

Members of the Board of County Commissioners:

I present to you the County Administrator's Recommended Budget for Fiscal Year 2009 (FY 09), which totals \$3.87 billion, down 4.3% or \$176 million from the Adopted FY 08 Budget of \$4.05 billion. This represents the update of the seventh biennial budget for the Board of County Commissioners (Board). Under a biennial process, the Board developed detailed budgets for two separate years. On September 20, 2007, the Board adopted the FY 08 budget and approved a planned budget for FY 09. The FY 08 budget reflected \$56 million in cuts to balance to a level of revenue dictated by actions of the Florida Legislature. 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 update to the planned budget for FY 09 was intended to address only those issues that required updating. Typically, that would be updated revenues and adjustments to grant-funded programs that operate on an annual cycle.



This year, the update is much more significant in the areas of the budget most reliant on property tax revenues. Approval of Amendment 1 by Florida voters on January 29th generated an estimated \$70 million loss of revenue. The revenue loss was compounded by two other factors: First, a slowing economy lowered receipts from the sales taxes the State of Florida shares with local governments. Second, a portion of the property tax base declined in value as housing markets adjusted after recent years' growth. Overall, we faced cuts in our major operating funds amounting to \$117 million. Considering the important programs funded from general revenues, the need to make such significant cuts after last year's cuts was a daunting challenge. As you take my recommendations and refine them to reflect your priorities, I think we will find that the citizens of Hillsborough County do not anticipate the implications these factors will have on our ability to retain services – much less address the demand we constantly face to deliver more service.

Using a zero base budget process, we allowed departments and agencies to revisit the priorities they established within their budget submissions last year. In doing this, we allowed them to recognize the severity of the potential cuts and to use their direct knowledge of how services are provided to identify where cuts could be made with the least impact on core services. I also encouraged everyone to take another look at identifying efficiencies – budget cuts that have no measurable impact on the levels of services we provide to our customers.

The recommended budget is based on early estimates of the property tax base using information provided by the Property Appraiser's staff but not reflecting even the first of two official estimates. After we balanced the budget and as this document was being produced, the first of those numbers was released. We are prepared to adjust this budget accordingly, but the estimate provided by July 1 will be the estimate you are required to use in adopting the FY 09 budget. We will use that estimate as part of the budget reconciliation process in July where you first adopt changes to this budget. Of course, we will advise you of other updated information on revenues and updated expenditure information as we proceed towards the public hearings in September at which you will adopt the budget.

Five Key Strategies for Shrinking the Budget Deficit

Key strategies were employed in reducing what initially seemed to be an insurmountable deficit resulting from the combined impacts of tax reform (Amendment 1), a slowing economy, and a market correction in housing values.

Our first strategy began last year in the biennial budget process. We slowed the growth in the budget to create a \$30 million buffer in the Planned Budget for FY 09 between revenues and expenditures in our major operating funds. A second strategy focused on making the administrative burden for programs equitable. That meant taking an aggressive approach to having the cost of administrative services paid by the appropriate funding sources. Our third strategy was to stop subsidizing purchase of environmental lands with operating revenues from the Countywide millage levy. That Board practice had occurred over the past 9 years and been one of the fastest growing uses of our operating revenue. The fourth strategy was to identify programs that could be funded with non-recurring revenue rather than compete for increasingly limited recurring revenue. Finally, our fifth strategy was to take an even stronger position on "reappropriating" funds requested for a fiscal year but not spent. This last strategy will take strong management and some creative solutions when funds must cross fiscal years.

COUNTY ADMINISTRATOR'S BUDGET MESSAGE

Employing these strategies, we reduced an estimated \$117 million FY 09 deficit in our main operating funds by \$68.3 million, to \$48.7 million. While this still constituted a substantial amount, it was a more workable deficit to address given some significant limits on how and where we can cut programs.

Strategy 1: Slowing Budgetary Growth to Create a \$30 Million Surplus in the Planned Budget for FY 09

Slowing the growth of the budget from FY 08 to FY 09 allowed us to identify recurring revenue that would not be needed in FY 09, based on assumptions underlying the biennial budget adopted in September 2007. That excess revenue showed up in the Planned Budget as a "reserve for budget reduction" in both the Countywide General Fund - \$10 million – and the Unincorporated Area General Fund -- \$20 million. Eliminating those reserves became the first strategy for balancing the FY 09 budget after Florida voters approved Amendment 1.

