

## COUNTY ADMINISTRATOR'S BUDGET MESSAGE

### Members of the Board of County Commissioners:

I present to you the County Administrator's Recommended Biennial Budget for Fiscal Year 2008 (FY 08) and Fiscal Year 2009 (FY 09). Fiscal Year 2008 begins October 1, 2007 and FY 09 begins October 1, 2008. This represents the seventh biennial budget for the Board of County Commissioners (Board). Under a biennial process, the Board simultaneously develops detailed budgets for two separate years. In September, the Board will adopt the FY 08 budget and approve a planned budget for FY 09. 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 their sustainability in a balanced second year's budget. The capital budget component of this biennial budget reflects the first two years of a six-year capital improvement plan or "CIP." The relationship between the budget and the CIP has additional significance in this budget as I will outline later in that the future maintenance and operating costs of many capital projects became a prime consideration this year as we contemplated the impacts of property tax reform in Florida.



### The Challenge of Property Tax Reform

Last year as we completed the update process for FY 07 – the second year of the biennial budget for FY 06 and FY 07 – we heard a new concern at budget public hearings: taxpayers concerned not about the need for additional services but concerned about rapid increases in the value of their non-homestead property. While there were less than twenty-five speakers at each of our September hearings, the frustration of those who spoke was clear. While Save Our Homes shields homestead property owners from rapid increase in taxable values until a home is sold, the owners of investment and commercial property have no limitations on their taxes. The impact of Save Our Homes has accelerated in recent years to account for more than \$20 billion in Hillsborough County exemptions. While the Board understood the concern of taxpayers impacted by rising values, any millage relief for those taxpayers would have come at a heavy cost to County services because it would have also lowered taxes for homestead property that was constrained to a maximum 3 percent increase in taxable value under Save Our Homes. The Save Our Homes Amendment had both created inequities in taxation and effectively prevented local taxing authorities from addressing those inequities.

The Board lowered the Countywide tax rate for FY 07 by almost 6/10ths of a mill – the largest reduction in at least the past two decades and possibly the largest annual millage reduction in the County's history. Still, that reduction was inadequate to address many non-homestead property owners' concerns. The Board additionally adopted a spending cap for future budgets.

Property tax reform is not a new concept. States began phasing out their reliance on property taxes in state budgets in the early 1900's and the substitution of sales taxes for property taxes began during the Great Depression as a result of property tax revolts. Local governments, however, continue to largely depend on property taxes to pay for most day-to-day services with the exception of those services that can rely entirely on user fees or assessments. The authority to levy property taxes provides local control of taxation and the level of services provided – otherwise referred to as home rule.

Both Governor Crist and the Florida Legislature brought forth proposals earlier this year for substantial change in how local governments in Florida could pay for services. Local governments were not brought to the table to participate in the discussion. To the contrary, local governments were accused of excessive spending in recent years. Increases in tax revenue despite millage rate reductions was characterized as "tax increases" by local governments even though the State of Florida did not characterize increases in its sales tax revenues from one year to the next as tax increases. No consideration was given to use of other revenues of local governments, to State mandates on local governments that have been imposed and/or increased by the Legislature in recent years, or to pent-up demand for local services that outpaced population growth.<sup>1</sup> There was also no indication that State lawmakers had researched property tax reform in other states and its impact on local government services and the changing relationship between state and

<sup>1</sup> For example, Hillsborough County has not only consistently lowered Countywide millage rates for fourteen consecutive years, but has adopted a lower Communications Services Tax rate than most local governments, not imposed a public services (utility) tax on electricity, natural gas and water, not imposed franchise fees, and not levied a 5-cent local option motor fuel tax.

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local government in the aftermath of tax reform. One example clearly shows the disconnect between rhetoric and fact: Colorado imposed property tax reform in the early 1990's and subsequent analysis in 2000 of impacts on Colorado local governments indicated that the greatest impacts on local government were on law enforcement, fire protection, health, transportation, and courts. Leaders of Florida's tax reform ridiculed the suggestion that public safety would be impacted.

Hillsborough County did not overreact to the proposals of the Legislature like many other governments although it was clear that the impacts could be severe. Instead, we worked to develop a budget that could be adjusted to alternative levels of property tax revenue. We held off on a hiring freeze until it was clear that the Legislature would meet in special session to ensure a reduction in local governments' property tax revenue in FY 08. As we considered the potential impacts it was clear that the suggestion to exclude public safety from cuts would unreasonably damage other key programs – particularly at higher levels of cutback. The reason is simple: public safety accounts for a substantial portion of County expenditures from general revenue, and property tax accounts for an overwhelming share of general revenue. In the current year, FY 07, the County budget in the two major tax funds is funded with \$1 billion of recurring revenue (i.e., excluding one-time sources). Of that, over 80 percent or \$806 million comes from property taxes. In comparison, public safety uses \$480 million of the \$1 billion in revenue, leaving just \$554 million for all other programs. The original House proposal would have cut \$197 million in those two funds, plus \$20 million more in the third area reliant on property taxes, library services, for a total of \$217 million. To expect to cut up to \$197 million out of \$554 million in non-public safety programs would be devastating to a variety of essential services. In the meantime, we have developed a biennial budget in which public safety spending is up in FY 08 and again in FY 09.

