also considered imposition of a Stormwater Utility Assessment that could assist with funding of the County Stormwater Infrastructure needs.

In Fiscal Year 2008, the Board of County Commissioners, based upon the recommendation of the Tourist Development Council and the beach renourishment consultants, approved a Municipal Services Assessment on impacted parcels of property on Okaloosa Island and in the City of Destin to fund critically eroded beachfront issues due to the storm impacts of 2004 and 2005. This assessment, coupled with the additional 1 cent of tourist development tax funding was intended to provide some necessary resources to fund beach renourishment within the taxing district. In January 2012, the Board of County Commissioners voted to delay and refund Okaloosa Island renourishment projects and assessments.

Impact Fees. The Board of County Commissioners has the authority to institute an impact fee ordinance. Impact fees are charges imposed by local governments against new development. Such charges represent a total or partial reimbursement for the cost of additional facilities or services necessary as the result of the new development. Impact fees have successfully been used to fund road improvements, water and sewer facilities, the construction of school facilities and park expansion. Impact fees are local sources of revenue for infrastructure in Florida. Determination of an impact fee begins with calculating demand-to-capacity ratios for different capital facilities and then estimating the number and cost of facilities that will be necessary for meeting a prescribed level of service for a growing population. An impact fee ordinance can distinguish among impacts of different types of growth in establishing fee amounts. For example, single-family homes can be shown to have different impacts than office buildings or retail stores. Impact fees cannot be charged to pay the cost of reducing or eliminating deficiencies in existing facilities. According to the most recent State data, in 2011, impact fee revenues were collected in 41 of the 67 counties, ranging from $9,000 to $46,637,023. Of the over $185,665,000 in impact fees collected for Fiscal Year 2011, 9.8% was for Public Safety; 19.3% was for Physical Environment; 42.8% was for Transportation; 14.1% was for Human Services; 12.3% was for Culture/Recreation; and 1.7% for other functions. Fiscal Year 2011 is the latest State data available for use.

Policy Recommendation. The Board of County Commissioners continues to explore other revenue alternatives



in order to meet State requirements, customer demand, and meet statutory restrictions and limitations. Because of the significant capital improvement needs and the bonded indebtedness related to the enterprise funds, continued monitoring and analyzing of rates and charges for the enterprise activity of the County will be ongoing. The Board should consider exploring any future Home Rule assessment or user charge as needed. The review of an Okaloosa County impact fee ordinance continues to be considered. The Board has already studied the creation of an assessment system to address the serious stormwater management issues that plague

the County. The assessment, if imposed, will address the many stormwater system needs identified in the County Stormwater Master Plan. The Board will continue to study alternative financing means for future needs.

Cash Carryforward

Carryforward is a term applied to the amount of cash or receivables on hand at the beginning of the fiscal year. Carryforward amounts are estimated in advance of that time, as are the revenues and other receipts reasonably anticipated to be collected during the upcoming year. A reserve for cash balance to be carried over may be provided for the purpose of paying expenses from October 1 of the ensuing fiscal year until the time when the ad valorem tax and other revenues for that year are expected to be available. In accordance with Florida Statutes Chapter 129.01(c)2, this reserve may be not more than 20.0% of the total receipts and balances of the budget.

Carryforward results from not only unspent operating funds, but also previously budgeted debt service, and capital reserve funds that are carried forward to fund those same reserves in the new fiscal year or to fund capital projects in the current or future years. Page 17 displays an analysis of individual fund types with significant changes in carryforward balances and the sources of the carryforward.

As is always the case, fund balances and net assets fluctuate based upon the activity occurring in the fund for that particular year. In 2012, fund balances increased from the previous year due to continued efforts of the Board to maintain status quo and cash in these turbulent budgetary times.

The ***General Fund*** fund balance fluctuates quite a bit almost every year. In Fiscal Year 2011 the ***General Fund*** changed and *increased* fund balance due to one-time revenue and due to GASB 54 reclassification of the previous Fine and Forfeiture Special Revenue Fund fund balance. The ***Tourist Development Fund*** *decreased* because of spending down oil spill promotional funds, although bed taxes *increased* significantly, including the balance related to proposed beach renourishment projects throughout the tourist development area. The capital outlay funds have projects that are ongoing throughout the year that affect the cash balances either positively or negatively. The ***Capital Outlay Fund*** *decrease* came from the completion of the Courthouse Annex Extension project and other current projects. The ***Road and Bridge Construction Fund*** balance *increased* somewhat due to delays and re-evaluation of several major projects that are or will be ongoing during the years to come. Several enterprise funds *increased* net assets or cash carryforward due to increased fee revenue and reduced or delayed projects during the difficult economic times. The ***Water and Sewer Fund*** had a significant *increase* in cash during the year due to delays of major projects awaiting, military joint projects and borrowing for future projects. ***Airport Fund*** had an *increase* in net assets, due to the increase in funding for several ongoing capital projects and the use of bond proceeds for capital funding and debt projects. The ***Solid Waste Fund*** net assets *increased* significantly due to renegotiation of waste and transfer contracts. The ***Inspection Fund*** *decreased* due to building activity throughout the year and the start of the repayment of the general fund cost allocation previously delayed. The ***Emergency Medical Services Fund*** *increased* due to some increased revenue billings and slight increased tax support. The ***Convention Center Fund*** net assets *decreased* due to the mandatory early redemption provision of the debt on the Center. The internal service funds had some increase in revenue activity as well as some unexpected expenses. The Self Insurance Internal Service Fund *increased* due to insurance reimbursements, while the Fleet Internal Service Fund declined due to increased maintenance and fuel costs.

Policy Recommendation. The Board of County Commissioners will have to continue to evaluate, analyze and explore all opportunities in order to maximize resources to maintain levels of service expectations of the

citizenry. With minimal revenue increases anticipated, certain state shared revenue declining and the charges for service rates being impacted by the economic times, the Board will continue to have fiscal challenges. The Board will have to consider additional revenue enhancements or potential declines in expenditure or service levels in order to maintain the status quo.

Comparative Cash Carryforward (Fund Balance/Net Asset) Balances			
Fund Type Fund Title	Amount 9-30-2012	Amount 9-30-2011	Increase (Decrease)
General Fund	$8,423,310	$3,936,643	$4,486,667
Special Revenue			
County Transportation Trust	$1,091,779	$2,066,310	($974,531)
Tourist Development Trust	$13,196,918	$16,225,315	($3,028,397)
Natural Disasters	$1,157,322	$1,206,022	($48,700)
E911 Operations	$1,299,843	$1,085,587	$214,256
Unincorporated County Parks	$4,675,333	$4,413,418	$261,915
All Other	$2,791,003	$2,543,302	$247,701
Debt Service Fund	$194,806	$430,601	($235,795)
Capital Projects Funds			
Capital Outlay Construct	$3,699,258	$7,974,845	($4,275,587)
Road & Bridge Construct	$11,201,953	$10,745,328	$456,625
Enterprise Funds(Net Assets)			
Water & Sewer	$35,112,802	$19,507,521	$15,605,281
Airport	$22,673,659	$21,416,750	$1,256,909
Solid Waste	$1,023,698	$97,186	$926,512
Inspection	$122,876	$213,290	($90,414)
Emergency Medical Services	$3,432,243	$2,673,937	$758,306
Convention Center	$6,456,466	$6,938,552	($482,086)
Internal Service Funds			
Self Insurance	$1,174,318	$980,250	$194,068
Garage Services	($29,863)	$130,627	($160,490)
Total	$117,697,724	$102,585,484	$15,112,240

Local Government Expenditures

Governmental expenditures are utilized primarily to provide required services not provided by any other source. Governmental services include; property appraisal, tax collections, election services, assimilation and recording of legal/court documents, law enforcement and public safety services, growth management, public transportation, road construction and maintenance, recreation/cultural services, water and sewer services, airport services and solid waste services, just to name a few.

Personal Services

Salary Adjustments. Each budget year, staff reviews National economic trends, including an averaging of the Employment Cost Index (ECI), the Consumer Price Index (CPI), and various compensation surveys, and provides wage scale increase recommendations based on those sources. During the Fiscal Years 2009, 2010, 2011, 2012 and 2013 the Consumer Price Index (CPI) indicated wage scale increases of 4.30%, .10%, 2.70%, 1.50% and 2.90%, respectively. In Fiscal Year 2009, the Board awarded the last across the board market adjustment in the amount of 2.0%. **Based on the minimal employee wage increases awarded and the stated CPI adjustments for those Fiscal Years, employees have fallen behind 9.89%**.

For Fiscal Year 2014, the National economic trends indicate wage scale increases of 1.9% are warranted. In an effort to begin addressing the lack of market adjustments and keeping with current economic trends, staff recommends a 3.0% market adjustment for employees. This increase in compensation equates to approximately $1,903,460, including constitutional offices, of which $444,838 represents enterprise or proprietary funding. For discussion purposes, a 1.0% increase or decrease in compensation equates to approximately $634,487, including constitutional offices, of which $148,279 represents enterprise or proprietary funding. Note that although the Board would not fund the merit program under this proposal, the program's associated performance reviews would continue to be conducted on employees' anniversary dates.

An alternative to providing an across the board employee wage increase would be to offer a one-time lump sum payment. This option provides the County some savings in retirement contributions as employer and employee contributions are not due on this type of lump sum payment. Also, because this alternative occurs once, it does not compound the County's liability for future years.

A comprehensive discussion of furloughs is included in a white paper entitled *Potential Budget Reduction Strategies* included with this document. Furloughs are a planned event by an agency and are designed to absorb reductions necessitated by downsizing, reduced funding or any other event which requires an agency to save money. These programs are generally implemented to resolve immediate, short-term funding shortages and unless implemented year after year until funding returns, do not fully address the shortfall. For discussion purposes, each five days (40 hours) of furlough equals approximately 1.9% reduction in pay to employees and represents $651,686 in savings to the Board.

Retirement Contributions. On July 1, 2011, the Florida Retirement System (FRS) began requiring most employees to contribute 3.0% toward their retirement. This change along with significantly reduced employer contributions equated to over a 52.0% decrease in the cost of retirement or an annual savings of $2,184,346. 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, which has remained in place.

A lawsuit was filed challenging the Florida Retirement System's mandatory 3.0% employee contributions effective July 1, 2011 and reduction in the 3.0% cost-of-living adjustment for Pension Plan members retiring on or after July 1, 2011. On January 17, 2013, the Florida Supreme Court, in a 4-3 decision, ruled in favor of the state thus allowing for the continued collection of the 3.0% employee contribution.

Staff will continue to follow current legislative activity that could affect the contribution rates and other provisions of the FRS.

Benefits and Other Insurance. The current contract for group health insurance with Florida Blue is scheduled to expire at the end of Fiscal Year 2013. Staff recommends that the County renegotiate a contract with Florida Blue for new rates and coverage options. Under the current contract, if the County attempts to rebid or cancel the health insurance contract prior to September 30, 2013 or January 31, 2014, respectively, the County will forfeit any ProShare refund monies. The current ProShare refund is expected to be received in Fiscal Year 2014. For discussion purposes, we anticipate the health insurance premium rates to decrease by approximately 10.0%. Based on the anticipated decrease for Fiscal Year 2014, staff anticipates decreasing the per employee cost for health insurance benefits from $9,667 to $8,701. This 10.0% decrease represents a savings of approximately $699,384 annually including participating constitutional offices. As last year's 3.0% increase was offset by the ProShare refund, a budgetary savings of $496,085 could be anticipated.