Strategy 2: Updating Recovery of Administrative/Overhead Costs

The County has historically used a cost allocation plan to recover administrative costs (e.g., accounting, legal services, procurement, office space, security) from programs funded with non-countywide revenues. The technique had its genesis in federal guidelines that dictate how grants may be charged for overhead but it is an important tool for showing the true cost of programs by equitably allocating costs. These indirect cost charges prevent countywide tax dollars from subsidizing non-countywide programs.



We aggressively updated the allocations based on data for prior years in order to reflect current costs rather than costs that may have been two to three years old. Through this process, we were able to recoup an added \$9.7 million in overhead costs for the Countywide General Fund. About one-half of the revenue came from programs not supported by property taxes – primarily the County's growing solid waste and water/wastewater businesses -- while the remaining impact shifted cost from the Countywide General Fund to the Unincorporated Area General Fund.¹

Strategy 3: Ending a Practice of Supplementing ELAPP Bonds with Countywide Operating Revenue

Beginning in FY 00, we had committed an increasing portion of our Countywide millage rate to supplementing funding for the Environmental Land Acquisition and Protection Program – even when tax reform last year forced substantial millage cuts in FY 08. Over that nine year period, about \$70 million in general revenue within the County's 10-mill cap for countywide operations was set aside for ELAPP plus the interest earned on those funds. The result has been that we significantly exceeded the \$100 million goal for ELAPP funding when that \$70 million is added to \$63 million in ELAPP bonds that were issued based on voter approval of an October 2, 1990 referendum. A portion of that revenue has been used for staff and other costs of managing the land acquired through the program.

ELAPP funding in FY 09 is continued for the staffing required to monitor and manage ELAPP properties – a cost of about \$2.2 million plus additional one-time funding for restoration of an ELAPP site. Funding for land acquisition that had amounted to \$12.0 million in FY 08 will cease. That is one of the largest single factors in balancing the FY 09 budget to a lower level of revenues. In the absence of this action, as many as 200 additional County positions would need to be eliminated because we would need to continue cutting into existing services we provide to County residents and businesses beyond the cuts reflected in this budget.

With this approach, additional funding for land acquisition will require another voter referendum, as discussed by the Board on May 21st. Existing funding for maintenance costs including staffing can be shifted to the Countywide General Fund along with the revenue that currently pays for it. That means there is an ongoing commitment to maintenance and operation of ELAPP sites regardless of whether a referendum is successful to acquire additional land. The maintenance and operation costs for ELAPP sites will compete with other Countywide programs for funding – just like operation of the County's regional parks were funded with General Obligation bond debt but currently operated and maintained by competing for Countywide General Fund revenue. Bond proceeds cannot be used for operation and

¹ Overhead costs limit spending on direct services, so budget cuts in administrative areas were valuable in reducing the need for cuts in direct services.

COUNTY ADMINISTRATOR'S BUDGET MESSAGE

maintenance despite confusion that has continued on that issue since the 1990 referendum. Staff will have to identify ongoing costs with each project proposed to be funded with ELAPP bonds, should a referendum be successful.

Strategy 4: Using Non-Recurring Funding to Cut Recurring Funding Commitments

One of the initiatives reflected in this budget is identifying programs that are currently budgeted as annual expenditures but which have no staffing or other fixed annual costs embedded within them -- and which tend to be spent only when opportunities arise on an infrequent basis. Two such programs are our economic incentives and our use of general revenue to supplement grants funds for affordable housing. Clearly these are priorities to the Board, but they do not need annual appropriations if there are funds that will be available when opportunities arise. We have set up capital reserves for both programs in FY 09 with the intent of formalizing capital improvement projects by the time the budget is adopted in September. The initial funding in both programs from non-recurring sources is equal to two-to-three times our recent annual appropriations. We then eliminated the corresponding annual programs that required recurring funding. As appropriate, the Board can appropriate additional future non-recurring funding to supplement these initial amounts and prevent the sunseting of the programs. In the mean time, the savings in recurring funding can be used to offset some of the permanent loss of revenue associated with Amendment 1. We assigned a total of \$18.5 million in non-recurring funds carried forward from FY 07 and FY 08 to economic development initiatives and freed up \$7 million in recurring funding. In affordable housing, we allocated \$6 million in non-recurring funds and freed up \$1.8 million in recurring funding.