### Strategies in Developing the Biennial Budget

**The Importance of Efficiencies** – As we began to prepare our seventh biennial budget, Governor Crist and leaders in the Florida Legislature initiated a “tax revolt” against local government property taxes. Issues of portability for the “Save Our Homes” exemption enjoyed by homestead residential property owners and rising property taxes on non-homestead residential property and on commercial property resulting from the inequities created by Save Our Homes led to a flurry of proposals to limit property tax revenue for cities and counties. In our process we had already initiated another search for efficiencies which was opportune considering the legislative actions. Efficiencies have been defined as lowering existing expenditures without noticeable impact on services. In the past biennial budget, we captured \$17 million in efficiencies as part of the budget process. For budget purposes, we contrast that with opportunities to expand service quality or quantity with new investment of dollars. We have previously looked to efficiencies because it is the right way to control costs. It took on added importance in this process. As we approached efficiencies for FY 08 and FY 09, we found two areas (Parks, Recreation and Conservation, and Library Services) where we could cut costs through the reduction of part-time positions. These areas ultimately accounted for the majority of position reductions in the budget – not due to service reduction but as efficient means of lowering costs. We continue to assess other opportunities for efficiencies and, as I will explain later, we plan to assess management structure and certain support service areas for streamlining opportunities.

**Slowing the Growth of Government** – We recognized the need to focus on slowing the growth in our budget that results from new facilities – e.g., parks and recreation facilities, fire stations, and libraries. Regardless of whether we already have funds to construct new facilities, the operating and maintenance costs that follow compete against existing programs and facilities for funding. That decision was difficult: we have faced constant pressure to open facilities to meet the requirements of both a growing population and heavy usage of athletic complexes and libraries. In the case of fire stations, the Board had previously earmarked a portion of our Communications Services Tax to build and equip fire stations in an effort to improve response time in addition to serving our growing unincorporated population. The operational requirements are significant – costing about as much each year to operate a fire station as it took to build and equip it. The Sheriff took a hard look at new jail facilities and deferred staffing up even though the facilities will be completed. That deferral is substantial: we anticipated a phased in cost beginning in FY 08 that would rise to \$16.8 million annually by FY 09.

At this time, we cannot presume that these facilities will eventually be built and operated. We need to slow areas of expansion until we know how we can absorb all phases of tax reform. Operating new facilities should not force closure of other existing facilities. We hope that after we transition to a new basis for funding County services that we will establish timelines for each type of facility and absorb those costs over a more extended timeline than previously planned.

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**Zero-Base Budgeting** – The County has long employed a zero-base budget process. While this type of process can be criticized as paper-intensive, it provides a full range of service and funding level options for the variety of programs and services that comprise the County's budget. As a side note, it is interesting to find that many other jurisdictions have quickly moved in the face of property tax reform to characterize their processes as zero base budgeting. As the name implies, our process requires each department and agency to prioritize and build their budgets from the ground up – from a zero funding level. This process worked well in the early 1990's when the County last faced a financial situation similar in scope as a result of declining property values. The current situation reflects a run-up of values that could not be easily addressed by local governments given the large amount of homestead property that was largely insulated against higher taxes.

The Board of County Commissioners had not been derelict by any means in addressing the unusually strong growth in property tax revenue resulting from increasing values. The Board cut countywide millage in each of the past fourteen years with the largest reduction this past year. The reduction, almost 6 tenths of a mill, brought the fourteen-year total reduction to 1.58 mills for a current savings of \$158 for each \$100,000 of taxable value. That equates to annual savings of \$237 for a residential property with a taxable value (after exemptions) of \$150,000. For a family with \$1 million in business property, the annual savings from those accumulated millage reductions would be \$1,580. Finally, for a "big box" retailer with an \$8.4 million property value, the annual savings would be \$13,272. The Board has taken other actions in recent years to assist local residents with their property tax burden: The County has instituted a \$25,000 senior homestead exemption for low-income senior households throughout the County and a grant of up to \$1,500 for those unincorporated homeowners serving in a war zone (and for dependents of those who die serving in a war zone). Earlier this year, the Board took a bold step in adopting a spending cap policy that limits the annual growth in the budget I recommend as the County's budget officer. That policy applies to the two major operating funds that rely on property tax revenue: One fund is for countywide services. The second fund is for municipal-type services provided to the large portion of our County population who live in the unincorporated area that comprises about 90 percent of the County's land area. Had the Florida Legislature not interfered in the County's budget process, we have calculated that the Board's recent spending cap policy would have resulted in a minimum of \$13.3 million in cuts to County spending in FY 08 -- \$11.5 million in the Countywide General Fund and an added \$1.8 million in the Unincorporated Area General Fund.

**The Role of Constitutional Officers in Slowing the Growth of the Budget** – Constitutional Officers enjoy by law some independence in how they prepare and present their budgets. The Sheriff, the Clerk of the Circuit Court, the Supervisor of Elections, the Property Appraiser, and the Tax Collector operate under specific guidelines within Florida Statutes. Each Constitutional Officer took the changing financial environment into consideration in developing a budget for the upcoming years. There are resulting differences in how they prioritized position cuts versus employee pay. The Sheriff significantly slowed growth in the Sheriff's budget for FY 08 even while continuing a commitment to add more than sixty law enforcement deputies per year and meet the needs of new courtrooms. The Clerk of the Circuit Court chose to forgo employee pay increases in FY 08 rather than cut filled positions. I respect her decision and recognize that it, in part, helps balance the portion of the Clerk's budget funded with State court fees. I cannot recommend that approach for County Administration employees because it creates disparities with other employers and it penalizes those we need motivated to provide quality services even in the face of tax reform. The Supervisor of Elections, Property Appraiser and Tax Collector also sought to slow growth in their budgets.

