COUNTY ADMINISTRATOR'S BUDGET MESSAGE

Members of the Board of County Commissioners:

I am pleased to present to you the Adopted Budget for Fiscal Year 2007 (FY 07) – which began October 1, 2006. This represents the second year of the sixth biennial budget adopted by the Board of County Commissioners (Board). Under a biennial process, the Board simultaneously develops detailed budgets for two separate years. In September 2005, the Board adopted the FY 06 budget and also presented a planned budget for FY 07. The intent of a biennial budget process is to focus implementation of major policy decisions in the first year or "on-year" of the two year cycle and demonstrate they are sustainable in a balanced second year's budget

Florida Statutes require we formally adopt the budget each year so this budget represents an update of the planned budget for FY 07. Consistent with the second year or "off-year" of the budget cycle, the budget process was significantly reduced with emphasis placed on fine-tuning the planned budget – updating revenue estimates including grants, factoring in issues raised during the year that impact the FY 07 budget, and considering where else the budget should be fine-tuned. Departments and agencies were not required to submit budget requests. We did, however, make sure we adjusted organizational personnel budgets to accurately reflect the implementation of recommended changes resulting from the pay and classification study completed last year. Those had not been fully implemented in the FY 06 adopted budget and we had set aside funds in each of the two years to cover implementation.

Through an abbreviated series of workshops and a total of three public hearings – two of which were legally required – the Board finalized a budget for adoption on September 21st. At the same time, the six-year Capital Improvement Program (CIP) for FY 06 – FY 11 was updated. Consistent with the biennial cycle, the CIP did not add a year in the update of the biennial cycle, so it became a five-year plan for FY 07 – FY 11.

As described later, the update process for FY 07 was unusual due to a record increase in taxable property values this past year, resulting in an opportunity for the Board to reconsider County millage rates and adopt Hillsborough County's largest millage reduction in at least the last two decades – possibly the largest reduction in the County's history.

Consistent with the biennial budget adopted last year, this budget continues implementation of the County's Strategic Plan through explicit linkages of departmental expenditures and performance measures to measurable objectives tied to Strategic Plan goals. The Board enacts policy through the budget and the linkage of the budget to the Board's short-term and long-term priorities is a critical step in implementing Strategic Plan priorities.

It is important to point out, as I did a year ago with the adoption of the biennial budget for FY 06 and FY 07, that we take efficiency of operation as a priority in preparing the County's budget. Even in periods when revenue growth is strong, it is important to seek efficiencies in service delivery. In the two years covered by the biennial budget, we have achieved $17 million in savings.

Overview of the Budget – a "AAA" Rated Financial Status

The County continues to improve its overall financial condition – a fact documented as we finalized publication of the budget document with notice that the County had received its first AAA bond rating for general obligation debt. Growth in our local economy continues to give us the tools to meet operational needs, maintain existing assets and invest in new capital assets while building reserves. At the same time, we continued for the 14th consecutive year a practice of lowering our Countywide millage rate while continuing to look for opportunities to operate more efficiently and focus on priorities. Last year, the Board met a Strategic Plan objective to lower the Countywide operating millage below 7 mills. In this budget, the Board of County Commissioners lowered the Countywide millage further by just over 4/10th of a mill (specifically, by $42.30 in tax savings for each $100,000 of taxable value). Lowering the Countywide millage provides revenue capacity through unused taxing authority and it slows the County's increasing reliance on property taxes to fund operations. Both are important to strengthening the County's finances. The Board also lowered the millage levied in the unincorporated area for municipal services by 1/6th of a mill ($16.67 in tax savings for each

$100,000 of taxable value). For an unincorporated area taxpayer, the combined impact would therefore amount this year to $58.90 in savings for each $100,000 in taxable value, or a 4.6 percent reduction in all tax rates levied by the Board, including a library services millage. For a property owner with homestead property protected by the Save Our Homes Amendment, which limits the increase in assessed value to 3 percent this year, total taxes paid to the County declined -- the reduction in millage rates more than offset the increase in assessed value for such homestead property.