The non-recurring funding used in this strategy came from multiple sources, two of which included excess refunds of unexpended funds by the Sheriff in FY 07 and savings within FY 08 from a tightly managed reappropriations process. Programs funded with non-recurring revenue will either phase down over time or require occasional future contributions of non-recurring funding. Unlike day-to-day operations with regular payroll costs, the programs targeted for funding with non-recurring funding can be suspended easily when funds are depleted and restarted if subsequently funded.

Strategy 5: Managing Appropriations – Past budgets have set significant amounts aside for “reappropriation” of funding approved in a particular year but not expended by yearend even though a commitment may remain. Earlier this year, the Board directed me to tighten the process. I have cut out funding for reappropriations in the County’s major operating funds – the Countywide General Fund and the Unincorporated Area General Fund and will be bringing back to the Board a policy on reappropriations for approval of changes. There will be some contracts that cannot be easily negotiated and completed by yearend. Departments will have to consider what remains to be done at yearend, identify unspent funds, and request funding in the next year’s budget. Equipment purchases will require similar consideration where there is a long acquisition process for specialized equipment.

Tackling the Remaining Budget Deficit

Funding Considerations Underlying the Recommended Budget – No simple across-the-board percentage cut was assigned to organizations funded by the County’s two impacted operating funds. Where possible, we followed the advice of technical experts in each program area and recommended cuts in their lowest priority programs after first considering any opportunities for efficiencies that would avoid service reductions. A zero base organization budget, properly developed, ensures that lowest priorities are cut first and core services are retained. Service impacts should be disclosed so that the consequences of cuts are known. As with any such process, some organizations rose to the challenge better than others.



In considering where to recommend cuts, we looked at what cuts had been made previously to a department or agency, where there would be cross-organizational impacts, and where we could avoid a concentration of impact in one geographic area of the County. We attempted to avoid relying on fee increases – recognizing that prior policy direction is needed before we build a budget on a fee increase or new fee. The Board indicated some support for fees – particularly those associated with sponsorships – during the February 2008 budget workshop. Those will likely not be realized prior to FY 10.

We ensured we were in compliance with Board policy limiting spending – BOCC Policy 03.05.07.00. We did not propose an operating millage increase even though we have the unique authority this year to increase the millage to sustain revenue. Because the tax base has declined, millage rates

COUNTY ADMINISTRATOR'S BUDGET MESSAGE

associated with General Obligation bonds must be set at the rate required to pay bondholders. That affects outstanding ELAPP bonds and outstanding unincorporated parks bonds.

We did not target vacant positions but clearly a number of the position cuts reflected in the recommended budget reflect positions that have been held vacant and are in program areas where the lower level of staffing can be sustained for an extended period. Vacant positions will allow us to trim some programs while avoiding layoffs by shifting employees in impacted programs to vacant similar positions in other programs. We recognize that while employees may be particularly focused on how many positions are eliminated in this budget, our customers are more interested in what services will be reduced. Long term vacancies pre-dating tax reform have been reviewed and many have been eliminated – even in areas unrelated to tax reform.

Slow Funding of New Facilities – As we addressed last year in response to the first phase of tax reform, we cannot commit to building new parks, libraries and fire stations unless we can determine we can afford the ongoing operating costs for those facilities. Even if we can find temporary funding for the first year of operations, we cannot count on permanent funding when there is no evidence that the Florida Legislature is done imposing tax reform on local governments. Our capital improvement program focuses on replacement facilities where they are needed because the primary impact is the non-recurring cost of construction. We have some ability to move forward carefully with libraries because the annual operating cost is not as challenging an impact as for parks and for fire stations. Transportation improvements do not have the same immediate impact on maintenance and, in some cases, reduce current maintenance requirements. These are largely unaffected.