**Linkage to the Strategic Plan** – 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. Staff will assess whether the impacts of tax reform will require reconsideration of objectives which require funding.

**Duplication** – While we looked for potential reductions in all program areas funded with property taxes and other general revenue, we took particular interest in areas of duplication. We are not done with our analysis but some areas have been identified for reduction. We have recommended a 10 percent cut in the Environmental Protection Commission (EPC) to eliminate duplication with both the Florida Department of Environmental Protection and the Southwest Florida Water Management District. We also have recommended a 10 percent cut in the Planning Commission to eliminate duplication with the County's Planning and Growth Management Department and municipal planning departments. In each case, we cannot afford to continue having local taxpayers pay twice for services and we

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expect that these two agencies will focus the budget reductions in the areas of overlap. We have not made these recommendations without applying similar focus on County departments. The Planning and Growth Management Department faces cuts in community based planning, community design, and planning administration. The Water Resources Department has been paying EPC to monitor Tampa Bay Water projects and has Countywide general revenue to evaluate projects. Funding for the Hillsborough Independent Monitoring System (HIMP) has been cut and we are significantly reducing funding for evaluation of new projects. We need to work closer with entities such as Tampa Bay Water so that we don't have to have County residents pay twice for responsible government. We also recommend a 10 percent cut in consumer protection services, which duplicate some activities of the Florida Department of Agriculture and Consumer Services and the Florida Attorney General.

**Outside Agencies** – We considered the variety of external nonprofit organizations funded with County general revenue and varied the recommendations for funding based on several considerations. Most organizations faced reductions. In the discretionary funding allocated through the competitive request for applications (RFA) process, priority was given to programs that directly provide basic human services. The second highest priority was given to programs that enable self sufficiency. The lowest priority was given to programs that enhance the quality of life – not that they aren't important, but we considered them the most reasonable to cut back during a period of tight funding. In some cases, we recommended against continued funding of programs. Reductions are in order for nonprofits which have the ability to raise funds through other means – an alternative not available to most County departments faced with cutbacks to existing programs. We expect that many of these organizations will appear and request additional consideration. Any such consideration should be balanced against the expectation that further reduction in County tax revenue would occur in FY 09 if either the proposed Constitutional amendment is approved by voters or, in the absence of that approval, the Florida Legislature acts to make added statutory changes to expand on this year's actions. Full organization-by-organization detail may be found in the nonprofit organizations section of the budget document.

### Overview of the Budget – a AAA-Rated Financial Status

The County continues to have a strong overall financial condition. In December, we received our first AAA bond rating for general obligation debt from Standard and Poor's.

"We believe the county's strong management is well equipped to identify potential risk factors. In the past, management has been proactive in addressing revenue and expenditure fluctuations."

S&P credit analyst John Sugden

Tax reform in Florida presents a new challenge. Unlike past fluctuations in property taxes and other revenues, the impact of recent legislative changes and the impact of the proposed amendment to the Florida Constitution in January 2008 result in permanent changes in how we can pay for many of our existing County services and for a portion of our infrastructure needs. Recent legislative change requires that we lower our three operating millage rates in FY 08 by a combined amount of just under 1.5 mills – close to the total 1.58 mills we lowered Countywide millage rates over the past fourteen consecutive years. The proposed Constitutional amendment, allowing a "super-homestead exemption" is not factored into this budget. It would substantially reduce our tax base if the State is correct in assessing that 81.1 percent of Hillsborough County homeowners would switch to a new homestead exemption. The new exemption will phase out the current \$25,000 homestead exemption and limits on increases in taxable value due to the earlier Constitutional amendment known as Save Our Homes. The County's assessment of the new homestead exemption is that if everyone who would immediately benefit by even a small amount switches, the additional loss of County revenue would be in the range of up to \$101.5 million in FY 09.

In the areas affected by tax reform, we have changed the course of future budgets to meet the legislative requirements. We do not presume policy direction before it is approved, but we have taken preliminary steps to address the consequences of Constitutional change by slowing the growth of expenditures in FY 09 below that of revenues in the two major property tax-funded areas of the budget. Doing that allows us to set aside a total of \$30 million in *recurring* FY 09 revenue in a reserve for budget reduction. Countywide, a \$10.0 million reserve covers about one-sixth of a potential loss of up to \$60.5 million in revenue. In the Unincorporated Area General Fund, a \$20.0 million reserve in FY

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09 covers more than one-half of a potential loss of up to \$34.8 million from the Constitutional amendment. Reserves in the library services fund would cover the potential loss of up to \$6.1 million.

**Expenditures and Other Uses Reflected in the Biennial Budget** - Overall, the Recommended FY 08 budget totals \$3.68 billion – down 3.7 percent from \$3.82 billion in FY 07. The FY 09 Planned Budget is \$3.82 billion, up 3.8 percent from FY 08.

*Operating Budget* – The largest share of those totals reflects funding for day-to-day operations of County government, which amounts to \$1.72 billion in FY 08, up 3.1 percent from \$1.67 billion in FY 07. The operating budget for FY 09 will be \$1.79 billion, an increase of 3.8 percent from FY 08.