Utilizing the ProShare refund monies received for the first three years of the program, the $40 per month employee contribution was offset in Fiscal Years 2012 and 2013, and could again offset the $40 per month employee contribution for Fiscal Year 2014.

Last year, the Board approved transferring the dental insurance to United Concordia and the life and long term disability insurance to PRISM/Symetra. These changes resulted in approximately $115 per employee annual savings for Okaloosa County. There will be no change in the premiums for these insurance products for Fiscal Year 2014 as the contracts have a minimum rate guarantee of 2 years.

Staff recently recommended and the Board approved changing the County's renewal date of the property insurance from October 1st to April 1st and extending the County's current property coverage for an additional six months. This will allow the County to renew coverage without the fear that weather events may negatively impact rates or cause insurers to not bind coverage leaving the County vulnerable to catastrophic losses. Premiums will increase 5.0% and therefore will cost approximately $468,429 for the additional six month extension due October 1, 2013. In April 2014, a full year's premium will be due and is estimated to be $1,005,350. Therefore, it is projected that expenses in Fiscal Year 2014 for property insurance will be $1,473,779 (October 2013 and April 2014 payments). The remainder of the insurance program, including coverage such as liability and excess workers' compensation, will continue to renew annually on October 1st. Assuming a 5% increase, the premiums for these insurance products are estimated to be $502,611 for Fiscal Year 2014. In total, Fiscal Year 2014 premiums for other insurance are projected to be $1,976,390. Estimated premiums for Fiscal Year 2015 will return to prior levels of premiums in the area of $1.5 million. Staff will continue to work closely with brokers to negotiate an acceptable renewal including options that will allow Okaloosa County to continue its effective protected insurance program.

Staffing

Board of County Commissioners Positions. Staffing needs are considered on an annual basis prior to budget review. Personal service costs comprised 17.4% of the Fiscal Year 2013 budget. Over the past six budget years, the Board has eliminated a total of 137 positions through three voluntary separation incentive programs (VSIP), layoffs and attrition, and added 48 new positions, for a net decrease of 89 positions. For Fiscal Year 2013, the number of budgeted positions is currently 819 (743 full-time equivalents).

Of the 48 new positions, the Board has added 12 of those during the current Fiscal Year. These positions include: 10 Airport Police Officer (Relief) to augment the Airport Police Division; 1 Finance, Administration & Compliance Manager to help provide a higher level of oversight to the Tourist Development Department's fiscal reporting activities; and 1 Restore Act Coordinator to work with the Restore Advisory Committee and contracted consulting firm to develop and implement the County's multi-year plan. The County is also reviewing request for proposals (RFPs) for internal auditing services which will enhance the County's internal auditing functions as well as act as the Board's Auditor General Office (AGO) compliance officer following deficiencies recently noted in the Tourist Development Department.

The proposed budget includes the deletion of the following positions:

1. Court Services – 1 Domestic Violence Case Monitor (PT) due to a reduction in funding.
2. Growth Management – 1 Growth Grant Project Coordinator currently staffed through a temporary staffing agency.

The proposed budget includes the addition of the following positions:

1. Fleet Operations – 1 Lead Equipment Technician and 1 Equipment Technician to maintain the aging fleet.
2. Human Resources – 1 Human Resources Specialist to replace the position deleted last year and support the reorganizational shift of internal operations.
3. Public Safety, 911 Division – 1 911 Call Taker to provide adequate staffing on all four shifts.
4. Tourist Development – 1 Security Guard to increase overall security and reduce contracted security services and 1 Marketing Coordinator to successfully market the Emerald Coast.
5. Water & Sewer – 1 Master Painter for on-going and preventative maintenance.

The Facility Maintenance Department estimates the Board should anticipate the addition of 5 new positions to support the renovation and occupancy of the Courthouse Annex.

The Corrections Department will require the addition of 8 Correctional Officer I positions: 5 to reopen the upstairs housing and 3 to provide backup to current staff and conduct additional transports as the jail population increases.

The Board has also discussed enhancing the County's Legal Services Department to handle more legal matters in-house necessitating the hiring of additional staff.

As the Patient Protection and Affordable Care Act (PPACA), otherwise known as ObamaCare, is implemented in 2014, the County will be required to offer insurance to employees who work 30 hours or more per week. The

Board has relief employees in the Emergency Medical Services and Airport Police divisions and temporary, seasonal employees in the Beach Safety Division that may be affected by PPACA. Staff is currently working with these divisions to ensure that they have adequate staffing levels and ensure the county is in compliance with the PPACA.

In Fiscal Year 2012, the overall county structure was reorganized in an effort to streamline the number of department directors for greater efficiency and cost effectiveness. Significant cost savings were realized through the reassignment of duties and elimination of high level positions such as the Assistant County Administrator and Corrections Director as well as nearly the entire Administrative Services Department. Compensation considerations for positions affected by the reorganization were delayed until Fiscal Year 2014 budget discussions.

Voluntary Separation Incentive Program (VSIP). In Fiscal Year 2008 and in Fiscal Year 2010 the Board of County Commissioners approved the offering of a VSIP to help reduce positions and balance the budget. In July 2011, legislators amended Florida Statute 215.425, thereby affecting the County's ability to offer the same type of VSIP to employees. The Statute amendments eliminated bonuses not specifically tied to performance and capped severance pay to an amount not greater than 20 weeks of compensation. In an effort to continue to shrink operations, a new VSIP was developed and implemented in April 2012 that provided increased annual and sick leave payouts, and a total of 2 employees applied and were approved for the program.

Policy Recommendation. While additional staffing requirements have been identified, without revenue enhancements further staffing reductions will be necessary to meet the fiscal challenges in Fiscal Year 2014. Staff recommends augmenting revenues or identification of priorities among county services, as much as is possible, to facilitate budget formulation.

For Fiscal Year 2014, staff recommends the Board consider a 3.0% market adjustment to partially defray employees' cost of living increases experienced during the past several years. However, based on final budget estimates, this plan could be modified to include other market increase considerations, a lump sum payment to employees or, if necessary, a decrease in compensation through salary reductions or furloughs.

Staff recommends a decrease from $10,070 to $9,102 in per employee health, life and dental benefits.

Operating Expenditures

Department of Juvenile Justice (DJJ). The Department of Juvenile Justice (DJJ) is currently funded by each county paying the costs of predisposition detention services for youths who are residents of the county, although the detention facilities remain operated by the State DJJ. During each Fiscal Year, the County receives a "reconciliation" of costs from DJJ. For Fiscal Year 2010 and Fiscal Year 2011, the reconciled amount resulted in increased costs from $828,327 to $1,014,157 and $823,203 to $1,884,390, respectively. The County has not paid the 2010 "reconciled" amount and has requested, according to procedure, to join the administrative challenge currently ongoing and enter an administrative hearing challenge for the 2011 amount, as well. The pending (unpaid) amount for Fiscal Year 2010 is $1,061,186 and the pending amount for Fiscal Year 2011 is $412,889. The State originally estimated Okaloosa County's share for 2012 to be $1,257,575, but that amount was reconciled at State's year end and the County received a credit of ($506,610). The State estimated the Fiscal Year 2013 amount to be $1,009,964. The County struggles to continue to meet the financial demands of this unfunded mandate.

Medicaid. Okaloosa County is required to pay a portion of the State's share for certain Medicaid services. The County's portion in Fiscal Year 2011 amounted to $1,315,130 and $1,293,915 for Fiscal Year 2012. During last year's session, the Legislature passed a Medicaid Budget Conforming Bill that requires each county to pay 85.0% of all unpaid Medicaid invoices, regardless of disputes over said invoice. For Okaloosa County the final adjusted backlog of questioned invoice balances amounted to $225,970. This amount will be repaid over 4 years. These payments will go to the State by withholding the county's state revenue sharing distribution each month. The County is currently still eligible to receive a refund for incorrect charges if they apply to the state for a credit to their Medicaid account.

The bill also shifts the county's Medicaid share for upcoming years giving Okaloosa County a Fiscal Year 2013 budgetary requirement of $1,575,500 and an estimated expenditure for the year at this time of $1,600,000. With the change in statutory definitions and the uncertainty of additional changes, the impact to the budget is somewhat unknown.

Community Redevelopment Agencies (CRA). In Fiscal Year 2012 the Board of County Commissioners funded four community redevelopment agencies, the first in *Fort Walton Beach*, the *City of Crestview* being the second, the third in *Destin* and the fourth in *Cinco Bayou*. These agencies impact the budget by the incremental changes in valuation in the designated areas. For the last five years the incremental change decreased and in this past year it declined by $171,765, due primarily to the decrease in valuation of all of the CRA areas. These decreases bring the total annual amount distributed to these agencies to almost $1,135,000. With the decrease in incremental value and the uncertainty of additional areas, the impact to the budget is somewhat unknown.

Social and Community Service Agency Appropriations. After several years of 10.0% reductions, last year the Board of County Commissioners decreased funding to most social service agencies by 50.0%. This was the fourth year in a row for funding reductions. These social service agencies included Shelter House ($3,645), Head Start ($3,645), Day Care Services ($36,450), Elder Services ($11,847), and the Ben Gordon Visitation Center ($12,500). Additionally, the Child Protection Team ($57,402), Economic Development Council ($120,933) and the Soil Conservation District ($45,215) each had a 4.0% reduction in Fiscal Year 2013. With the continuing decline in available revenues, budget staff is proposing further reductions or elimination of funding to social and community service agencies.

Library Cooperative Support. In existence since 1997, the Library Cooperative (OCPLC) provides free and easy access to information, ideas, books and technology that enriches, educates and empowers the residents of Okaloosa County. Member cities of the Cooperative (Crestview, Destin, Fort Walton Beach, Mary Esther, Niceville, Valparaiso) operate public library facilities that serve all municipalities and the unincorporated county. Since the establishment of the Cooperative, all six libraries have either constructed new facilities or added additional footage to meet the needs of their enlarged service area. The county does not operate any library facilities. The Cooperative office administers county-wide programs, serves as liaison to the State Library and applies for grants and aids, and operates The Library Spot, a self-service lending machine in Baker, which was secured through a grant awarded in Fiscal Year 2013.

Each library is funded by its municipality, and the Board allocates funds to assist the municipalities in serving county residents. Through the Cooperative's interlocal agreement, 80% of Board funding passes through to the cities. Over the past five years, the Board has provided the following amounts for the respective Fiscal Years: 2009 - $1,004,000; 2010 - $900,000; 2011 - $535,000; 2012 - $585,500, and 2013 - $513,600. Concurrent with decreases in funding, economic pressures on residents have resulted in increased demands upon libraries, especially for technology-related services that assist in education, career and business development, job search,

acquiring social services and interacting with government agencies. Member libraries have suffered a loss of financial support from the county while struggling to maintain service levels for a growing population. For the Cooperative headquarters, funding cuts have resulted in cessation of bookmobile service, loss of one position, inability to fill an open position for almost a year, and failure to replace aging technology infrastructure. Despite the challenges of declining revenue, there is a strong desire on the part of all participating cities to continue the Cooperative in its current configuration.