Streamlining the Organization and Administrative Costs – I pledged to employees that cuts would occur at all levels of the organization – not just in front line positions. This recommended budget includes twelve cuts at the management level, with total savings of more than \$1.4 million. Most prominently, I decided to cut the Deputy County Administrator position. It was not an easy decision and the financial impacts are not yet reflected in this budget, but I felt it important to convey the seriousness of the situation and my commitment to streamlining the organization. I will continue that process between now and September as I look for added opportunities to restructure the organization around a leaner management.

Management level positions are eliminated in County Administration, Human Resources, Economic Development, Debt Management, Planning and Growth Management, Health and Social Services, Real Estate, Extension, and Parks, Recreation and Conservation.

Efficiencies – We continue to identify opportunities to lower costs while retaining service levels. We have also looked at opportunities to replace the use of general revenues with restricted revenues that are available. We will continue to seek opportunities to trim costs as the Board considers the budget between now and adoption in September. We have a fleet consultant working with us to streamline our fleet in order to have what we need to do our job but not build excess capacity and the cost to do that. New efficiencies amount to more than \$5.2 million in FY 09. These savings add to the \$17 million I identified in my first biennial budget (FY 06 and FY 07) and more than \$8 million identified in this biennial budget for FY 08 and FY 09 last year.

Overall Contribution from Cuts in County Administrator Departments – Considering all forms of budget reductions – efficiencies, program reductions, and elimination of long-term vacancies – the County Administrator's departments' budgets in the two main operating funds declined from the Planned FY 09 Budget to the Recommended Budget for FY 09 by \$18.3 million or 5.3 percent. An added cut of \$2.1 million is reflected in transportation operations funded with a subsidy from the Unincorporated Area General Fund. That amounts to 3.0 percent of the County Administrator's Transportation Trust Fund budget for operations and maintenance. In addition, a \$1.3 million cut in library operations reflects a 3.2 percent cut in library operations funding. The total impact on the tax funds, including the library fund, is \$21.7 million.²



² If all funding sources are considered, including grants and enterprise operations (with the costs they pass through for bulk water and private residential solid waste collection), the County Administrator's budget is down \$21.8 million or 2.2 percent.

COUNTY ADMINISTRATOR'S BUDGET MESSAGE

A listing of cuts is provided in an accompanying table. Further detail is provided in departmental pages in the Operations and Funding Guide section of the budget document.

Overall Contribution from Cuts in Constitutional Officer Budgets and Commissions – Overall, Constitutional Officers' budgets declined by \$9.3 million or 2.0 percent from the Planned Budget for FY 09. The reduction is disproportionately attributable to lower commissions paid on property tax collections to the Tax Collector. Commissions are anticipated to be down \$3.6 million or 11.0 percent. The Property Appraiser's budget, which is approved by the Florida Department of Revenue, is not due to be submitted and our estimate has not changed.

Sheriff's Budget – The Sheriff submitted a smaller request for FY 09 than a year ago and met the May 1 budget submission deadline approved by the Board earlier this year. The Sheriff cut \$4.5 million or 1.2 percent from the Planned FY 09 budget. The Sheriff had planned an increase of 6.4 percent from FY 08 to FY 09 – a large increase given that the FY 08 budget contained one-time expenditures on a helicopter and a protective wall for the Sheriff's operations center.

The Sheriff did not meet the requirements of BOCC Policy 03.02.02.01 regarding budget submissions compliant with budget instructions. In simplest terms, that means we have almost no detail on priorities in addition to having little underlying detail on where the funds will be used in relation to how funds have been spent in the past. A request by budget staff for historical detail on budgets and spending was declined by Sheriff's staff.



In transmitting summary information on the budget, the Sheriff has noted some of the actions taken since last year to reduce the size of the FY 09 increase. Slower population growth allowed fewer new law enforcement deputies in FY 09 than planned – 25 rather than 63. While the FY 09 budget reflects the continued phase-in of deputies hired during FY 08, the FY 09 hires will occur in the fourth quarter of the year – deferring most of the cost of those new positions to FY 10. That may present budget challenges to us in the next biennial budget for FY 10 and FY 11.

The Sheriff continues to manage inmate housing, given the size of the inmate population, without having to staff all facilities at Falkenburg Road. When added facilities open, the costs will be substantial.