It is important to recognize that even in a period of property tax reform, there are other areas of County services largely unimpacted by tax reform and subject to other factors. The single largest organizational increase in FY 08 was in the budget for County Administrator departments, which increased \$37.3 million or 4.1 percent. The increase, however, was based on growth in programs not reliant on property taxes. More than two-thirds of the increase is attributable to two departments that operate within enterprise funds that are self-sufficient through the revenues they raise – the Solid Waste Management Department and the Water Resource Services Department. These departments' budgets increased by a combined \$26.2 million in FY 08, an increase of 12.1 percent. Both departments have significant pass-through costs embedded within their budgets– the cost of privately contracted residential waste collection costs in the Solid Waste Management Department and the cost of bulk water purchased from Tampa Bay Water in the Water Resource Services Department. In FY 09, these departments' costs increase only \$4.4 million or 1.8 percent. Water Resource Services has a major capital expansion plan under way with associated operational requirements that result in significant growth in staffing. Demand for these facilities is driven by new utility customers.

Another factor in the increase within County Administration was an increase in expenditures in the indigent care health program operated by Health and Social Services Department. The Department's overall budget increases by \$15.4 million in FY 08 and another \$6.9 million in FY 09. Offsetting much of that increase is a reduction in the Planning and Growth Management Department budget of \$9.7 million. About \$2 million of that reduction reflects cuts in operations funded with unincorporated property taxes and other general revenues. The largest portion reflects sharp cutbacks in building services – a self-sufficient program reliant on building permit fees. Permitting activity has dropped off and reserves were substantially depleted this year as the impacted industry resisted fee increases to sustain current service levels. Staffing cutbacks in FY 08 can be revisited if building permit activity picks up. In the mean time, although they account for a large share of position cuts, the cuts have nothing to do with tax reform.

While the Sheriff's budget increased by a modest 3.3 percent from FY 07 to FY 08, it is such a large component of the budget that it still amounted to an \$11.6 million increase. The increase builds to 6.4 percent in FY 09, a \$23.2 million increase. The Sheriff has deferred staffing requirements for a new 256-bed lockdown facility and for new facilities to house an added 512 inmates by keeping some jail space vacant in the near term. The anticipated annual cost of operating expanded facilities is \$16.8 million.

Large one-time expenditures in the Clerk of the Circuit Court budget in FY 07 for technology systems and the Supervisor of Elections budget in FY 08 for new voting equipment and associated costs make year-to-year comparisons more difficult. Each of these Constitutional officers' budgets is heavily reliant on property taxes and other general revenues.

*Capital Budget and Debt* – Annual funding for capital projects will be \$337.7 million in FY 08, down \$40.7 million or 10.8 percent from \$378.4 million in FY 07. Capital projects funding drops an additional \$67.5 million or 20.0 percent in FY 09. The reduction is more than accounted for by a reduction in the water and wastewater program from an unusually large level in FY 07. Spending is up in the fire program as the County commits to strengthening existing fire stations and in the solid waste, stormwater, and transportation programs. In each case, the expansion reflects programs funded with revenues other than property taxes. Other programs within the capital budget that are reduced from FY 07 funding levels are government facilities and parks. These areas are more heavily reliant on property tax funding and subject to deferral as a result of tax reform. Debt requirements amount to \$112.1 million in FY 08, down \$75.9 million or 40.4 percent from \$188.0 million in FY 07. Debt decreases an added \$9.4 million or 8.4 percent from FY 08 to FY 09.

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*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 \$568.8 million in FY 08, down \$123.4 million or 17.8 percent from \$692.2 million in FY 07. They rebound in FY 09, rising \$279.7 million or 49.2 percent. The drastic swings reflect adjustment to the County's commercial paper credit capacity. There is a \$207.3 million reduction in the program in FY 08 that offsets an equal amount of reserves in other funds. There is no adjustment to the commercial paper capacity in FY 09, so the reserves in other funds are not offset in FY 09 the way they are in FY 08. (On the revenue/sources side of the budget, these changes show up in the category titled "other non-revenues," which is driven down in FY 08 before rebounding in FY 09.)

In the County's General Fund, reserves increase \$9.6 million in FY 08 from \$125.6 million in FY 07 to \$135.2 million in FY 08 – a 7.7% increase. The increase is more than accounted for by two factors: first, a \$4.7 million increase in stabilization reserves in accordance with BOCC Policy 03.02.02.22 to equal 5 percent of expenditures in the most recent audited year (FY 06).<sup>2</sup> Second, a \$5.3 million increase in contingency reserves based on adjustments earlier this year. General Fund reserves account for 12.2 percent of the General Fund in FY 08. In FY 09, reserves increase \$30.3 million in the General Fund -- \$30 million of which reflects the slowing of expenditures in FY 09 to below expected revenue growth. A \$30 million reserve for budget reduction facilitates meeting a good portion of potential revenue loss in FY 09 if a Constitutional amendment is approved by Florida voters in January 2008. The balance of the reduction necessary to rebalance the FY 09 budget to available revenue would be selected from the list of potential budget reductions provided at the Board's request on June 1, 2007 in anticipation of legislative tax reform.

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 \$940.6 million in FY 08, up \$46.4 million or 5.2 percent from \$894.2 million in FY 07. 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 \$1.1 billion in FY 08, of which \$803.2 million, including delinquent taxes, comes from property taxes—the County's largest single source of revenue, accounting for 38.8 percent of all revenue. Due to property tax reform, the FY 08 budget reflects a decrease of property ("ad valorem") taxes of \$11.8 million, or 1.5 percent.<sup>3</sup> That does not show the full impact of tax reform. In the absence of constraints on property taxes, the County would have received \$109.0 million more tax revenue from FY 07 to FY 08. Under the new rollback calculation, property tax revenue will grow by \$48.9 million from FY 08 to FY 09, or 6.2 percent.