Museums Support. After several years of 10.0% reductions, last year the Board of County Commissioners decreased funding to museums by 50.0%. This was the fourth year in a row for funding reductions. Current Board support for museums consists of donations to Destin Fishing Museum of $6,480 and to the Baker Block Museum of $6,480. The Board also pays for Baker Block Museum's water, natural gas, and electric utilities, estimated at $13,000 annually, from Public Works/Parks. The Board supported the Heritage Museum with funding of $13,485 in Fiscal Year 2013. With the continuing decline in available revenues, budget staff is proposing further reductions or elimination of funding for museums.

Fleet Operations. The County's fleet is aging and growing unreliable. Regular replacement of vehicles has been suspended since Fiscal Year 2007. The lack of replacement vehicles has resulted in soaring maintenance costs and not enough vehicles in an operationally reliable condition for County work crews to depend on day to day. There are 361 vehicles within the Board of County Commissioners' departments. Currently 205 County vehicles have in excess of 100,000 miles; many of these have over 150,000 miles with some over 300,000 miles. Of the County's 19 ambulances, 13 have over 150,000 miles. Fleet Operations recommends the Board resume a timely vehicle replacement program. Approximately 30 vehicles need to be replaced per year and would cost the General Fund Departments $626,000 and Enterprise Departments $1,295,000 in Fiscal Year 2014.

Since Fiscal Year 2007, the County has also delayed replacement of construction and maintenance equipment. As with the vehicle fleet, the maintenance costs have soared while increases in downtime have caused project delays. The Road Department has nine essential pieces of equipment needing immediate replacement including a crane, a boom axe, two loaders, a tractor and four batwing mowers. Replacing these nine units in Fiscal Year 2014 will cost $1,152,500.

Though fuel prices have fluctuated, on average, the cost of fuel has remained at least 20 cents per gallon under the Fiscal Year 2013 budgeted amount. At this time, Fleet Operations anticipates no increase in the budgeted cost per gallon in Fiscal Year 2014.

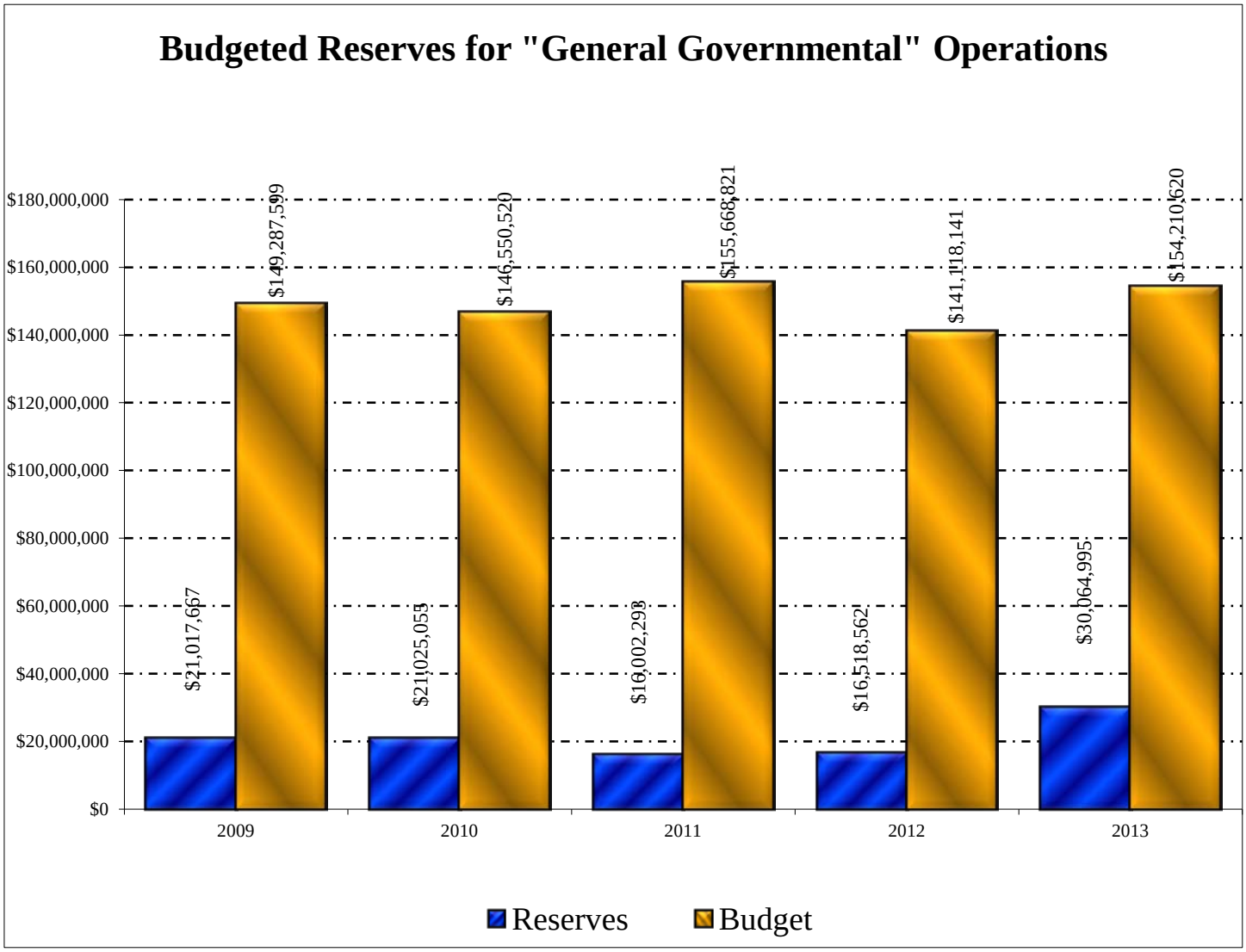
Policy Recommendation. After six years of limited vehicle and equipment replacements, the Board should consider the implementation of a more aggressive program to begin updating county's aging fleet and equipment. Staff recommends budgeting $1,253,500 for Fiscal Year 2014 General Fund replacements (Vehicles $626,000 and Equipment $627,500) deemed as critical needs.

Reserves. The level of reserves to be budgeted is established by Board of County Commissioners policy, State law, or debt covenants. Reserves are a very important source of residual funds in case of emergency needs. Although the Board has attempted to increase the reserves at least to what is considered an "adequate level" in recent years, over the last couple of years the reserves have declined due to their necessary use for operations, in light of declining resources and budget needs. Florida Statutes cap Reserves for Contingencies at 10.0% of the total budget. All "general governmental" reserves, not just reserve for contingencies, in the Fiscal Year 2013

budget, exclusive of debt service and enterprise operations, comprise about 19.5% of the total budget.

Reserves are also utilized as a buildup of funds in anticipation of major capital projects. Major capital projects in enterprise activities are built up as anticipated through fees, fee increases and fee study reviews. Other elements of this buildup could be reductions in costs and long-term debt capital funding. Governmental fund capital projects are generally funded through some sort of long-term debt scenario. Governmental fund resources are generally more difficult to build up than enterprise fund activity due to the limited flexibility of governmental resources.

Policy Recommendation. Reserve levels need to be maintained at adequate levels for a variety of reasons. Emergency needs, bond rating purposes and annual Auditor General financial condition assessments, are just a few. Many counties have policy levels related to reserves increasing from 5.0% of total budget and more. As reference to the General Fund, exclusive of Constitutional Officers, staff would recommend a target reserve of 8.0% or approximately, 30 days of "operating cash", of total General Fund expenditures, therefore the General Fund reserve would need to equal approximately $3,015,000.

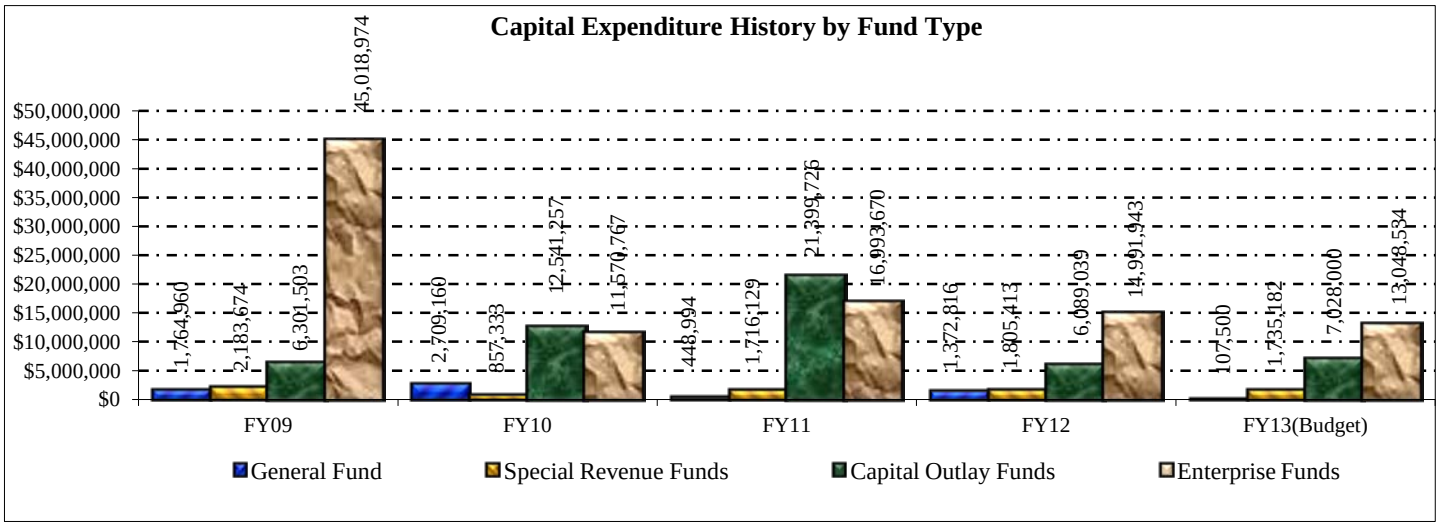


Capital Project Budgeting Policies

Capital Improvement Program

The Capital Improvements Program (CIP) guides the development of public facilities needed to meet a determined level of service, including roads, parks, utility infrastructure, government buildings, major equipment and renovations to existing buildings, over a five year period. The CIP provides the financial foundation necessary to implement the Comprehensive Plan. The CIP must be financially feasible which means that sufficient revenues are currently available or will be available from committed funding sources for the first 3 years, or will be available from committed or planned funding sources for years 4 and 5.

The County's CIP includes the five-year growth projections identified in the Capital Improvements Element (CIE) of the Comprehensive Plan as well as non-CIE capital improvements not directly related to the Comprehensive Plan. On an annual basis, Okaloosa County prepares and adopts a Five-Year CIP consistent with the requirements of the Comprehensive Plan. The CIP is presented to the Board of County Commissioners as a separate report from the budget printout. Under this format, departments provide a description of capital having an anticipated cost of $5,000 or more and include any known operational impacts, such as additional personnel or equipment. The annual budget will include sufficient appropriations to fund capital projects identified in the first year of the Five-Year CIP. Any project approved for funding will have an adequate budget for operation and maintenance.



Project Funding

The Budget staff will determine the amount of resources (revenue and balances) available for capital projects. Proposed projects will be prioritized and the available funds allocated accordingly. Okaloosa County will levy the millage necessary to ensure concurrency with the level of service standards adopted in the Comprehensive Plan.