Expenditures and Other Uses Reflected in the Biennial Budget - Overall, the County budget totals $3.82 billion for FY 07 – up 10.8% from $3.45 billion in FY 06 and also up from the Planned Budget for FY 07 of $3.56 billion, as explained below.

Operating Budget – The largest share of those totals reflects funding for day-to-day operations of County government, which amounts to $1.67 billion in FY 07, up 9.1% from $1.53 billion in FY 06.

The single largest organizational increase was in the budget for the Sheriff's Office, which increased $34.8 million or 11.1% – more than twice the increase that had been anticipated in the Planned Budget for FY 07.[1] The Sheriff initiated an acceleration of a staffing model in FY 07 that will continue over the next four years as the Sheriff seeks to achieve a higher staffing ratio of 1.7 deputies per thousand population. That standard had been previously established with the support of the Board of County Commissioners, but staffing increases in the past several years were insufficient to attain that level. The Sheriff's budget reflects both Countywide elements (administration, certain law enforcement operations, bailiffs, and correctional operations) and unincorporated elements (primarily law enforcement). The higher cost for inmate health is another major factor mentioned in justifying the Sheriff's higher costs for FY 07 – an impact of almost $5 million.

The next largest organizational increase was in the budget for the Fire Rescue Department, which increased $19.1 million or 20.6%. The increase reflected approved collective bargaining agreements including a retroactive increase for FY 06, as well as the operational costs of new fire stations. The third largest organizational increase was in the budget for the Water Resource Services Department, which operates water, wastewater, and reclaimed water systems in the unincorporated area. The Department's $14.3 million or 11.1% increase includes the pass-through of bulk water costs from Tampa Bay Water – the supplier of water to the County. Most of the costs of this Department are funded by charges for utility services, rather than with taxes.

The "non-departmental allotments" area of the budget – i.e., expenditures not assigned to the operation of specific County departments or agencies – also increased significantly in FY 07. An increase of $17.9 million or 13.2% from FY 06 was largely attributable to the County's Self Insurance Fund, where employee group health insurance and workers compensation claims payments rose a combined $9.4 million or 12,9%. The County accounts for centrally purchased insurance in that same Fund and insurance costs rose by $3.6 million or 55%.

Capital Budget and Debt – Annual funding for capital projects will be $378.4 million in FY 07, up $43.9 million or 13.1% from $334.5 million in FY 06. The increase is more than accounted for by increased funding for water/wastewater projects (up $64.9 million) and transportation projects (up $32.2 million). Capital spending for solid waste had spiked in FY 06 to $53.6 million before declining in FY 07 to $2.7 million – a level more in line with prior years. Funding for expansion of the Resource Recovery Facility Capacity Expansion Project was not included in the adopted capital budget but – with a construction cost estimate of $106 million -- will result in a substantial expansion of future capital plans. Detail on significant non-routine capital expenditures is provided in the Capital Budget section of the budget document and additional detail is provided in the Adopted Capital Improvement Program for FY 07 – FY 11.

Debt requirements amount to $188.0 million in FY 07, up 12.4% from $167.2 million in FY 07.

[1] Part of the increase reflected a change to having the Sheriff request new equipment in the upcoming budget (FY 07) rather than ask to carry over FY 06 funds to purchase equipment that was not in the adopted FY 06 budget but added during the year through the use of savings in the Sheriff's personnel budget. Future years' change in the Sheriff's budget will be more comparable.

Added together, total expenditures for operations, capital and debt amount to $2.24 billion in FY 07, up 10.1% from $2.03 billion in FY 06.