Other locally levied taxes account for another \$315.1 million of revenue in FY 08 and \$332.1 million in FY 09—primarily two ½ percent sales taxes (one for indigent medical care and the other for infrastructure – the Community Investment Tax). Each of these local sales taxes is estimated to generate \$115.2 million in FY 08 and \$122.2 million in FY 09. Sales tax collections have slowed in FY 07 and that slowdown is projected to continue into FY 08.

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<sup>2</sup> Stabilization reserves provide a critical safeguard against revenue losses or unexpected cost increases within existing programs that may occur during a fiscal year. The value of this "best practice" is evident in considering that the State of Florida had to advise State agencies to enact a 4 percent budget cut and prepare for as much as a 10 percent cut literally at the start of the State fiscal year in July. The cuts came as a result of lowered estimates of sales tax revenue for the fiscal year after adoption of the budget. A stabilization reserve would have insulated against the need for such drastic action during a fiscal year – buying time for a better assessment of priorities and options.

<sup>3</sup> Part of the confusion over legislative changes and the property tax "rollback" is the perception that local governments' property tax revenue would be cut by between 3 percent and 9 percent. The rollback calculation allows growth in revenue from new construction that occurred in the past year and from a new adjustment for community redevelopment areas. The calculation then reduces revenue by a percentage which, in Hillsborough County's case is 5 percent. As a result, the decline in revenue from FY 07 to FY 08 is less than the 5 percent adjustment. To illustrate, Hillsborough County receives \$30.6 million in revenue due to new construction plus another \$1.6 million for growth in community redevelopment areas, then loses \$40.1 million due to the 5 percent legislative adjustment factor. The remaining \$3.6 million loss of revenue from FY 07 to FY 08 reflects the impact of adjustments during FY 07 by the Value Adjustment Board.

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The category "other taxes" also reflects the local component of the 4 percent communications services tax, 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 \$242.4 million in FY 08 – down slightly from \$243.9 million in FY 07. These revenues, which account for 11.7 percent of total revenue in FY 08, will increase by about 2.5 percent in FY 09 to \$248.4 million.

User fees (also known as "charges for services") account for \$531.6 million in FY 08 – up \$37.8 million or 7.7 percent. There is a further increase in FY 09 of \$34.0 million or 6.4 percent. 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. Added customers and/or changing consumption patterns impact the growth in revenue from year to year as costs are passed through in rates and assessments. The budget reflects residential assessment increases for unincorporated residential solid waste customers.

As introduced previously, the overall reduction in the budget in FY 08 reflects changes in the commercial paper program and the impact shows up in revenue/sources side of the budget in the category "other non-revenues."

### Programmatic Changes in the Budget Unrelated to Property Tax Reform

The biennial budget reflects a large number of services, many of which are unrelated to the issue of tax reform that has captured most of the attention surrounding this budget process. Some of the key changes reflected in this budget unrelated to tax reform are:

- Operating funds are budgeted for two Aging Services facilities under construction that will open without new staffing. The Riverview Terrace Senior Center will replace rental space currently used for programs. The Westgate Senior Center was planned as an expansion but will be used to relocate existing programs from other Aging Services locations;
- An efficiency is implemented to fund a data management system in Aging Services Department in place of two staff positions;
- Two staff funded by the grants in the Affordable Housing Office are added to provide additional monitoring and financial assistance;
- Funding for Children's Services grants is transferred from the Countywide General Operating Fund to the Intergovernmental Grant Fund as recommended by the County's external financial audit;
- Four additional Head Start Center staff are added to accommodate for a cancelled non-profit contract site;
- Funding for 9-1-1 system maintenance contract is budgeted in the Emergency Dispatch Center;
- Two additional digital communications dispatchers in Emergency Dispatch are funded from the 911 Emergency Telephone System Fund to improve call answer time;
- Funding from the Tourist Development Tax Trust Fund is added for the update of the Long Range Strategic Plan for Tourism Development and strategic planning, for workshops and job fairs, and for a Tourism Project Coordinator in the Economic Development Department;
- Funding is added in the Emergency Management Center for stormwater fees paid to the City of Tampa;
- Funding from the Pollution Recovery Fund is added to allow the Environmental Protection Commission to serve as facilitator for an artificial reef special study;
- Health and Social Services Department funding for the Baker Act Mental Health Program and Florida Healthy Kids Program is shifted from the Countywide General Fund to the Indigent Health Care Services Fund;
- Funding from the Law Library Board Fund is added for the Law Library's new phone system and for information system and WiFi upgrades associated with the move into the old (renovated) courthouse building;
- Funding is added to the Library Services Department for the Imagination Library Early Literacy Program and for seven staff for the Westgate replacement library;
- Funding to cover an increase in anticipated operating costs associated with the Medical Examiner Department new facility;

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- Funding from the Environmental Restoration Fund is added to provide landscaping for County projects, intergovernmental projects and public-private partnerships for public benefit;
- Funding is added in the Parks, Recreation and Conservation Department for the Apollo Beach Restroom and, operating costs associated with the Northdale – Lake Park Trail and the Fishhawk Sports Complex;
- Funding from the ELAPP Site Management and Restoration Fund is added for upland restoration of the Triple Creek Greenway, management costs for the north prong of the Alafia River, site management plan for the upper Little Manatee River Preserve, and management of newly acquired ELAPP sites;
- Funding in the Planning and Growth Management Department is added for operating costs associated with the proportionate fair share ordinance;
- Funding in the Public Works Department from the Stormwater Management Fund is added for the lake management program;
- Funding is added for the biennial countywide aerial mapping project in the Real Estate Department;
- An efficiency is implemented adding fifteen permanent positions in place of ninety-two temporary positions in Library Services;
- Funding in the Solid Waste Enterprise Fund is added for Southeast Landfill Facility environmental permit and improvements to the Southeast County Waste Tire Facility; and
- Funding in the Water and Wastewater Utility Enterprise Fund is added for costs associated with new and expanded facilities, emergency operations and an increase in customers.