Florida Statutes prevent the Board from reducing the Sheriff's request prior to public hearings in September. The budget request appears to continue a practice in recent years of not using revenue the Sheriff's Office retains during the year to meet a portion of the cost of operations. That unbudgeted revenue – interest earning and certain fees – amounted to \$9.9 million in FY 06 and \$8.6 million in FY 07. It was returned only at yearend with unspent appropriations. If the funds were transferred monthly to the Clerk along with other Sheriff revenues, the revenue could be budgeted in FY 09 and reduce the need for budget cuts elsewhere.

Supervisor of Elections Budget – The Supervisor of Elections submitted a smaller request for FY 09 than a year ago and met the May 1 budget submission deadline approved by the Board earlier this year. The Supervisor of Elections cut \$0.4 million or 5.8 percent. The Supervisor did not meet the requirements of BOCC Policy 03.02.02.01 regarding budget submissions compliant with budget instructions. In simplest terms, that means we have no detail on priorities in addition to having little underlying detail on where the funds will be used in relation to how funds have been spent in the past.



The Supervisor of Elections budget fluctuates sharply from one year to the next due to factors largely driven by outside events – the timing of primaries and elections and State-generated requirements to replace technology. That makes comparisons challenging. The net change from the Planned FY 09 budget to the request for FY 09 reflects a substantial reduction in equipment – down almost \$0.9 million or 73 percent – offset, in part, by higher personnel costs – up almost \$0.4 million or 12.8 percent.

Florida Statutes prevent the Board from reducing the Supervisor of Elections' request prior to public hearings in September.

COUNTY ADMINISTRATOR'S BUDGET MESSAGE

Clerk of Circuit Court Budget – The Clerk submitted a smaller request for FY 09 than a year ago and met the May 1 deadline. Some details were submitted, but only partly consistent with the requirements of BOCC Policy 03.02.02.01. The recommended budget includes three reductions from the Clerk's request, resulting in a \$0.6 million or 3.1 percent reduction from the Planned FY 09 budget. The cuts are based on materials provided by the Clerk regarding low priorities.

There are no prohibitions against the Board adjusting the requested budget from the Clerk.

Other Factors in the Budget – Overall, the cuts from the Planned FY 09 Budget within the County Administrator and Constitutional Officers' budgets account for \$31.0 million of the \$49.2 million left to address after using the five strategies outlined earlier. The remaining cuts are accounted for by a variety of smaller factors including reducing annual (recurring) funding for capital projects (\$7.4 million), lower tax increment payments to municipalities (\$1.3 million), reductions for Board-funded agencies such as the Planning Commission, State Attorney's Victims Assistance, and the Environmental Protection Commission (\$1.6 million), and reductions for non-profit agencies (\$0.6 million). Other factors accounted for the remaining savings.³

Detail on specific funding recommendations for non-profit agencies may be found in the Operations and Funding Guide section of the budget document. Generally, social service agencies funded by the Countywide General Fund through a competitive process were identified as falling into one of three service level categories: Those that directly provide for basic human needs; those that enable a person to be self-sufficient; and those that enhance a person's quality of life. We generally protected those in the first category from cuts and made the most significant cuts – 20 percent – in the last category. Those agencies funded non-competitively were cut 10 percent unless they were funded with restricted funding.



Balancing the FY 09 Budget

(in millions)

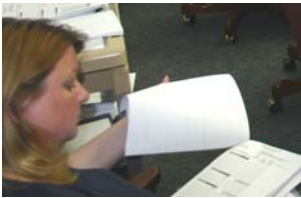
Projected FY 09 Deficit	\$117.0
Less: Deficit reduction strategies	
Slow budget growth in the biennial budget	(30.0)
Recover administrative/overhead costs	(4.6)
End supplement to ELAPP bonds	(11.7)
Use non-recurring funding to cut recurring commitments	(8.8)
Manage appropriations	(12.7)
County Administrator department cuts	(21.7)
Constitutional Officer cuts/savings	(9.3)
Recurring capital funding	(7.4)
Tax increment financing payments to municipalities	(1.3)
EPC, Planning Commission, State Attorney cuts	(1.6)
Non-profit organization cuts	(0.6)
Other cuts/savings/revenues/adjustments	<u>(7.3)</u>
	0.0

³ The list of cuts that accompanies the Budget Message totals \$113.4 million; it does not exactly match the initial estimated deficit of \$117 million due to revenue adjustments after estimation of the deficit and some fine tuning of reserves and Interfund transfers.

