

## Administrator's Budget Message 2013/14 – 2014/15

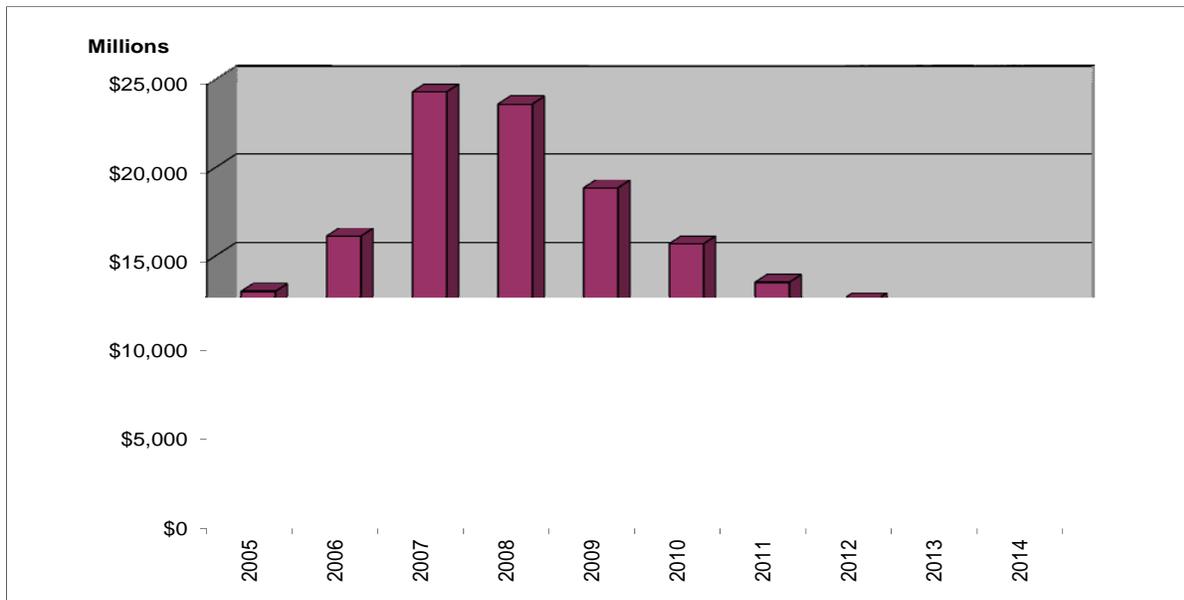
The 2013/14 – 2014/15 Budget is a transitional budget. It represents a shifting of the County's focus to the future. For the past several years Charlotte County has been in a crisis state and, of necessity, has become very adept at dealing with crisis. With this budget process we make a very conscious effort to shift our focus from being reactive to proactive.

### Crisis

Charlotte has had to contend with three broad levels of crisis since 2004. The first began on Aug 13, 2004 when Hurricane Charley swept through Charlotte County causing billions of dollars in damages. The work of cleaning up and rebuilding required extensive flexibility and oversight. Some of the impacts were:

- \$48.6 million in damages to County facilities
- Construction of 17 new facilities
- Management and documentation of 360 FEMA projects
- Total reimbursements of \$126 million
- Extensive staff turnover

Shortly after Charley a crisis of a very different nature occurred. The shortage of housing stock caused by the hurricane coupled with a building boom throughout Florida brought a huge influx of development and speculation. In fact from 2005 to 2007 the County's assessed property value doubled as illustrated in the chart below. This led to a rapid expansion of construction related services as well as recreational and environmental projects and services. During this time the County budget grew by 102% and the workforce by 40%.



Crisis number three began with the burst of the housing bubble in 2007. While all governmental entities had to contend with this crisis, the rapid expansion of the previous two years accentuated the situation for Charlotte County. But again, our organization showed its ability to deal with crisis. Rather than exhausting reserves and delaying tough decisions, the county made the difficult decisions upfront and over the next three years reduced the budget by 50%, the workforce by 40%, built reserves and consolidated the organizational structure from 17 departments to 10.

Over the past two year budget process we have focused on stabilizing the organization, giving employees and the community a chance to adapt to the changes that have been made. We have maintained levels of customer service through efficiencies, reinstated our capital replacement schedules and maintained healthy reserve levels.