In the table following this message, you will find recommended budget reduction plan in response to State property tax reform.

### Reduction in Force Process

One of the most difficult challenges for an employer is to face a large-scale reduction of positions where many are filled. We approached this process with sensitivity to the impact that layoffs create – not only to the affected employees and their families but also for those who remain and pick up additional responsibilities with the uncertainty of whether there will be more layoffs in the future. We had updated the policy and procedures that County Administration would use in a layoff process just this past April. The update was structured to best address limited scale departmental reorganizations, not organization-wide changes. We revisited the policy and procedures so that it could address a cross-organizational layoff process and the revision was completed in time to be used as we go forward with the necessary task of identifying seniority and other factors that determine which employees would be laid off.

Many of the positions recommended for elimination in this budget are part-time positions and they are largely associated with departmental efficiency suggestions, not a requirement of tax reform. Some of the positions “eliminated” in the listing of cuts are planned positions for new facilities (primarily parks, a fire station and a senior center) that were included in our budget forecast (the 5-year Proforma presented in February) but are deferred along with the completion of facilities or will simply not be created to expand programs at new facilities. A large number of the full-time positions being eliminated are in the Planning and Growth Management Department’s Building Services Division, as previously noted. They reflect the slowdown of housing construction, not tax reform. It is difficult to identify precisely how many positions will be subject to layoff until we have an opportunity to match the employees in impacted employees with existing vacancies for which they are eligible. That process is underway and it is our intent to provide assistance to displaced employees through placing them where possible within our organization and by providing assistance to those who will seek employment elsewhere.

### Conclusion

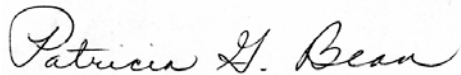
Consistent with Goal One of your Strategic Plan, this budget continues our commitment to “ensure that Hillsborough County is financially strong enough to influence its destiny by applying efficient and/or effective policies and practices.” This budget reflects a material reduction – the largest on record 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.

## COUNTY ADMINISTRATOR'S BUDGET MESSAGE

This has been a particularly challenging budget to develop, given the push in Tallahassee for property tax reform and the impacts on our schedule and our programs. I look forward to working with the Board during our remaining schedule to finalize a budget that reflects your values within the constraints imposed upon us. If tax reform continues with passage of the Constitutional amendment in January, I believe we have the tools to implement the changes to the Planned Budget for FY 09 using a combination of the reserves we set aside and the programmatic priorities we identified through our zero base budget process.

This budget has implications for a large number of County employees who face a reduction-in-force. Our strong financial position has allowed us to temper the need for cuts and we will make a concerted effort to place as many employees as possible. I believe it is the responsible action to curb spending through selective cuts in lower priority activities and programs rather than take interim actions that simply defer the need to act. We have weathered the first phase of property tax reform with limited impacts on ongoing programs. The next stage of tax reform is likely to have a more noticeable and damaging impact on our delivery of quality public services.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Patricia G. Bean". The signature is written in black ink on a white background.

Patricia G. Bean  
County Administrator

# HILLSBOROUGH COUNTY BUDGET REDUCTION PLAN

	FY 08	FY 09	Positions	Full Time Equivalents
<b>Efficiencies (savings in existing budget w/o service impacts)</b>				
Aging Services - Management Information Systems	\$ 94,504	\$ 98,956	2	2.00
Children's Services - Respite Care program savings	52,918	52,918	-	0.00
Children's Services - cell phone usage savings	9,923	9,923	-	0.00
Children's Services - Head Start blackberries savings	22,992	22,992	-	0.00
Children's Services - Head Start fleet maintenance cost savings	19,655	19,215	-	0.00
Children's Services - space rental savings	80,399	80,399	-	0.00
Children's Services - Head Start - Savings from contracted site closing	41,676	42,301	-	0.00
Communications - employee e-newsletter	14,400	15,264	-	0.00
Community Liaisons - operating expenses	1,890	1,890	-	0.00
Consumer Protection & Prof. Responsibility - operating expenses	4,690	4,690	-	0.00
Cooperative Extension - air conditioning savings	8,183	8,510	-	0.00
Cooperative Extension - newsletter labels	511	511	-	0.00
County Administrator - reduction in operating expenses	30,999	24,263	-	0.00
Debt Management - debt issuance savings (non-departmental)	30,000	30,000	-	0.00
Guardian Ad Litem - shift costs to private funding	18,000	18,000	-	0.00
HIPPA Compliance - consultant savings	-	51,360	-	0.00
HSS - Sunshine Line use of 1-day HARTline passes	400,000	400,000	-	0.00
Information and Technology Services - travel and training	61,376	59,859	-	0.00
Legislative Delegation - reduction in operating expenses	5,820	5,820	-	0.00
Library Services - materials vendor consolidation	100,916	106,832	-	0.00
Library Services - maintain current operating hours-Seffner-Mango	-	121,854	-	0.00
Library Services - alternative to frame relay technology	11,000	13,000	-	0.00
Library Services - staffing cost reductions	4,726	19,956	-	0.00
Library Services - software transition: Synetics to Content Café	11,629	11,629	-	0.00
Library Services - cut security services guards and deputies	465,888	465,888	-	0.00
Library Services - cut telecommunications services	37,497	37,497	-	0.00
Library Services - material management positions	441,457	452,368	92	43.24
Management and Budget - capital program administration	78,142	82,206	1	1.00
Neighborhood Relations - consolidate gov't leadership classes	5,115	5,115	-	0.00
Parks, Rec and Conservation - contracting umpires	75,000	75,000	128	6.40
Parks, Rec and Conservation - athletics maintenance contract	1,001,177	1,045,229	21	21.00
Procurement Services - WebProcure savings	25,200	25,200	-	0.00
Public Works - fleet reduction and culvert repairs	32,174	32,174	-	0.00
Real Estate - public art clerical duties	11,982	12,304	-	0.00
<b>Total efficiencies</b>	<b>\$ 3,199,839</b>	<b>\$ 3,453,123</b>	<b>244</b>	<b>73.64</b>