Other Issues Embedded Within the Recommended Budget

Millage Swap with Library District – In FY 06, the BOCC increased the library service millage by 1/20th mill and reduced the Countywide operating millage, in part, to offset the library increase. Given 16 percent growth in the Countywide property tax base at that time, there was no loss of Countywide revenue and the library district tax revenue increased by an overall 25 percent. That action clearly preceded the Florida Legislature's action to penalize local governments for using tax revenue growth to address each community's priorities. In responding to the second phase of tax reform, Amendment 1, I found it important that we reconsider priorities and undo the millage swap. The library system is largely able to operate with minimal loss of services even after reducing the millage by 1/20th mill. The Countywide tax base is larger than the library district tax base so, to be conservative, the increase in the Countywide millage is proportionately smaller: The revenue swap is equal while the increase in the Countywide millage is smaller than the reduction in the library district millage. The net impact is \$3.7 million gain to the Countywide General Fund and \$3.7 million loss to the library district.

Shifting the Burden for Special Projects – In prioritizing our use of available funding, we have the opportunity in some program areas to facilitate services without bearing the expense – particularly for programs that are unique to specific locations. One such area is the paving of dirt roads. The budget ceases County funding of the paving of dirt roads with the intent that the County establishes a financing mechanism for residents who request the County facilitate paving of dirt roads. We anticipate this can be handled through the use of municipal special benefit unit (MSBU) assessments. Other programs offer similar opportunities to make improvement available, but not have the County bear the cost: residential traffic calming, senior zones, railroad quiet zones, etc.



Pay Adjustments – The updated budget reduces the employee market equity adjustment for FY 09 by more than one-third from 3.5 percent to 2.25 percent. The market equity adjustment is intended to retain relative comparability with public and private employers. The lower rate will not do that. An annual *Florida Trend* survey of CEOs indicates higher pay increases by private sector employers, and inflation is running at nearly 4 percent. Civil Service market surveys show us falling behind in comparisons with public sector employers. There will again be no merit-based pay increases in FY 09.

Duplication of Services – Our review of potential duplication will be a continuing effort and the Internal Performance Auditor has been invited to share in the analysis. Rarely is there a clearly defined duplication. There are two areas within the budget where cuts have been made, in part, after recognizing other service providers.

Consumer protection is a service the County has expanded in recent years, recognizing a substandard level of service by the State of Florida. Given the need to identify budget cuts, a disproportionate cut is recommended in this program. Remaining resources will be dedicated most heavily to cases involving multiple victims and to cases where our investigation is likely to result in prosecution by the State Attorney's Office.



Recreation programs reflect a second area where we compete with public and private programs in providing afterschool and summer recreation programs. In each case, other providers are available, although the services they provide are not necessarily identical to the County's services. We identified three options for addressing these two programs: First, reduce the County program and rely on other service providers to accommodate demand. Second, charge weekly fees as other providers do and use that revenue to retain our programs. That option is not available without prior Board approval of fees so we could not include such revenue to help present a balanced budget. Third, coordinate with public and non-profit providers to take over the County's programs. We believe there is an opportunity to have the School Board and one or more local non-profits assume the two programs and use their sliding fee scales to cover their costs. That option avoids the Board raising fees while allowing the County to facilitate the continued provision of the programs.



That option requires negotiations with the School Board and non-profits. Preliminary discussions suggest this option could work well. Services would be continued at either schools or County recreation centers, a sliding fee scale would be used to operate the programs, and the County could use a portion of its savings to further reduce cost for program

COUNTY ADMINISTRATOR'S BUDGET MESSAGE

participants. It would not be appropriate to initiate this change in how services would be delivered without prior Board approval so nothing has been negotiated and the budget relies, for now, on the simpler approach of cutting services to reduce the County's cost.