Other, Non-expenditure Uses – Two components of the budget do not reflect expenditures: reserves and transfers. Reserves address a wide range of needs, including backstopping County debt, insulating against unexpected catastrophe, and accumulating funds to meet the timing requirements for future capital projects. Reserves amount to $692.2 million in FY 07 – up sharply from $539.8 million in FY 06. Several changes in individual reserves were large and, in some cases, offsetting. Itemized detail on reserves and an associated discussion of reserve policies are presented in the budget document. Contingency reserves were strengthened by $47.7 million in the County's major operating funds. In the Library Tax District Fund, the Board set aside $9.6 million in excess revenue from tax base growth to be allocated in the next budget cycle rather than allocate those funds in the second year of the FY 06 and FY 07 biennial budget cycle. Reserves of restricted Indigent Care Sales Tax revenue increased by $43.8 million from FY 06 to FY 07; re-establishing security to the County's Health Care program. The Board continued to build its catastrophic reserve from $35.2 million in FY 06 to $43.4 million in FY 07. This reserve is the last of several tiers of reserves that could be relied on in the event of a natural or man-made disaster.

Governmental accounting standards require tracking dollars as they are moved within the fund structure that comprises the budget. The impact of these transfers amounts to $894.2 million in FY 07, up slightly from $879.1 million in FY 06. Other than tracking subsidies within and between funds, there is no significance to the overall amount of transfers – other than that they inflate the bottom line of the budget, resulting in a budget total that tends to be referenced by the media for its sheer size.

Revenues and Other Sources Reflected in the Biennial Budget - On the revenue side, taxes account for $1.12 billion in FY 07, with $815.1 million from property taxes—the County's largest single source of revenue. The FY 07 budget reflects an increase of property ("ad valorem") taxes of $112.9 million, or 16.1%.

Other locally levied taxes account for another $303.3 million of tax revenue in FY 07 – primarily sales taxes, but also reflecting the local component of communications services taxes, the 5 percent tourist tax and the 7 cents of locally set gasoline taxes. Detail on the performance of individual revenues that collectively account for more than three-quarters of all County revenue can be found in a revenue section in the budget document.

Federal and State-shared grants and other revenues will account for $243.9 million in FY 07 – up from $228.6 million in FY 06, but with inconsistency between programs. A slight decline in revenue from key federal grants is placing pressure on some County programs such as Head Start and Early Head Start – where the County will experience a second year of declining revenue. State-shared revenue will increase significantly – up $15.8 million or 10.7%.

User fees (also known as "charges for services") account for $493.9 million in FY 07. The largest sources of fees are water and wastewater service fees, solid waste disposal fees, and internal billings including insurance premiums, administrative cost recovery, and fleet charges. Each of these areas represents services that are operated much like private businesses and the accounting for these "proprietary funds" follows more closely that of the private sector than other governmental operations. The increase in this revenue reflects both automatic increases due to increased customers and consumption and adjustments to rates such as an adjustment to ambulance billings authorized by the Board during FY 06.

Funding Changes Reflected in the Update for FY 07

The Adopted Budget for FY 07 reflects a combination of interim actions that occurred after adoption of the biennial budget in September 2005 as well as changes in the budget update process for this second year of the biennial budget cycle – some of which implement broad Board programmatic priorities and others that fine tune the biennial budget to smaller degrees.

Interim Actions Approved During FY 06 – The update process for FY 07 included consideration of actions taken by the Board since adoption of the FY 06 budget in September 2005. Several actions having continuing impacts on the FY 07 budget are:

- Leasing space for the Guardian Ad Litem program;
- Adding three new Environmental Protection Commission positions between the stormwater and air programs;
- Adding four technology staff for the Public Defender;
- Outsourcing some building plans examination and transportation reviews in the Planning and Growth Management Department;
- Adding two positions in Solid Waste Management Department's Southeast County Waste Tire Processing Facility;
- Adding five positions in the Children's Services Department to substitute in-house food service at the Lake Magdalene campus for the contract that had previously existed with the School Board;
- Adding two positions funded through the State's voluntary pre-kindergarten program;
- Adding a part-time grant-funded ornamental horticulture position in Cooperative Extension;
- Adding forty-nine part-time and temporary positions (fifteen full time equivalents or "FTEs") in the Parks, Recreation and Conservation Department to provide for a larger pool of on-call substitutes;
- Funding for private security services for the Clerk of Circuit Court at the Southshore Regional Services Center. This is intended by County Administration to be reimbursed by the Clerk.