# HILLSBOROUGH COUNTY BUDGET REDUCTION PLAN

	FY 08	FY 09	Positions	Full Time Equivalents
<b>Organization-Wide and Non-Departmental Cuts</b>				
Reduce salary increases 30% (estimate)	\$ 1,725,000	\$ 3,930,000	-	0.00
Reduce eligibility for reappropriation of equipment funding	50,000	50,000	-	0.00
Reduce County evaluation of Tampa Bay Water projects	200,000	200,000	-	0.00
Eliminate new public awareness programs	500,000	500,000	-	0.00
Eliminate Operation Cleanup including code enforcement	107,137	109,896	1	1.00
Eliminate funding to cover unanticipated Article V costs	100,000	100,000	-	0.00
Cut non-profit agency funding by an average of 25%	2,908,815	2,908,815	-	0.00
Reduce funding for Commission on the Status of Women	5,000	5,000	-	0.00
Reduce funding for employee suggestion program	150,000	150,000	-	0.00
Automatic reduction of Tax Collector commissions (estimated)	2,286,400	2,423,577	-	0.00
Millage-induced reduction in Tax Increment Financing Payments	1,920,264	2,034,347	-	0.00
<b>Prior Millage Reduction Fund Actions</b>				
Savings from previously cancelled contract with Urban League	97,512	97,512	-	0.00
Savings from eliminating the rental housing inspection program	299,900	304,696	6	6.00
<b>Affordable Housing</b>				
Reduce expanded funding of affordable housing programs	1,369,000	1,369,000	-	0.00
<b>Aging Services</b>				
Cut Section Manager from RSVP Program	34,607	36,510	1	1.00
Cut funding for new Westgate Senior Center staffing	313,000	660,430	15	15.00
Cut funding used to supplement Aging Services grant match	750,000	750,000	-	0.00
<b>Animal Services</b>				
Eliminate permitting of animal enterprises	70,075	73,746	1	1.00
<b>BOCC</b>				
Reduce operating budget	35,000	35,000	-	0.00
<b>Children's Services</b>				
Cancel FY 07 expansion of Head Start program (180 slots)	1,005,256	1,034,228	7	7.00
Eliminate Stageworks program at Children's Services campus	52,600	52,600	-	0.00
Cut Head Start Minibus drivers above Continuation funding	145,884	153,912	4	4.00
Transfer 15% of child care licensing budget to new State grant funding	221,362	225,736	-	0.00
Reduce in-home child respite care	200,000	200,000	-	0.00
<b>Code Enforcement</b>				
Reduce code enforcement staffing 5%	268,082	277,956	3	3.00
<b>Communications</b>				
Eliminate one closed captioner	73,016	77,032	1	1.00
Reduce support to quasi-judicial boards	65,156	68,491	1	1.00
<b>Community Liaisons</b>				
Cut one Criminal Justice management position	122,123	120,703	1	1.00
Cut the Hispanic liaison support staff	77,059	80,214	1	1.00
Cut office support for special liaisons	66,470	63,148	1	1.00

# HILLSBOROUGH COUNTY BUDGET REDUCTION PLAN

	FY 08	FY 09	Positions	Full Time Equivalents
<b>Constitutional Officers</b>				
Reduction in Clerk funding for technology improvements	7,100,000	7,100,000	-	0.00
<b>Consumer Protection &amp; Professional Responsibility</b>				
Reduce 10% of consumer protection services (duplication)	130,106	137,025	2	2.00
<b>Cooperative Extension</b>				
Cut staffing at Ruskin Aquaculture Lab	55,995	59,075	1	1.00
<b>County Administrator</b>				
Cut temporary assistance during legislative session	10,065	10,584	2	0.42
Cut Citizens Action Center position	35,193	36,642	1	0.50
Cut citizen support position	47,891	49,998	1	1.00
Cut HIPAA Compliance Officer position	121,125	127,787	1	1.00
<b>County Attorney</b>				
Cut County Attorney's services 5%	454,330	473,507	3	3.50
<b>Courts</b>				
Cut discretionary Court programs	345,000	345,000	-	0.00
<b>Debt Management</b>				
Cut operating budget	1,000	1,000	-	0.00
<b>Economic Development</b>				
Cut business retention program	82,772	86,252	1	1.00
Cancel further participation in agriculture incentive program	795,000	795,000	-	0.00
<b>Emergency Dispatch</b>				
Cut Emergency Dispatch temporary employees	9,839	9,839	2	0.30
<b>Emergency Management</b>				
Cut EOC mass casualty medical director contract	35,000	35,000	-	0.00
<b>Environmental Land Acquisition and Protection</b>				
Rollback ELAPP operating millage	2,039,133	2,661,608	-	0.00
<b>Fire Rescue</b>				
Cancel 10 new fire stations & use all Comm. Svcs. Tax for operations	9,536,000	9,808,000	-	0.00
Cut Volunteer Training Officer	108,315	108,091	2	1.00
Cut Public Education part-time staffing	75,207	79,759	1	1.00
Cut vacant Fire Medic I positions	472,247	493,191	7	7.00
Cut Fire Inspector and Deputy Fire Marshall	190,587	201,069	2	2.00
Cut Central Brandon Fire Station	-	2,092,224	21	21.00
<b>Health and Human Services</b>				
Shift discretionary Baker Act cost to indigent health care program	1,028,521	1,028,521	-	0.00
Shift funding of Florida Healthy Kids to indigent health care program	111,401	111,401	-	0.00
Recover indirect costs from indigent health care program	1,500,000	1,500,000	-	0.00
Cut one veterans services officer	36,594	51,267	1	1.00