Capital Outlay Funds' prior year taxes, other revenue, built-up reserves and bond proceeds in general government capital improvement, equated to budgeted construction expenditures and reserves totaling $4,999,685 for the beginning of Fiscal Year 2013. Also, at the beginning of Fiscal Year 2013, $10,755,000 in

road project capital improvements were funded from motor fuel taxes, interest earnings and reserves. In addition to the general government capital improvements, the capital improvements in the Enterprise Funds are funded through user charges of those funds. In the Water and Sewer enterprise operation the capital improvements amounted to approximately $7,500,000 in Fiscal Year 2013. The Airport Enterprise operation budgeted approximately $2,700,000 in capital improvements, while the Convention Center budgeted approximately $2,500,000, during this same period. Solid Waste and Emergency Medical Services funded a small amount of capital improvements during Fiscal Year 2013, while Inspection had none. The future year's Capital Improvement Program shows leveling off or declines in capital projects as funds are limited.

Proposed Projects/Updates

Courthouse Facilities

Shalimar Courthouse Annex. With the completion of the Courthouse Annex Extension in October of 2011 and a judicial determination on the annex Reverter Clause, the Board moved to begin developing plans in the current Fiscal Year 2013 budget for the renovation of the Shalimar Courthouse Annex. The Board entered into a contract with Lord & Son for design-build services for the renovation of the annex and approved funding for Phase I design services. In addition, the Board authorized the formation of a renovation project Task Force made up of representatives of the user groups who will eventually occupy the renovated annex or who will otherwise be significantly affected by the reallocation of the space.

The Task Force held its first meeting on November 30, 2012 and held several meetings after that with the purpose to reallocate the available space at the annex and make recommendations to the Board based on their decisions. One of the most significant driving factors behind the renovation of the annex has been to provide county owned or controlled space for operations that are leasing office space from the private sector. With some significant leases set to expire before the end of Fiscal Year 2014 and some others that have reverted to month-to-month arrangements, time is of the essence to make space available for those operations to eliminate those rental payments.

The Task Force Committee and design team made a presentation to the Board during the March 19th meeting recommending consolidation of certain county operations into the Shalimar facility. These facilities include two courtrooms, judicial and court support offices, offices for the Board of County Commissioners, the BCC chambers, County Administrator, County Attorney, Supervisor of Elections, Tax Collector, Guardian ad Litem, Property Appraiser, certain Clerk of Courts offices, and other selected operations. The committee further recommended Sheriff Investigations, Civil Process, and Warrants & Records be relocated to a separate new building to be constructed on the Sheriff's administrative compound in Shalimar. Once the relocations are finalized, the current rents paid could be reduced by approximately $800,000 per year. The initial estimated cost for the proposed annex renovation is $11,500,000 and the new Sheriff facility has been estimated at $1,750,000.

Public Safety

Sheriff's Brackin Street Building. The roof on the North District Command building has begun leaking and is at the end of its useful life. To protect the building from further damage, the roof needs to be replaced. Funding of $110,000 will be needed in Fiscal Year 2014 to replace the roof.

County Jail. One of the chillers at the jail is at the end of its useful life. Facility Maintenance staff was able to make minimal emergency repairs a couple of years ago to keep the unit running for a short time. When this unit fails, it'll take several months to go through the process of taking bids, ordering the unit, and then waiting for it to be manufactured and delivered. If the failure happens in the summer months, the entire inmate population may have to be relocated to available space in facilities in other counties. Funding of $225,000 would be needed in Fiscal Year 2014 to replace the chiller.

The roof on the county jail is leaking in several places. The source of some of the leaks goes beyond simple patch and repair attempts. Some roof replacement and associated damage repair is the only way to stop the leaking. This is not a simple matter of stopping the water damage to the roof support systems. The water intrusion is creating hazardous situations for staff and inmates. In addition, gutters were never installed on certain portions of the facility which is contributing to some of the water intrusion and facility damage issues. Funding of $225,000 will be needed in Fiscal Year 2014 to get proper gutters installed where needed and replace leaking portions of the roof and repair water damage.

Board Facilities

Brackin Building. Space planning for the Property Appraisers new offices on the second floor of the Brackin Building is nearly complete. If the Board agrees, funding of $65,000 will be needed in Fiscal Year 2014 to remodel the space.

Old Fort Walton Beach (FWB) Hospital. A renovation plan is in development for the old FWB Hospital to provide operational space for a number of county operations that are currently in rented space. Space is currently being designed for the County Information Systems Department and records storage for the State Attorney on the second floor, and the Growth Management Department on the first floor. As the renovation plan is completed for the Shalimar Courthouse Annex, those in rented offices that are not going to the Shalimar Courthouse Annex will be considered for relocation to the old FWB Hospital. The roof has reached the end of its useful life. The elevator must be repaired to comply with the ADA requirements. Phase I remodeling work will be limited to the 2-story portion of the facility. If the Board agrees, $500,000 will be needed in Fiscal Year 2014 for this phase of the project, which may be included in the Board's anticipated debt service for the Shalimar Courthouse Annex.

Public Works

Parks. The Parks Division is responsible for improving and maintaining 59 park properties in accordance with the Parks Master Plan. Funding for park improvements is derived through general fund allocations for County parks, Tourist Development Department (Fiscal Year 2013 amount was $491,719) for tourist related parks and a Parks Municipal Service Taxing Unit (MSTU) for unincorporated parks. Recent MSTU projects include extensive work on the old Essex treatment plant site (Don and Susan Stillwell Park) construction of a 210 foot long wood boardwalk at Laurel Hill Park, and work on the new Parks storage property on Cavalier Dr. In addition, County Park improvements include: Shoal River Park sewer upgrades, pier repairs at Marler Boat Ramp, and new boat ramp at Shoal River Park. Recreation development grants, which previously provided a source of funding for park improvements, continue to dwindle and are not considered a viable revenue source.

For Fiscal Year 2014, the Parks Division has identified park improvements in the following areas:

- Baker Recreation Center (adjacent to Mill Creek Subdivision) fencing along north property and

upgrades to existing playground equipment - $40,000 (County Park)

- Beach Accessway Improvements at #1 Soundside Phase II - $40,000 - repairs to wood boardwalk (deck and railings) (County Park)
- Cotton Bridge Park - $10,000 – replace rubber surfacing under play equipment (County Park)
- Don Stillwell Park Phase III (Garnier's Plant Site) - $100,000 (Unincorporated)
- Wilderness Landing - $106,000 (Unincorporated)
- Neighborhood Park (site to be determined) -$200,000 (Unincorporated)
- Silver Oaks Park - $250,000 play equipment and wood boardwalk – (Unincorporated)
- Laurel Hill/Dorcas (Highway 393) - $40,000 – small play structure with rubber surfacing (Unincorporated)
- Holt Park – $200,000 (Unincorporated)
- Laurel Hill Rails to Trails (Old railroad right-of-way) - $10,000 - upgrade railroad bed for walking trail, benches, trail head parking and port-o-let (Unincorporated)

The Florida Boating Improvement Program (FBIP) continues to be a source of funding to provide water recreation facilities. This revenue funds replacement of "No Wake Zone" signs and pilings, repair and maintenance of boat ramps, and support facilities. In addition, it provides funding for the Derelict Vessel Removal Program. FBIP can also provide allocations up to $15,000 for local municipalities within Okaloosa County for various approved projects.

Solid Waste Program Public Works' challenge in Fiscal Year 2014 will be to continue monitoring two solid waste contracts, increase recycling participation, and work toward the goal of reducing long-term care and maintenance costs for the three closed landfills, which totals approximately $875,000 annually. In Fiscal Year 2013, Public Works moved forward with a plan to expand its control over the municipal solid waste stream in unincorporated Okaloosa County by conducting a public hearing giving notice of its intent to franchise commercial garbage collection in the year 2016. This would provide Okaloosa County control of approximately 50 percent of the waste stream, thereby positioning the County to competitively bid all solid waste services to begin upon termination of the existing contracts on March 31, 2016. This bid will include enhanced recycling, commonly called "1-1-1", for all residents within the County's five franchise areas. The ultimate goal is to increase recyclable collections from the residential and commercial waste stream in an effort to comply with the State mandated recycling goal of 75 percent by 2020.

Additionally in Fiscal Year 2014, the County will explore opportunities to encourage recycling within the school district and the construction and demolition debris disposal industry. Yard trash operations will continue to be managed in-house with the addition of contract grinding at the Wright Yard Trash Facility versus the replacement ($850,000) of an existing grinder that is in the county inventory. Solid waste and recycling budgets will be combined into one budget to reduce the administrative duplication of managing two divisions instead of one. Staff will continue to explore ways to expand household hazardous waste services for local residents in order to make the service more convenient for residents to dispose of household chemicals. This may necessitate the creation of two technician positions to operate these services on a full time basis in Fiscal Year 2015.

Fiscal Year 2013 was a transitional period for the active remediation systems at Baker Landfill (BLF) and Wright Landfill (WLF). BLF and WLF infrastructure changes made to comply with remedial systems modifications began in Fiscal Year 2012 and will be completed in Fiscal Year 2013. Cost reductions from these infrastructure changes will be realized in the Fiscal Year 2014 budget. A slight increase in operation and

maintenance costs associated with the remediation systems infrastructure changes is projected in order to achieve cleanup and operational goals. A reduction in reporting requirements will further reduce the cost of Long-Term-Care at BLF and WLF.

Private property access continues to be an issue at BLF. The County has groundwater monitoring infrastructure on four privately owned parcels. Of the four, only one is covered by an access agreement. Two of the remaining three changed owners in 2012-2013 and the County is actively pursuing access agreements. The remaining parcel owner is currently in active negotiations with the County for long-term access. If access to property agreements cannot be secured in Fiscal Year 2013, the County may be forced to abandon six monitoring wells located on private property and reinstall the wells in a County easement.

Real estate agreements for Niceville Landfill (NLF) and WLF on United States Air Force (USAF) property are projected to be in place by the end of Fiscal Year 2013. Individual agreements have been approved by the Board and are awaiting signatures from the USAF. No additional costs will be incurred by the County in the new agreements. In lieu of property use fees, landscaping and yard debris generated in the USAF cantonment area at Eglin are processed and repurposed by the County at no cost to the USAF.

The field activities associated with the NLF remediation pilot study will be complete in Fiscal Year 2013. All costs associated with field operations have been captured in the Fiscal Year 2013 budget. However, reporting activities and costs could extend into the next fiscal year. County staff was successful in securing a passive remediation strategy at NLF and the active pilot study remediation system will subsequently be decommissioned at the end of the test. The passive remediation strategy is Monitored Natural Attenuation (MNA). MNA has no active environmental cleanup infrastructure. Cleanup goals are achieved by allowing natural environmental processes to reduce the concentration of contaminants. The County will continue to assess the existing monitoring well network to validate the reduction in chemical concentrations. Three additional monitoring wells have been budgeted to be installed in Fiscal Year 2013. However, the installation of the wells is dependent on an in-place real estate agreement. If the USAF does not execute the real estate agreement by September 2013, the cost of the well installations will be reflected in the Fiscal Year 2014 budget.