In addition, reorganization within County Administration during FY 06 is reflected in some departments' FY 07 budgets. The former Public Safety Department was restructured, resulting in separate Emergency Dispatch Center, Emergency Management and Security Services Agency budgets. Two other functions were moved to other departments: marine safety to the Parks, Recreation, and Conservation Department and 9-1-1 Administration to the Information and Technology Services Department. Separately, four positions and their responsibilities were exchanged between the Health and Social Services Department and the Housing and Community Code Enforcement Department – two for each department.

Affordable Housing – The Board allocated $1 million in unincorporated area funding in the biennial budget to implement recommendations of the Affordable Housing Task Force, with $550,000 of that to be appropriated in FY 07. An additional $3.0 million for affordable housing was added in the FY 07 update process.

Active Military Combat Duty Program – The Board initiated this program in FY 06, intending to provide financial assistance of up to $1,500 to unincorporated area property owners who serve in combat. The County encouraged each municipality to replicate this program for municipal residents under the County's guidance. Inaction by Tampa and Plant City in FY 06 led the County to shift the program on an interim basis so that the County could shoulder the initial year's cost as a Countywide program. The FY 07 budget shifts the program back to an unincorporated program in FY 07 with the administrative cost to the County being prorated on a per application basis so that it is recovered. Unless each municipality enacts its own funding, only unincorporated combat veterans will be recognized for their contributions to the community in FY 07.

Economic Development Incentives – The FY 07 budget includes an increase in economic development incentives totaling $6 million. Of that, $5 million is intended to be used to attract businesses – particularly with special focus on biotechnology companies. The funding is split between the Countywide General Fund and the Unincorporated Area General Fund. An additional $1 million allocation in the Countywide General Fund is to implement a program to encourage long-term retention of agricultural uses outside the urban service area.

Emergency Preparedness – As part of a comprehensive strategy for preparedness, the County established a $3 million reserve in the Countywide General Fund and a $0.9 million reserve in the Unincorporated Area General Fund in FY 06. These reserves have been supplemented in FY 07 by an additional $5 million in the Unincorporated Area General Fund to better allow preparation for debris management and other municipal functions the County will be responsible for providing to unincorporated residents in the aftermath of a natural disaster. These are the costs that rise quickly as we discovered in the 2004 hurricane season, and where some costs might be incurred prior to a storm impacting the County or the declaration of an emergency.

Technology Improvements – A $3 million allocation from non-recurring state-shared sales taxes was included for technology upgrades or replacement. A common theme in *Governing Magazine*'s 2002 review of the County was weakness in several areas of technology. Some of those concerns have been addressed through subsequent implementation of systems. In conjunction with the Clerk's Office, we plan to initiate an assessment of the County's financial systems – one of the areas in which we were downgraded in the 2002 review and a project most likely to cover at least three years and require substantial phased funding. In that process, we will assess opportunities for standardization between agencies that currently operate separate financial systems – a concern raised even earlier by the Blue Ribbon Committee on County Finances.

Other Programmatic Changes and Cost Increases – Several smaller changes to the FY 07 Planned Budget have ties to Strategic Plan goals and objectives while others address growth in our community, unexpected market pressures, and/or pass-through of costs:

- Funding for membership by the Aging Services Department in Partners for Livable Communities – a national non-profit leadership organization;
- Adding a part-time veterinarian at Animal Services in place of a temporary position;
- Adding a recreational therapist at the Children's Services Department and providing funding for an anger management program to be provided by the Stageworks Theatre Company;
- Funding for a Business Disaster Assistance and Information program at the Economic Development Department;
- Funding for under-budgeted operational costs in the Fire Rescue Department (equipment maintenance, fleet costs and fuel) and to add a fiscal manager position;
- Adding 16 temporary positions in the Health and Social Services Department for the Prosperity Campaign (assisting residents applying for the federal earned income tax credit) by substituting for contractual services funding, and providing security for workers at selected sites,;
- Funding for the employee rally in the Human Resources Department;
- Funding for unplanned electricity cost increases;
- Funding additional railroad warning/crossing maintenance consistent with a contract modification with CSX;
- Delay in opening the Westgate Regional Library and the Westgate Senior Center pushes six new positions in the Library Services Department and fifteen new positions in the Aging Services Department from FY 07 to FY 08;
- Funding for additional books at the Bloomingdale and Upper Tampa Bay Regional libraries due to high levels of circulation at these two new libraries;
- Replacing three limited duration positions with permanent position in the Real Estate Department to maintain and update the right-of-way inventory program;
- Funding for an update to the master plan for building maintenance and repair;
- Purchase of software to streamline information sharing between County departments and with external federal and State agencies during a disaster event;
- Funding for fuel adjustment to franchise collectors and the number of increased curbside collections in the Solid Waste Management Department;
- Funding for anticipated increase in purchases from Tampa Bay Water in the Water Resource Services Department;
- Authorization for three added Civil Service Board positions through adjustments within the statutory funding level
- Non-recurring funding for consulting services in the Planning Commission to address heavy workload in plan amendments, consistency reviews, and information requests;
- Funding for expansion of Head Start and Early Head Start Programs to serving an additional 180 children funded exclusively with $1 million in local dollars;
- Funding for a Lutz Dog Park;
- A contribution towards a noise barrier wall along the Suncoast Parkway;
- Funding for a Fire Rescue volunteer training coordinator and a Special Operations Chief;
- Funding support for the Florida Aquarium and the Museum of Science and Industry (MOSI);
- Funding from general revenue for continuation of Operation Cleanup in a target portion of the Unincorporated Area;
- Funding for an in-house performance audit of the Hillsborough Area Regional Transit Authority (HARTline);
- Funding for a second phase of widening Cross Creek Boulevard in conjunction with the City of Tampa;
- Funding for Americans with Disabilities Act (ADA) sidewalk improvements with emphasis on HARTline bus stops;

- Funding for three advertising campaigns – the impacts of methamphetamine use, recruiting for foster parents, and promotion of the Guardian Ad Litem Program;
- Extension for one year of existing funding for Hillsborough Kids, Inc. (HKI).

Elected Officials' Budgets

As the Board is well aware, Florida law requires the Board of County Commissioners in each county government to fund costs of numerous other elected officials including fees or budgets of five "Constitutional Officers" – the Sheriff, Clerk of Circuit Court, Supervisor of Elections, Property Appraiser, and Tax Collector – as well as selected costs of other elected officials – the Public Defender, State Attorney and Circuit and County judges. The funding commitments vary widely in nature and scope. Voters' direction to the Florida Legislature to fund the State court system as reflected in Article V of the Florida Constitution has resulted in legislative implementation that further complicates the funding relationship of the Board and several of these local elected officials.

Florida law requires fully funding the requests of two Constitutional Officers – the Sheriff and the Supervisor of Elections – until the two statutory public budget hearings held each year in September. The Board was able to accommodate these Constitutional Officers' requests without adjustment. As indicated earlier, the size of the Sheriff's update was substantial. Had the County's property tax base not grown significantly faster for FY 07 than expected in the Planned Budget for FY 07, the task of absorbing the increase in the Sheriff's request might have come at the expense of other programs. The Tax Collector's budget has grown at a very fast rate, but the amounts in the budget attributable to the Tax Collector are the statutory fees the County pays, not an indication of a spending plan. Those fees include the Board's obligation to pay over $10 million in fees for collection of school taxes. The Clerk's updated budget request for FY 07 is covered through this budget, including significant technology funding within a $7.1 million funding request that, like the Sheriff's Office, was incorporated into the Adopted Budget rather than be requested later through a reappropriation process. The Public Defender's budget includes funding for a panic alert system supported by Security Services.