Reserves – We avoided drawing down reserves to support operations. Using non-recurring sources to fund recurring (on-going) needs would violate BOCC Policy 03.02.02.19 regarding a balanced budget consistent with long term fiscal health. In our major operating funds, reserves are relatively unchanged from FY 08 – i.e., we have not continued to build reserves, having met Standard and Poor's recommended reserve level in FY 08 for a AAA-rated county. Our catastrophic reserve, which is part of that recommended reserve level, reached the intended 8 percent target for the first time in FY 08. Even at that level, a catastrophic event such as a hurricane would likely still require short term borrowing to supplement available reserves and interim payments from FEMA since a variety of County revenues would be disrupted.



Use of Communications Services Tax for Fire Rescue Equipment – The Board has clarified limitations on how the portion of the Communications Services Tax (CST) reserved for fire rescue costs may be spent. Consistent with that intent, we have looked only at using additional CST revenue in FY 09 to purchase Fire Rescue equipment. Last year, the Board approved retaining a larger than normal share of CST revenue for unincorporated area operations for FY 08 and FY 09. We anticipate returning to the prior arrangement of 1-1/2 percent of the 4 percent CST going to Fire Rescue projects and equipment in FY 10.

The Impact of Public Safety Programs on the Budget – One of the misunderstood aspects of tax reform is the belief that significant reductions in revenue will not have impacts on valued public safety programs. Research on the impact of Colorado's tax reform efforts revealed two public safety programs -- law enforcement and fire protection -- in a list of five areas most impacted by tax reform. The reason is clear: these two programs account for a disproportionate share of the programs funded with property taxes and other unrestricted revenues. Property taxes account for about \$665 million of the \$924 million in recurring general revenue used in FY 09 for day-to-day operations in our two major operating funds – 71.9 percent. The impacts of tax reform and housing markets on property tax revenue clearly drive budgets.

In our unincorporated area, where we provide municipal services, property taxes account for about \$212 million of the \$356 million in recurring revenue in FY 09. Spending for the Sheriff and the Fire Rescue Department, even after accounting for the revenues they generate, will total \$208 million in FY 09 – accounting for all but \$4 million of our property tax revenue. Prior to recommended actions in this budget, spending on the Sheriff and Fire Rescue exceeded total unincorporated area property tax collections.



Insulating public safety programs that spend nearly 60 percent of recurring revenue from spending cuts would result in even more disproportionate cuts on other unincorporated programs – parks and recreation, stormwater maintenance, planning and zoning, code enforcement, surveying, emergency dispatch, and transportation.

Funding of Criminal Conflict and Civil Regional Counsel – sufficient funding is available to address a budget request received on May 19th.

Reduction in Force Process

As the Board reviews the recommended budget and raises preliminary issues for consideration through our “flagging” process, we will develop retention rosters in accordance with our reduction in force or “RIF” policy as the first step towards identifying which employees will be impacted by budget cuts. We held positions vacant during FY 08 with the intent of absorbing employees displaced by budget cuts wherever possible. Savings from those vacancies will also assist us in absorbing the cost in FY 08 of payouts for accrued leave of employees who are laid off.

Conclusion

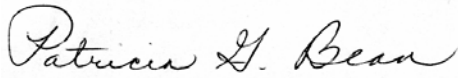
Consistent with Goal One of your Strategic Plan, this budget continues our commitment to “ensure that Hillsborough County is financially strong enough to influence its destiny by applying efficient and/or effective policies and practices.”

The task before us this year was without precedent in the more than thirty years I have served in local government. The impacts of tax reform are likely to be permanent and will shape all future budgets. Our economy will rebound and, with that, our ability to look at how to serve a community that continues to grow, although not at the same pace as recent years. That holds hope for future expansion of fire services, parks, and libraries that are currently constrained – but constantly requested.

I continue to 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. Florida jurisdictions that deferred last year's impacts of tax reform have simply compounded their difficulty in addressing their FY 09 budgets. Tax reform may have more phases to come: property owners most impacted by shifts in the tax burden resulting from the Save Our Homes Amendment have seen little relief. That will become apparent as real estate markets improve and values are restored.

I stand prepared to assist the Board in reviewing these recommendations.

Respectfully Submitted,



Patricia G. Bean
County Administrator