Transportation Okaloosa County maintains 201 miles of dirt roads, 74 miles of cold mix base stabilized roads, 666 miles of paved roads, and 73 bridges and large box culverts. The County accepted approximately 2 miles of paved roads into the maintenance system in Fiscal Year 2013. The current revenue allocated for capital transportation projects, including resurfacing and dirt to pave programs, is acquired through the Constitutional Gas Tax (CGT) and the Local Option Gas Tax (LOGT). Average revenue from these sources in previous years totaled approximately $3,500,000 per year.

The annual projection for resurfacing has been restructured to reflect pavement preservation and pavement management techniques. These diverse methods stretch the County's funding dollars to allow the maximum benefit per dollar expended. Current funding is $500,000 per year, of which $20,000 per district is available for other transportation-related expenses to the five districts. The remaining $400,000 allows staff to implement pavement preservation techniques on roadways throughout the unincorporated areas of the County.

For Fiscal Year 2014, Public Works is planning to resurface over 4 miles of asphalt roads (under a pavement management/pavement preservation strategy); provide further stabilization and or surface preservation treatments to existing cold mix stabilized roads, continue the road striping program (under a pavement marking management structure); and continue with the dirt-to-pave hot mix asphalt program.

Existing dirt roads being considered for dirt-to-pave hot mix asphalt paving include Davis Road in Laurel Hill, Hare Street and Taylor Road in Crestview, and Riley Barnhill Road in Baker. Aging cold mix stabilized roads that are planned for further preservation and stabilization include Robin Road, Batten Road, Bear Head Road, Bluebird Lane, and Perry Smith Road. The remaining dirt portion of Fairchild Road in Crestview is currently under design as a dirt-to-pave project with construction scheduled to begin in Fiscal Year 2014.

Martin Luther King, Jr. and Green Acres Boulevards are being designed for mill and resurface with full depth reclamation along with various drainage improvements. Mount Olive Road is also being considered for a mill and resurfacing project. Completion of these projects depends upon gas taxes and will be completed based upon revenue availability.

For Fiscal Year 2014, the Bridge Section will budget to convert two short length wood bridges (Trawick Creek at Wilkerson Bluff Road and Turkey Hen Creek at Antioch Road tentatively) to concrete spans. Material costs to reconstruct both bridges will be budgeted for a total of $200,000 to continue the 20-year program to convert all wooden bridges to concrete.

During Fiscal Year 2013, Public Works was able to accomplish several much needed roadway improvement projects. Projects completed during the year include the full depth reconstruction of Antioch Road (from Brodie Lane to Wilks Drive) and the paving of the remaining dirt portion of Keyser Mill Road (from Skeeter Lane to Galiver Cutoff). Clear Creek Road and West Plympton Road are dirt-to-pave projects that were also completed.

From a planning and design perspective, Okaloosa County continues to develop improvement plans for both Okaloosa Lane and P.J. Adams Parkway. The Federal Highway Administration has received the final review package from the County, as approved by the Florida Department of Transportation (FDOT), for the Project Development & Environment (PD&E) Study of P.J. Adams Parkway/Antioch Road from SR 85 to US 90. Once approved, it is hoped that this study will lead the way for future design improvements and funding alternatives. As construction is being performed along Martin Luther King Jr. Boulevard and Fairchild Road, efforts to acquire the necessary right of way and finalize the design drawings for improvements to the unpaved portion of Okaloosa Lane and the adjacent Holley Drive are being performed. As soon as right of way is acquired, paving the final section of Okaloosa Lane will commence.

Though these projects are not controlled by Okaloosa County, Public Works staff is heavily involved with the design and construction of the interchange between Cody Avenue and US 98 at the Hurlburt Field main gate. Recently, the Governor's office announced that funding for the widening of SR 123 has been approved and staff will continue to participate in the development of that project. It is also anticipated that FDOT will provide funding through Local Agency Program (LAP) agreements for safety improvements to Airport Road in the Crestview area and Sidewalks along 12th Street in the Shalimar area. Along with periodic "push-button" projects, it is estimated that approximately $70 million in construction projects will be active in Okaloosa County through FDOT activities during Fiscal Year 2014.

Stormwater The Stormwater staff is tasked with addressing all stormwater construction, failures, maintenance, regulatory compliance, and development of a future funding needs list. The Board made a commitment to pledge $400,000 for Fiscal Year 2013 to address stormwater needs. The Stormwater Division has a yearly operating and maintenance cost of $1,000,000. This budget includes $200,000 for reactionary repairs of stormwater failures. Fortunately, the Stormwater Division has been able to take advantage of funding pledged

in previous years which has remained in the stormwater budget as available cash. These funds are becoming critically depleted by increasing stormwater needs and system failures.

The Stormwater Division is committed to maximizing the efficient use of existing stormwater budget dollars and researching all avenues to increase available funding. Staff will continue to apply for Emergency Watershed Protection (EWP) funding from the Natural Resources Conservation Service (NRCS) to perform repairs for problem stormwater areas despite the fact that funding in these programs continues to be reduced. A Clean Water Act section 319 grant, for approximately $700,000 with a $300,000 match, has been received through an agreement with Florida Department of Environmental Protection (FDEP) for the design and construction of stormwater improvements in the Gap Creek area. Funding from this grant will be utilized for improvements targeting water quality and storage capacity near Poplar Avenue in the Sylvania Heights neighborhood. Construction of this project is anticipated to begin in Fiscal Year 2014. No capital projects are proposed for Fiscal Year 2014 due to the cash match requirement for Gap Creek which will deplete all capital funding. All stormwater projects will be reactionary for failures except for upgrades planned as part of road reconstruction projects or restoration in preparation for dirt-to-pave projects.

Amendment of the Stormwater Master Plan is in progress. During the process of updating the plan, staff will be developing a list of stormwater capital projects that would possibly meet the criteria for State Revolving Fund loans. These low interest loans could be used to fund some of the larger stormwater projects that could have broad regional impacts. This is a cooperative effort with the City of Fort Walton Beach.

In Fiscal Year 2014, compliance with the National Pollutant Discharge Elimination System (NPDES) permit will include the completion of our reporting period in July 2013. This compliance is essential to avoid possible compliance penalties from the Environmental Protection Agency (EPA) and the FDEP. The report covering this period will be submitted in early 2014. In order to maintain permit compliance, a Notice of Intent is required to be submitted by January 8, 2014 with an on-site audit by FDEP to follow. This audit will provide guidance on meeting compliance objectives. This assessment will provide a forecast of how compliance requirements will impact funding levels in future years.

Water & Sewer

Consolidation of Wastewater Services for Duke Field, Eglin Main Base and Camp Rudder. Okaloosa County Water & Sewer (OCWS) is under contract with the U.S. Air Force to divert the wastewater from the above-mentioned cantonments into our Arbennie Pritchett Water Reclamation Facility (APWRF). The $16,699,568 contract includes reimbursement of construction costs for $8,026,192 and Capacity Expansion Charges (CECs) for $8,673,376. The contract will also result in increased monthly revenue. When the three-phase project is completed, OCWS will provide wastewater transmission, treatment, and disposal service to Eglin AFB, and four aging Wastewater Treatment Plants (WWTP) will be decommissioned. Construction of the Duke Field phase is 95 percent complete and will be online before summer. The Eglin Main Base phase is being designed in Fiscal Year 2013; construction will also begin in this year and continue through Fiscal Year 2014. Regarding Camp Rudder, the design has just begun and construction will occur in Fiscal Year 2014. The CECs from this contract will go into a restricted reserve account to help fund a future 5 million gallons per day (MGD) plant expansion to the APWRF. In a separate contract, OCWS will also be providing wholesale water and wastewater services to the Navy EOD School off of Range Road, just northeast of Bluewater Bay. Design and construction will occur in Fiscal Year 2013, and this project will also result in CECs ($343,000) and increased monthly revenue.

Future Water Supply. OCWS has received good news and bad news in this planning effort. The Department has received numerous grants and funding opportunities related to future water supply planning and land acquisition, such as U.S. Army Corps of Engineers (COE) Planning-Assistance-to-the-States (PAS) Program, Defense Infrastructure grants (DIG), and Readiness and Environmental Protection Initiative (REPI) grants. The majority of these grants are to purchase land used for military buffering, watershed protection, and/or wetland mitigation. As a result of changes at the Northwest Florida Water Management District (NWFWMD), the Shoal River Offline Reservoir Project is on hold as funding was removed from the Fiscal Year 2013 budget for acquisition of land for the project. OCWS has learned NWFWMD is considering restoring the land acquisition funding for the Shoal River Offline Reservoir project in Fiscal Year 2014. The Shoal River Ranch parcel is in bankruptcy and the bank may sell all or part of the land the County hoped to acquire for the reservoir. OCWS will continue working closely with NWFWMD staff, and partnering with them on ideas related to future water supply. Some of the feasibility/treatability work that is being funded by the COE PAS money is still proceeding. The current work is relevant whether the ultimate source is direct withdrawal with an offline reservoir, or direct withdrawal without an offline reservoir.

OCWS secured a bank loan in Fiscal Year 2012 to fund the following projects:

Divert Niceville, Valparaiso and Okaloosa County Regional Sewer Board (NVOC) Flow to the Arbennie Pritchett WRF. In April of 2012, OCWS entered into an Interlocal Agreement with the City of Niceville and City of Valparaiso to transfer its ownership and treatment capacity at the NVOC Regional Wastewater Treatment Plant to the City of Niceville. As part of this agreement, OCWS transferred its cost sharing responsibility of the NVOC facility, and will divert of all of the flows from the East County/Bluewater Bay Service Area to the APWRF. As part of this planned diversion of flow, OCWS needs to construct a new sanitary sewer force main and repumping station to convey its flows to the APWRF. Included with this project, is upsizing the Eglin Main Lift Station and Force Main to accommodate East County flows. Design is now underway for this project, which totals $4,500,000. As it will take some time to do the environmental work and obtain the Eglin Easement, construction is expected to occur beyond Fiscal Year 2014.

Main Island Lift Station. The Main Island Lift Station has reached the end of its useful life and requires replacement at a total estimated cost of $2,500,000. This pump station handles all of the flow from Okaloosa Island and during the summer season pumps up to 1.5 MGD of raw wastewater off of the island for treatment and disposal. The station is sited at a very low elevation and is in extremely poor condition. Failure of this pump station could result in catastrophic environmental and regulatory consequences. The construction is being performed in-house by OCWS personnel. Construction is currently underway and will be complete in a matter of weeks.

Cost Share 36" Force Main with City of Fort Walton Beach (FWB). OCWS is working with the City of Fort Walton Beach on cost-sharing a 36" force main project that will provide significant financial savings to the public. OCWS has two force mains and the City has one force main that all flow into the APWRF. These force mains are aging and in need of replacement. Instead of replacing each pipe, OCWS and the City will consolidate flow into one large-diameter force main from Bob Sikes Boulevard to Roberts Boulevard via Denton Road and the Fort Walton Beach Golf Course. An Interlocal Agreement was executed in August 2012, and construction began in February 2013. The OCWS portion of the project is budgeted at $2,000,000.

Del Cerro II Public Water Supply Well. A new public water supply well will be constructed east of Crestview on Chestnut Avenue, just west of the intersection with Okaloosa Lane. OCWS will also construct a 12" water

transmission main on Chestnut Avenue to connect the well to the water system. Estimated cost of the project is $1,350,000 with construction scheduled to begin in April 2013 and expected to last one year.