The implementation of Article V – i.e., the County's revised financial obligation to certain court-related functions – will continue to require interpretation of its requirements. While the County has certain areas of funding responsibility, I interpret the Board's obligations to be limited to reasonable levels of support in terms of security, facilities and communications. It is my expectation that Article V-related requests and other requests from elected officials should be generally consistent with the Board's adopted biennial cycle. Those requests that can be incorporated into long-term plans including the County's Capital Improvement Program, repair and maintenance plan, and facilities plan should be made through those processes so that the Board can set clear priorities for its staff while addressing the needs of other elected officials. The authorization of new judges and the associated impacts to some elected officials who support those judges may occasionally require out-of-cycle consideration of funding requests.

Capital Budget and Capital Improvement Program

In coordination with the biennial budget process, the County adopted a six-year Capital Improvement Program (CIP) last year covering FY 06 through FY 11, of which the first two years reflected the capital budget for FY 06 and FY 07. The CIP is published as a stand-alone document and contains details about the scope, funding sources, timing and location of each project. The budget document highlights the capital budget. In the update process for the FY 07 budget, the CIP now reflects a five year plan and the capital budget reflected in this budget document reflects the update to FY 07 in that CIP.

After the adoption of the biennial budget and CIP in September 2005, the Board held a public hearing to consider future allocations of the one-half percent infrastructure sales surtax that is locally known as the Community Investment Tax (CIT). Specifically, the Board identified uses for revenue that will be received from February 2008 through September 2013 and then revised the CIT ordinance to allow allocation of an additional three years through September 2016 (FY 14 through FY 16) to support additional allocations to transportation and stormwater projects. While the sales tax revenue will not be available until those years, the County can use its short term commercial paper program to expedite the use of those funds. The future revenue has been discounted to take into consideration the County's cost of borrowing.

The updated CIP and capital budget for FY 07 reflect several projects that were incorporated into the CIP during FY 06 by separate action. Others have been approved for use of CIT funds but have not been incorporated into the CIP because we began to see substantial cost increases to existing CIT commitments during FY 06 and encouraged the Board to suspend further action on the CIT while we updated project costs. The Board further allocated funding to transportation projects and stormwater projects before adopting the CIT in September.

Highlights of the FY 07 Capital Budget – Some key non-recurring projects reflected in the FY 07 update:

- **Fire** – Continued land acquisition for future construction of fire stations; funding for project development of four new stations: Anderson Road, Bearss, Central Brandon, and Nuccio Park; renovation of the Gibsonton Fire Station; and a new training facility;
- **Government Buildings** – Replacement of the air conditioning system for the first and second floors of County Center; upgrade of maintenance systems at the Courthouse Annex and acquisition of right-of-way from CSX Railroad near Falkenburg Road;
- **Parks** – Projects include funding for the Ben Hill Playground; the Logan Gate Park upgrade and added funding for the Citrus Park Community Center in addition to funding of the Lutz Dog Park;
- **Solid Waste** – Projects include replacement of the Northwest Transfer Station tipping floor, an entrance to the Alderman Ford Collection Center and a master plan for the Southeast County Facility;
- **Stormwater** – A key project is the Duck Pond Stormwater Pond Implementation Project;
- **Transportation** – Key updates include supplemental funding for Bruce B. Downs and Race Track Road;interim improvements to Lutz/Lake Fern Road and widening of Bell Shoals;
- **Water/Wastewater/Reclaimed Water** – Key updates include five new renewal and replacement projects identified by the implementation of a comprehensive asset management system.

Conclusion

Consistent with Goal One of your Strategic Plan, this budget continues our commitment to “ensure that Hillsborough County is financially strong enough to influence its destiny by applying efficient and/or effective policies and practices.” It reflects a material reduction – the largest on record in the Countywide operating millage – continuing more than a decade of past reductions – while also continuing to be responsive to the needs of our growing community.

The Adopted Budget for FY 07 reflects continued strong financial management – truly a “AAA” rated budget.

Respectfully Submitted,

Patricia G. Bean

Patricia G. Bean
County Administrator