# HILLSBOROUGH COUNTY BUDGET REDUCTION PLAN

	FY 08	FY 09	Positions	Full Time Equivalents
<b>Human Resources</b>				
Reduce training budget	100,000	100,000	-	0.00
<b>Information and Technology Services</b>				
Eliminate funding for unplanned departmental web site enhancements	250,000	250,000	-	0.00
Cut IT productivity improvement program 50%	889,148	976,841	8	8.00
Cut IT security	560,991	581,996	2	2.00
<b>Internal Performance Auditor</b>				
Cut one position	66,238	69,881	1	1.00
<b>Library Services</b>				
Cancel construction plans for 7 libraries (future operational savings)	17,136,000	12,873,000	-	0.00
<b>Management and Budget</b>				
Cut management services program	64,800	68,364	1	1.00
Cut budget assistance program	68,746	72,527	2	1.29
<b>Medical Examiner</b>				
Reduce Medical Examiner operating expense budget	50,000	50,000	-	0.00
<b>Neighborhood Relations</b>				
Cut community planning and neighborhood conference	70,733	149,247	1	1.00
<b>Other Agencies</b>				
Eliminate EPC monitoring of Tampa Bay Water projects (duplication)	-	-	6	5.70
Cut funding of external performance audits	100,000	100,000	-	0.00
Eliminate funding for BOCC facilitator	100,000	100,000	-	0.00
Cut Victims Assistance funding 10% (est)	274,450	288,721	5	5.00
Cut Planning Commission funding 10%	678,559	696,553	TBD	TBD
Cut EPC by a total of 10% (including previous cut)	1,101,440	1,094,177	TBD	TBD
<b>Parks, Recreation and Conservation</b>				
Eliminate planned staffing of Apollo Beach Park	124,000	128,000	2	2.00
Eliminate planned staffing of Carrollwood Comm. Ctr. Annex	157,000	161,000	3	3.00
Eliminate planned staffing of Cross Creek Neighborhood Park	-	219,000	4	4.00
Eliminate planned staffing of Branchton Sports Complex	-	298,000	6	6.00
Eliminate planned staffing of new dog parks	152,000	155,000	4	4.00
Eliminate planned staffing of new Fishhawk Sports Complex	348,000	476,000	3	3.00
Eliminate planned staffing of new Rotary All Persons Water Pk	99,000	99,000	2	2.00
Cut Parks and Rec resource conservation support	79,000	83,000	1	1.00
Cut arts and craft program at County recreation centers	215,000	226,000	11	3.70
Cut Parks and Rec invasive species task force funding	74,000	77,000	1	1.00
Cut Parks and Rec Fun with Nature program	216,000	226,000	18	3.55
<b>Planning and Growth Management</b>				
Cut community based planning consultants	260,000	260,000	-	0.00
Cut brownfields community redevelopment program	114,600	120,824	1	1.00
Cut planning administrative support	127,242	132,455	2	2.00
Cut community design implementation projects	384,974	405,758	6	6.00

# HILLSBOROUGH COUNTY BUDGET REDUCTION PLAN

	FY 08	FY 09	Positions	Full Time Equivalents
<b>Procurement Services</b>				
Cut Procurement Services by 6%	128,130	134,520	2	2.00
<b>Public Works</b>				
Reduce stormwater investigations	85,403	89,702	1	1.00
Reduce stormwater administration	279,170	293,000	3	3.00
Reduce stormwater customer service	91,337	95,904	2	2.00
Reduce street sweeping 30% and inlet cleaning 50%	450,000	450,000	-	0.00
Reduce transportation maintenance coordination	766,164	790,387	-	0.00
Reduce wetland mitigation and infrastructure assessment 50%	1,015,598	1,068,409	13	13.00
Reduce processing of ditch residue per DEP order by 50%	-	500,000	-	
<b>Real Estate</b>				
Cut Temp Engineering Tech	13,720	13,771	1	1.00
Cut Manager Property Management	126,393	133,077	1	1.00
Cut Engineering Tech	30,471	31,448	1	1.00
Cut Principal Business Analyst	82,542	87,070	1	1.00
Cut Supervisor, Print Shop	50,170	53,297	1	1.00
Reduce Funding to County Surveyor/Engineering Services	35,000	35,000	-	0.00
Reduce Funding to Plat Review	67,000	67,000	-	0.00
<b>Security Services</b>				
Reduce operating budget	5,000	5,000	-	0.00
<b>Total reduction</b>	<b>\$ 69,822,897</b>	<b>\$ 73,328,441</b>	<b>451</b>	<b>253.60</b>