Gravity Sewer Rehab. OCWS has a large quantity of clay tile gravity sewer lines on Okaloosa Island and older parts of unincorporated Fort Walton Beach. We are experiencing significant inflow and infiltration of storm water and ground water into our sanitary sewer system because of the deterioration of this sewer lines. OCWS has completed a $285,000 project on Okaloosa Island. We have a contract with Insituform LLC, and will continue to line more sewer lines as the budget allows in the upcoming fiscal years.

Rocky Bayou Force Main Replacement and Lift Station Upgrade. This project will replace 26,000 feet of aging ductile iron force main from the Rocky Bayou Lift Station to the NVOC Sewer Plant until a new pump station can be constructed to divert flow to the APWRF. This force main is in very poor condition and parts of it are in imminent danger of failure. Fortunately, construction is 95 percent completed on this pipeline project. Due to hydraulic limitations, OCWS needs to also install force mains along Highway 20 in two other locations. The Meigs-Seminole Pump Station will also be upgraded and two large older pump stations will be taken off line, resulting in estimated saving of $88,000 per year in power and chemical costs. Construction will be performed in-house by OCWS personnel. The above-mentioned sub-projects total $2,900,000 and construction is from Fiscal Year 2012 through Fiscal Year 2014.

Brooks Bridge. The 16" water main to Okaloosa Island was damaged when struck by a crane being transported on a barge. The skill and experience of OCWS employees led to rapid repair and restoration of traffic flow by the next morning. This incident highlighted the importance of the water main as it is the only supply of water for drinking and fire protection to Okaloosa Island. OCWS has a subaqueous water main bore that is inoperable due to damage that was discovered in 2006. Previous attempts to repair have been unsuccessful and budget constraints in the 5-year CIP have prevented OCWS from further repair attempts or installation of a new subaqueous bore. Staff is researching alternatives and costs, and plans to re-prioritize other projects in order to get a solution in the 5-year CIP, with a target of Fiscal Year 2014.

Northwest Florida Regional Airport (VPS)

Public Safety Facility (Within Terminal Building). This project will include the design and construction of an approximately 1,800 square-foot two-story police station. The build out of the terminal building is located directly adjacent to the passenger screening checkpoint utilizing available space between aircraft gates. Improvements will include an administration area, holding cells, armory/vault, and evidence storage. Estimated design and construction budget is $850,000. Funding is provided by the Federal Aviation Administration (FAA, $765,000) and Florida Department of Transportation (FDOT, $42,500). Local Match is estimated from Passenger Facility Charges (PFC, $42,500). This project is currently in the concept phase with design expected to commence in April 2013 and construction starting in October 2013.

Airport/Eglin AFB Aircraft Rescue Fire Fighting (ARFF) Station. This project will include the design and construction of an ARFF facility located on Eglin AFB at a strategic location near the runways which will enhance operational safety and FAA Part 139 required response times. The facility will consists of approximately 8,000 square feet of staff and support areas and approximately 8,000 square feet of truck parking and maintenance bays. Estimated design and construction budget is $2,000,000. Funding is provided by FAA under the Military Airport Program in the amount of $1,800,000; along with funding from FDOT in the amount of $100,000; and the remaining $100,000 from PFC. This project is currently in the concept phase with design

expected to commence March 2013 and construction starting in October 2013.

Rehabilitate Taxiway (TW) D-1. This project will include the design and construction to rehabilitate TW-D1. The asphalt TW is one of two connections to the airfield that air carrier aircraft utilize to access the runway. The project will also include new signage, taxiway edge lights and utility crossings. The estimated design and construction budget is $500,000. Funding is provided by the FAA in the amount of $450,000; and the remaining funds from FDOT and the PFC in the amount of $25,000 from each. This project is currently in the concept phase with design expected to commence in May 2013 and construction starting in October 2013.

Procure and Install Two Ground Level Boarding Bridges. This project will include the design, procurement and installation of two boarding bridges located at Gates A-1 and A-2 replacing the Regional Boarding Ramps. The project will also include new gate envelope striping, HVAC and electrical connections. The estimated design and construction budget is $1,000,000. Funding is provided by the FAA in the amount of $900,000 with FDOT and PFC supplying $50,000 each. This project is currently in the concept phase with design expected to commence in July 2013 and construction starting in October 2013.

Procure and Install Bag Lifts for Passenger Loading Bridges (PLB). This project will add bag lifts to the three original PLBs, thereby bringing them into conformance with the latest two bridges installed during the concourse expansion. The estimated cost is $93,000 with FAA funding at $83,700 with FDOT and Local Matching funds providing $4,650 each. The latter funds will originate from PFCs.

Procure Ramp Sweeper. The ramp sweeper will replace the current sweeper used to keep the aircraft parking ramp area free from foreign objects and debris. The estimated cost is $73,000 with $65,000 being eligible for FAA funding and the balance to come from FDOT and Local Matching PFCs at $3,600 each.

Bob Sikes Airport (CEW)

Airport Main Entrance Road. The proposed project consists of approximately 1.5 miles of new roadway to provide improved, centralized access to the Bob Sikes Airport. The new asphalt roadway will feature a four-lane divided corridor with attractive landscaping and signage at the intersection of US Highway 90, accompanied by turn lane and median improvements on the existing highway. The road will be built to industrial standards and will accommodate large trucks and transport equipment. Funding to commence the Environmental Assessment is being requested from the FDOT in the amount of $600,000 with an airport match of $150,000. The total project design and construction is estimated by the FDOT at $13,000,000.

West Area Public Parking Lot. This project entails the construction of approximately 3,000 - 4,000 square yards of asphalt pavement for vehicle parking and access. The facility will include area lighting, stormwater inlet and pipe improvements, and utility extensions for services anticipated for the development areas east of the parking facility. Estimated construction cost is $800,000. Funding is provided by FDOT in the amount of $640,000 with an airport match of $160,000. This project is currently designed with construction starting in May 2013 expected completion date of October 2013.

Tourist Development

Emerald Coast Visitors Welcome Center. A request for proposal (RFP) will be issued in 2013 seeking companies to bid on replacing the Visitors Welcome Center exterior siding and roof. This will be the first time

the Visitors Welcome Center has been renovated since its construction in October 1994. Visitors Welcome Center staff provides information and assistance to 3,000-5,000 national and international visitors each month.

Emerald Coast Convention Center. The center has successfully finished a significant rebranding effort, including a new website and an approved 30,000 square foot outdoor exhibition area, along with several other expansion initiatives. Among these improvements is the addition of two exterior Porte Cochere structures, the reconfiguration of the aging fountain structure at the entrance of the center, and an extension loading dock for increased off-load capabilities.

Policy Recommendation. Major capital projects remain a challenge with resources becoming more limited each year. Any desire to step up road construction, resurfacing or stormwater projects will require additional funding sources. Additionally, staff requests Board direction on capital projects based on the amount of resources (revenue and balances) available.

Budget Workshops

The workshop process for the Board of County Commissioners will be somewhat the same as in the past and budgets will be fine-tuned again this year by the County Administrator prior to these workshops. The only continuing change in the review process will be the movement towards full utilization of Performance-Based Budgets (PBB). The PBB will be the primary document utilized during the Board's reviews, replacing the old traditional line-item budgets. While the detailed line-item budget will still be available to both the Board and the public, the PBB format provides a better representation of the cost, staffing and other resources necessary to provide certain services. The Board workshops are tentatively scheduled and included as part of this document on page 38.

Information, which will be provided to the Board of County Commissioners, the public, as well as to the County Administrator, prior to that time, will include the following:

- Performance-Based Budgets detailing service areas/program descriptions, revenue source, current and historical financial data, staffing summaries, major accomplishments, key objectives and performance measurements
- Human Resources and budget staff will provide employee information
- Computerized departmental worksheets with current and historical information by line item expenditure accounts

Budget staff will load historical financial information into the budget package from the fund accountant financial system. Requests from agencies other than Board departments will be entered by the Finance Department.

Departments will:

- Enter detailed budget proposal information
  - Contracted services
  - Travel and per diem
  - Land, buildings, improvements other than buildings and equipment
- Coordinate requests for employee changes with the Human Resources Department
- Information Systems, Fleet Operations, and Risk Management will coordinate and make recommendations for the line item expenditure related to their areas of responsibility for each department

The initial and final public hearings of the Okaloosa County's budget, in accordance with Florida Statutes 200.065, have been scheduled on September 5, 2013 and September 17, 2013, respectively.

MILLAGE PROCESS SCHEDULE
Fiscal Year 2014

DATE	**ACTION**
July 1, 2013	Property Appraiser certifies the taxable value to taxing authorities ("Day 1" of Schedule)
By July 15, 2013	Budget Officer submits tentative budget to the Board of County Commissioners (BCC)
July 15 - Aug 10	BCC conducts budget workshops and adjusts budgets as they deem appropriate
By August 3, 2013	Taxing authorities advise the Property Appraiser of: (1) Proposed millage rate (2) Rolled-back rate (3) Date, time, and place of public hearing on the tentative budget
By August 24, 2013	Last day for Property Appraiser to mail Notices of Proposed Property Taxes (TRIM Notice) to taxpayers (includes public hearing information)
September 5, 2013	Public Hearing by BCC to receive citizen input and answer questions concerning the adoption of the tentative budget and proposed millage rate (Crestview – Okaloosa County Courthouse - 6:00 p.m.)
Sept 14 – Sept 17	Advertisement of proposed budget and notice of public hearing at which Board intends to adopt a final millage and final budget
September 17, 2013	Public Hearing by BCC to receive citizen input and answer questions concerning the adoption of the final millage rate and final budget (Fort Walton Beach - W&S Administration Building - 6:00 p.m.)
Sept 23 - Oct 10	Value Adjustment Board convenes to hear petitions
October 1, 2013	Fiscal Year Begins

Board of County Commissioners
Department/Agency 2014 Budget Reviews

July 18, 2013
Thursday
6:00 p.m.
Crestview

Enterprise/Non-discretionary Dept	Time
Overview	6:00 p.m.
911 Coordinator	6:30 p.m.
Road/Bridge Construction	6:45 p.m.
Water & Sewer	7:00 p.m.
Airports	7:15 p.m.
Solid Waste	7:30 p.m.
Inspections	7:45 p.m.
Tourist Development	8:00 p.m.
Conference Center	8:15 p.m.

July 23, 2013
Tuesday
1:00 p.m.
Fort Walton Beach

Constitutional Offices/State Agencies	Time
Medical Examiner	1:00 p.m.
County Health Department	1:15 p.m.
Growth Management	1:30 p.m.
Code Enforcement	1:45 p.m.
Coordinated Transportation	2:00 p.m.
Clerk of Courts	2:15 p.m.
Property Appraiser	2:30 p.m.
Supervisor of Elections	2:45 p.m.
Tax Collector	3:00 p.m.
Sheriff	3:15 p.m.

July 30, 2013
Tuesday
8:30 a.m.
Fort Walton Beach

Governmental Dept	Time
Board of County Commissioners	8:30 a.m.
County Administrator	8:45 a.m.
Library Cooperative	9:00 a.m.
Purchasing	9:15 a.m.
Human Resources	9:30 a.m.
Veterans Services	9:45 a.m.
Risk Management	10:00 a.m.
Tentative Millage Discussion	10:15 a.m.

August 6, 2013
Tuesday
1:00 p.m.
Crestview

Governmental Dept	Time
Capital Improvement Program (CIP)	1:00 p.m.
Capital Outlay Fund	1:15 p.m.
Court Services/Judicial	1:30 p.m.
State Attorney	1:45 p.m.
Public Defender	2:00 p.m.
Emergency Medical Services	2:15 p.m.
Emergency Management	2:30 p.m.
County Warning Point	2:45 p.m.
Beach Safety	3:00 p.m.
Corrections	3:15 p.m.

August 8, 2013
Thursday
6:00 p.m.
Fort Walton Beach

Governmental Dept	Time
Mosquito Control	6:00 p.m.
County/Unincorporated Parks	6:15 p.m.
Traffic Maintenance	6:30 p.m.
Engineering	6:45 p.m.
Road Department	7:00 p.m.
Stormwater Management	7:15 p.m.
Information Systems	7:30 p.m.
Facilities Maintenance	7:45 p.m.
Fleet Operations	8:00 p.m.
Agriculture/Extension	8:15 p.m.

Performance Based Budget Q & A

What is a Performance Based Budget?
A Performance Based Budget enables decision makers and the public to isolate a particular service provided by the County and to measure whether the service is being provided efficiently and effectively. The program structure facilitates decision making by focusing on each service provided.

With Performance Based Budgeting, decision makers are provided with performance measures that can be used as a gauge to determine the efficiency and effectiveness of the service provided. The measures also indicate whether the service provided meets the customer's demand as to the amount provided and the quality of the service. Emphasis is not only placed on the volume of services provided (outputs), but also the quality of that service and whether the customer is satisfied with the delivered service or product.

What are Departments and Programs?
A service area is an organizational unit which represents a group of closely related functions provided to the customers of the service. In the case of Okaloosa County, the service areas are comprised of various departments which provide similar services to the community. The departments are then broken down into programs which summarize the key statistics, expenditures and personnel needed to perform a given service.

What is a Program Goal?
Each program manager is required to establish a program goal that relates the overall purpose for which the program exists. This is similar to a mission statement for the program. For example, a program goal for a planning and zoning department might be:

• To provide for planned and orderly community growth and for the enhancement of the quality of life for area residents through effective management and coordination of planning and development programs consistent with the Growth Management Plan, community needs and resources, and local codes and ordinances.

What are Key Objectives?
Key objectives were developed by the program managers in conjunction with the County Administrator to indicate how the program will achieve the program goal. Most objectives are aimed at effectively providing goods or services, or reliably safeguarding and accounting for assets. Often an important criterion for selecting an objective is that the results be measurable. The objectives of providing a service usually can be characterized by price to the customer, quality, timeliness, or delivery.

What are Performance Measures?
A key responsibility of government is to develop and manage effective and efficient citizen services and to communicate the results of those efforts to its citizens. Performance measures assist in this evaluation and communication process. Performance measures are quantifiable indicators of how effectively or efficiently a service is being provided. *Effectively* means the degree that results or accomplishments address service goals or objectives. *Efficiently* means that results are produced using the least amount of resources or cost.

Service goals or objectives should relate to the overall reason or purpose that a service exists.

An overall reason or purpose is often broadly stated in the form of a mission statement or, for Okaloosa County, as a "program goal" within a service area. The State of Florida specifies seven government service area

classifications: General Government, Public Safety, Physical Environment, Transportation, Economic Environment, Health and Human Services, and Culture and Recreation.

The interpretation of performance measures is most often enhanced by comparison of measures over time or to service standards or benchmarks where they exist. Measures of quality also are often helpful indicators including service awards or customer satisfaction scores. Even so, it is often difficult to interpret performance measures. For example, the average response time to a rural call for County emergency medical service had improved XXXX% from XX.XX minutes in XXXX to XX.XX minutes in XXXX. Comparatively, the average cost per response increased from $XXX to $XXX during the same time or XX.XX%. Due to the effects of regulations, unions, labor markets, and general inflation, it is difficult to fully assess the efficiency of the service for this improvement.

Government services vary substantially in their level of complexity. Thus, few uniform performance measures exist. However, four types of measures are commonly used: **input, output, efficiency, and effectiveness**. Input measures address the amount of resources (dollars, employee-hours, etc.) used in providing a particular service. Output measures describe activities undertaken in providing a service (i.e., the number of emergency service responses). Efficiency measures relate inputs to units of output (i.e., cost or input per unit of service or output). Effectiveness measures usually reveal the extent to which outputs have been achieved (i.e., the percentage or extent output goals are met or the average time to complete an output).

Okaloosa County uses all four types of performance measures for its departments and programs. As Constitutional Officers are separate legal entities, the inclusion of performance measures for them, although encouraged by the County, is up to their discretion. On each “Department Budget” page in this budget document can be found a “Performance Measures” table. This table compares three years of performance measures. Input measures are designated “Input”, Output measures are designated “Output”, Efficiency Measures are designated “Efficiency”, Effectiveness measures are designated “Effective”.

Although performance measures are reviewed and evaluated, currently they are not rigorously used in the County’s budgeting process to allocate resources. Regardless, they are considered a vital part of the budget document for communicating results to citizens.

Okaloosa County Board of County Commissioners
Potential Budget Reduction Strategies

March 28, 2013

Kay Godwin, Human Resources Director

INTRODUCTION

Florida counties may continue to be faced with budget shortfalls for the 2013-2014 fiscal year. Over the past several years, Florida counties have faced revenue reductions due to decreasing property assessments, losses in sales taxes and development fees, and other declining revenue. Statewide counties have critically assessed programs and services in an effort to cut expenses instead of positions where possible, while maintaining acceptable levels of service.

BACKGROUND

As we move toward the 2014 fiscal year, the County will continue to face increased costs and continued demands for services with limited financial resources. All departments have been asked to review their budgets and expenses and find ways to cut costs and expenditures, ideally without sacrificing services to the community and loss of personnel. Reductions made over the past several years included major cost cutting measures and efficiencies whose goal was to minimize the impact on direct citizen services. Among these reductions were downsizing our fleet, implementing tighter controls on vehicle usage, reducing overtime, energy and water consumption strategies, negotiating reduced rates on contracts, materials and supplies, and reducing leased office space. These strategies will continue. In addition, county staff have reviewed organizational models of other Florida counties while assessing staffing priorities across county departments.

In the 2012 fiscal year, the overall county structure was reorganized in an effort to streamline the number of department directors for greater efficiency and cost effectiveness. Significant cost savings were realized through the reassignment of duties and elimination of high level positions such as the Assistant County Administrator and Corrections Director as well as nearly the entire Administrative Services Department.

In May 2008 and April 2010, the Board of County Commissioners approved Voluntary Separation Incentive Programs in an effort to eliminate or minimize the need for a reduction in workforce. With these programs, an eligible employee could voluntarily resign or retire from county employment and their position, or similar positions in the same funding source, was permanently eliminated. These programs allowed a one-time payment of six months salary or $25,000, whichever was greater, to eligible employees plus payment for one-half the employees' health insurance premiums for 18 months. A total of 48 positions were deleted through these two programs resulting in an estimated savings of $2,923,304 in the third and subsequent years of the programs through the elimination of salaries and benefits for the 48 positions that were deleted.

In July 2011, legislators amended Florida Statute 215.425, thereby affecting the County's ability to offer the same type of VSIP to employees. The Statute amendments eliminated bonuses not specifically tied to performance and capped severance pay to an amount not greater than 20 weeks of compensation. In an effort to continue to shrink operations, a VSIP was developed and implemented in April 2012 that provided increased annual and sick leave payouts and payment for one-half the employees' health insurance premiums for 18 months. A total of three positions were eliminated.

Positions deleted through the Voluntary Separation Incentive Programs combined with layoffs and not filling positions vacated through attrition reduced Okaloosa County's budgeted positions by 137 positions over the past six budget years. Offset by some added positions, the County experienced a net decrease of 89 positions during this period.

As the County looks for alternatives to layoffs during these tough economic times, there are other options to cut costs that could be considered. Some of those options explored in this report include work furloughs, reduced work-weeks and reduced salaries. However, unless carefully planned and regulated, they can expose the County to liability for wage and hour violations.

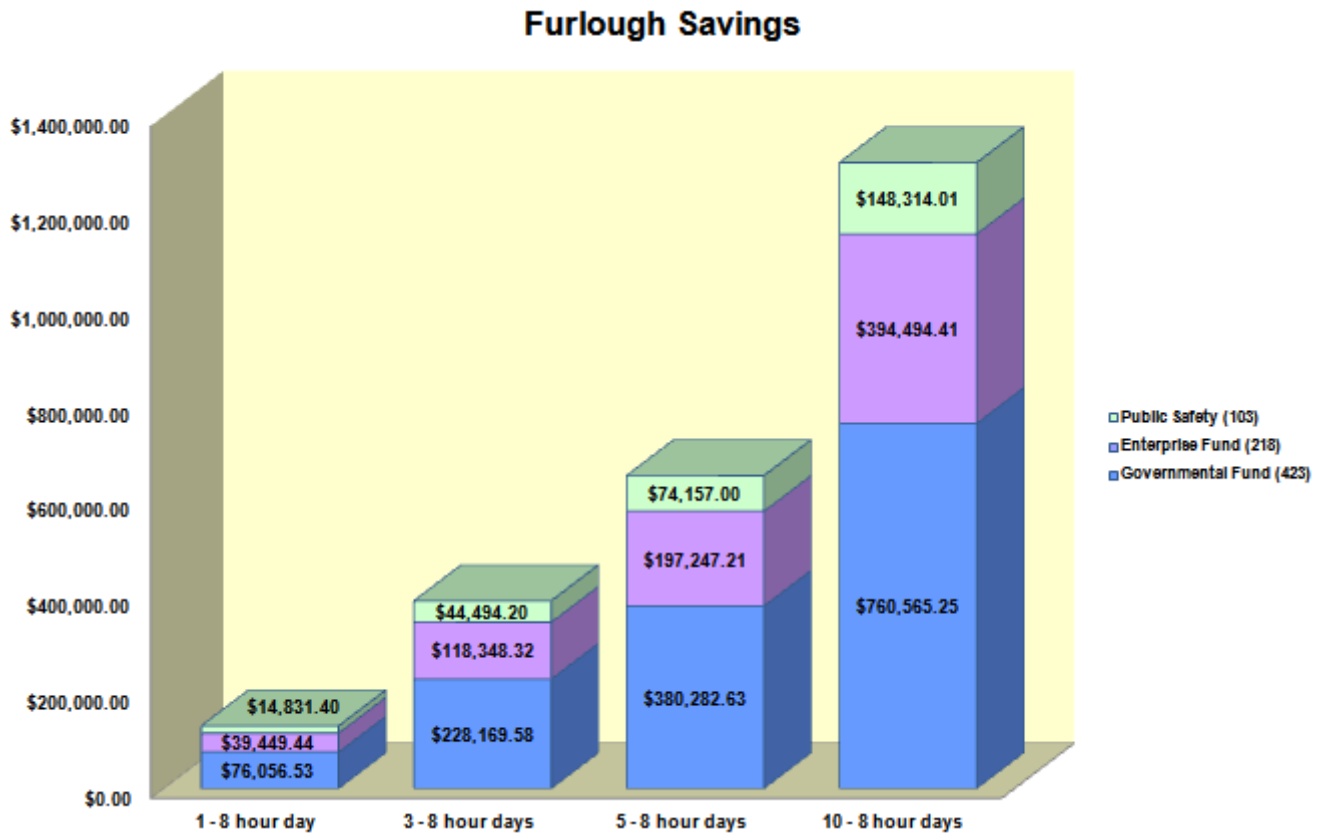
Furloughs

In the context of budget cuts, the "save money" furlough is a planned event by an agency which is designed to absorb reductions necessitated by downsizing, reduced funding or any other event which requires an agency to save money.

Mandatory furloughs can be a viable alternative to layoffs if implemented correctly. However, a furlough must be carefully planned and implemented when it comes to exempt employees covered by the Fair Labor Standards Act (FLSA) and other laws. Exempt employees under federal law and many state laws must be paid the same minimum salary for each pay period worked. According to the law, if an exempt employee performs any work during a workweek, that person must receive his or her entire salary for that week. Thus, failure to pay an exempt employee for a week where any work is performed — even very minimal work such as writing an email from home — can jeopardize that employee's exempt status. However, in contrast, the Fair Labor Standards Act does include a special provision for employees of public agencies due to a budget-required furlough as long as the exempt employee is converted to an hourly status during the furloughed work week. This means the employee may not work additional hours during that week without being compensated at the overtime rate for those additional hours, the same as a non-exempt, or hourly, employee.

Furloughs are easier to implement with non-exempt employees. Under federal and most state wage and hour laws, non-exempt employees must be paid only for actual hours worked. Consequently, an employer may send them home for lack of work or to otherwise save payroll costs, and need not pay them for their regularly scheduled hours if they have not actually worked.

In an effort to keep the current Okaloosa County Board of County Commissioners workforce employed, an analysis was done to determine the impact of furloughs on the budget and is reflected in the following chart.



	All Employees (744)			
	1 - 8 hour day	**3 - 8 hour days**	**5 - 8 hour days**	**10 - 8 hour days**
Governmental Fund (423)	$76,056.53	$228,169.58	$380,282.63	$760,565.25
Enterprise Fund (218)	$39,449.44	$118,348.32	$197,247.21	$394,494.41
Public Safety (103)	$14,831.40	$44,494.20	$74,157.00	$148,314.01
Total	$130,337.37	$391,012.10	$651,686.84	$1,303,373.68

**Savings on Total Payroll: Data Excludes County Commissioners and Part-time, Relief and Temporary Employees*

Additional Okaloosa County furlough scenarios are outlined on *Attachment A*. For example, if employees within the Governmental Fund, whose salaries are $60,000 or higher, were furloughed for five days, the savings to the County would be approximately $64,674.

Over the past several years, many states, counties, cities and universities nationwide have either contemplated or implemented voluntary or involuntary employee furloughs in an effort to save money. This year, Congress failed to stop automatic budget cuts that were set to take effect March 1, 2013; therefore, the Department of Defense notified all civilian employees nationwide that they would begin observing 22 furlough days from April 2013 to September 2013. This 22 day furlough is estimated to save $4 billion to $5 billion towards a $46 billion deficit.

Reduced Work-Week & Decreased Salaries

A reduced work week — for example, a four-day, 32 hour work week — can be even more difficult to implement than furloughs. For example, if an employer wants to implement a four day work week, with 20% pay cut, such a pay reduction could threaten the exempt status if the 20% pay cut brings the employee's salary below the required threshold amount, which is $455 per week under federal law. In this example, one Okaloosa County employee in an exempt status would fall below the $455 per week threshold. An employer also may not deduct 20% of pay from an exempt employee's paycheck during a current pay period based on a reduction in work time (unless under the furlough provision described earlier). It is generally accepted that the least risk is taken by reducing the pay of exempt employees without dictating the hours they work.

SUMMARY

We've all heard the phrase, "tough times call for tough decisions."

While many employers argue that it may be less harmful to cut all employees' salaries rather than layoff a number of employees, this theory does not necessarily hold true in Okaloosa County. There are currently about 117 employees or 15.7% of the current workforce who are at, below, or within 20% of the federal poverty guideline of $23,050. In the Fort Walton Beach, Crestview and Destin market area, the HUD "very low income limit" for a family of four is $34,200. Using this localized data, there are currently about 506 employees or 68% of the current workforce who are at, below, or within 20% of the very low income limit.[1]

In an organization where employees are paid a salary far above the poverty level, those employees may be able to weather a 10% or 20% reduction in their pay. However, many of our employees are not far from the poverty level and to reduce their pay from the County may force many into bankruptcy, poor health habits (eliminate health insurance/doctor/dental visits, healthy food choices), or other actions that will affect them for the rest of their lives. Many of our lower paid employees have been working 2nd and 3rd jobs in order to make ends meet while working for the County. Now many of those 2nd and 3rd jobs have gone away or have been reduced so that they are at a point where they are relying even more heavily on their County pay. To cut employees' pay may push them into (or further into) debt and will increase their stress. While mandatory furloughs are certainly an option for reducing overall costs, their negative impact on the lives of valued employees must likewise be carefully considered.

We understand that dramatic measures may need to be considered to meet the challenges that lie ahead. Unfortunately, it may be healthier for the entire organization to eliminate some programs or offices and layoff those employees who had been performing those functions. If this is your recommendation, we will assist those employees in finding other positions in the County, and if we are unsuccessful with that, we will work with them to obtain unemployment compensation benefits and continue their job search outside of county government.

Finally, as we continue to face daunting budget challenges that impact the morale of the organization and services to the citizenry, it is suggested that as an organization we move beyond the traditional across the board budget cuts by thinking of alternatives as to how we approach this budget challenge. As we explore alternatives for the county it is time to make smart cuts by using a horizontal approach and looking at programs that cut

[1] This is significant because a furlough of one 8-hour day in a week would equal a 20% pay cut for that week, placing the employee at or below the federal poverty or "very low income" level for that week.

across many agencies and services. During fiscally tight times the organization should consider eliminating redundant or duplication in programs, eliminating or restructuring ineffective programs where performance data does not support success, cut programs that are isolated and not part of an integrated service effort, and eliminate duplication of effort across agencies and departments. Regardless of the decisions made, your Human Resources Department stands ready to assist management and employees throughout the process.

Attachment A

	Total Salaries	Multiplier	Adjusted Salary	Difference	FICA	Retirement	Workers' Comp	Total Savings
10 Day Furlough (2080 vs 2000 hrs)		0.038						
Governmental Fund	$16,606,923.57	0.962	$15,968,195.74	(638,727.83)	(48,862.68)	(49,237.45)	(23,737.29)	(760,565.25)
Enterprise Fund	$8,848,977.73	0.962	$8,508,632.43	(340,345.30)	(26,036.42)	(19,020.55)	(9,092.16)	(394,494.41)
Public Safety - All	$3,159,325.16	0.962	$3,037,812.65	(121,512.51)	(9,295.71)	(13,445.68)	(4,060.11)	(148,314.01)
Total Salaries	**$28,615,226.45**	**0.962**	**$27,514,640.82**	**(1,100,585.63)**	**(84,194.80)**	**(81,703.68)**	**(36,889.56)**	**(1,303,373.68)**
5 Day Furlough (2080 vs 2040 hrs)		0.019						
Governmental Fund	$16,606,923.57	0.981	$16,287,559.65	(319,363.91)	(24,431.34)	(24,618.72)	(11,868.65)	(380,282.63)
Enterprise Fund	$8,848,977.73	0.981	$8,678,805.08	(170,172.65)	(13,018.21)	(9,510.27)	(4,546.08)	(197,247.21)
Public Safety - All	$3,159,325.16	0.981	$3,098,568.91	(60,756.25)	(4,647.85)	(6,722.84)	(2,030.06)	(74,157.00)
Total Salaries	**$28,615,226.45**	**0.981**	**$28,064,933.64**	**(550,292.82)**	**(42,097.40)**	**(40,851.84)**	**(18,444.78)**	**(651,686.84)**
3 Day Furlough (2080 vs 2056 hrs)		0.012						
Governmental Fund	$16,606,923.57	0.988	$16,415,305.22	(191,618.35)	(14,658.80)	(14,771.23)	(7,121.19)	(228,169.58)
Enterprise Fund	$8,848,977.73	0.988	$8,746,874.14	(102,103.59)	(7,810.92)	(5,706.16)	(2,727.65)	(118,348.32)
Public Safety - All	$3,159,325.16	0.988	$3,122,871.41	(36,453.75)	(2,788.71)	(4,033.71)	(1,218.03)	(44,494.20)
Total Salaries	**$28,615,226.45**	**0.988**	**$28,285,050.76**	**(330,175.69)**	**(25,258.44)**	**(24,511.10)**	**(11,066.87)**	**(391,012.10)**
Over $70k 5 Day Furlough (2080 vs 2040 hrs)		0.019						
Governmental Fund	$1,778,663.57	0.981	$1,744,458.50	(34,205.07)	(2,616.69)	(2,085.30)	(287.70)	(39,194.75)
Enterprise Fund	$976,449.05	0.981	$957,671.18	(18,777.87)	(1,436.51)	(1,067.52)	(229.11)	(21,511.00)
Public Safety - All	$247,769.69	0.981	$243,004.89	(4,764.80)	(364.51)	(352.28)	(66.39)	(5,547.97)
Total Salaries	**$3,002,882.30**	**0.981**	**$2,945,134.57**	**(57,747.74)**	**(4,417.70)**	**(3,505.10)**	**(583.20)**	**(66,253.73)**
Over $60k 5 Day Furlough (2080 vs 2040 hrs)		0.019						
Governmental Fund	$2,915,452.98	0.981	$2,859,386.58	(56,066.40)	(4,289.08)	(3,470.39)	(848.11)	(64,673.98)
Enterprise Fund	$1,878,934.44	0.981	$1,842,801.08	(36,133.35)	(2,764.20)	(1,962.41)	(713.27)	(41,573.24)
Public Safety - All	$595,777.74	0.981	$584,320.48	(11,457.26)	(876.48)	(1,106.61)	(244.03)	(13,684.38)
Total Salaries	**$5,390,165.16**	**0.981**	**$5,286,508.14**	**(103,657.02)**	**(7,929.76)**	**(6,539.40)**	**(1,805.41)**	**(119,931.59)**
Over $50k 5 Day Furlough (2080 vs 2040 hrs)		0.019						
Governmental Fund	$4,780,434.71	0.981	$4,688,503.27	(91,931.44)	(7,032.75)	(6,043.06)	(1,934.05)	(106,941.30)
Enterprise Fund	$2,720,693.21	0.981	$2,668,372.19	(52,321.02)	(4,002.56)	(2,806.21)	(1,142.85)	(60,272.65)
Public Safety - All	$846,384.55	0.981	$830,107.93	(16,276.63)	(1,245.16)	(1,621.92)	(405.73)	(19,549.44)
Total Salaries	**$8,347,512.47**	**0.981**	**$8,186,983.38**	**(160,529.09)**	**(12,280.48)**	**(10,471.19)**	**(3,482.63)**	**(186,763.38)**

Excludes County Commissioners and Part-time, Relief & Temporary
Excludes Supervisor of Elections
Public Safety - All includes: EMS, 911, Emergency Management & Beach Safety including administrative personnel