## **The Future**

We know that growth will return to Charlotte County, it is only a matter of time. When it does, we don't want it to be another crisis. This budget process (2013/14 – 2014/15) set the stage for preparing for the future. The strategies for accomplishing this are:

- Focus on long range planning
- Ordinances, regulations and standards that advance Charlotte 2050, the County's Comprehensive Plan
- Ensuring efficient processes adaptable to increased volume
- Safeguarding our infrastructure
- Employ enabling technologies, especially web-based service delivery
- Retain and develop our greatest asset – our employees

## **The Process**

The process of developing the 2013/14 – 2014/15 Budget was intensive and took about nine months. As far back as December of 2012 the Board conducted a budget workshop to set direction and establish a timeline. Although there are many milestones in the process it can be broken down in to four major stages.

### **Stage 1 – Establishing Broad Goals**

The role of establishing these goals belongs to the Board of County Commissioners and the role of Administration is to ensure stakeholder input to guarantee the board has the best information possible. This was facilitated through a number of efforts

**Citizens:** A citizen survey was conducted by ICMA and the National Research Center. The National Citizen Survey is a standardized survey that makes use of statistically valid methodology, questions and sample sizes. This survey was identical to ones done in 2007 and 2010 giving the county the ability to compare not only with those results but also with 500+ governments across the nation and 34 within the State of Florida. Additional citizen input through online ranking of services and public meetings.

Employees: An on-line survey was conducted by *Business and Legal Reports, Inc., and the HR Daily Advisor*. Approximately 61% of the organization responded. This survey provided us with an assessment of our strengths and weaknesses as well as a comparison our results from 2010 and other entities that participated.

Internal expertise: To take advantage of the wide range of knowledge and expertise within the organization we brought together subject matter experts from across County departments to conduct an analysis of our Strengths, Weaknesses, Opportunities and Threats (SWOT) by BCC Focus Area. In addition we asked them to forecast what they saw as the key issues for the next 2, 5 and 10 years.

Armed with this input the BCC conducted a series of workshops where they reaffirmed their Strategic Focus Areas as listed below and articulated 60 distinct goals within those areas.

- Economic Development
- Growth Management
- Public Safety
- Human Services
- Fiscal / Financial Planning
- Water Resources
- Quality of Life
- Efficient & Effective Government

### **Stage II – Developing strategies**

During the month of March, the internal experts that participated in the SWOT analysis sessions were brought back together to generate a list of what activities or strategies were already being deployed toward the BCC goals and what additional options were available.

In April each Department met with Administration to discuss their budgetary needs and further explore potential initiatives toward advancing the BCC goals.

During the month of May a series of Board Workshops were held to present and discuss strategies and initiatives with the Board around these goals. Through those workshops the Board provided direction to the organization on specific initiatives to employ.

### **Stage III – Linking Budget to Action**

Direction to departments in preparing their budget requests was two-fold. First maintain current levels of service. Second, work with Budget and Administrative services to develop costs around efforts that would advance the BCC goals.

The product of this process is exemplified by the 5-year General Fund projection below.

**General Fund**  
**Five Year Financial Plan - Revenue/Expenditures**  
**(Thousands)**

|  | Actual<br>FY11/12 | Adopted<br>Budget<br>FY12/13 | Projected<br>Budget<br>FY13/14 | Projected<br>Budget<br>FY14/15 | Projected<br>Budget<br>FY15/16 | Projected<br>Budget<br>FY16/17 |
|--|-------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Operating Revenues</b>                        |                   |                              |                                |                                |                                |                                |
| Ad Valorem Taxes                                 | 25,001            | 24,488                       | 24,890                         | 25,388                         | 26,150                         | 26,934                         |
| State Shared Revenues                            | 13,445            | 13,471                       | 14,554                         | 14,554                         | 14,700                         | 14,847                         |
| Franchise Fees - FPL                             | 8,098             | 7,750                        | 7,750                          | 7,750                          | 7,828                          | 7,906                          |
| Carges for Services                              | 8,098             | 7,531                        | 8,115                          | 8,152                          | 8,233                          | 8,316                          |
| Other Revenues & Fees                            | 9,043             | 7,261                        | 7,558                          | 7,599                          | 7,675                          | 7,752                          |
| Less 5%-FS 129.01(2)(B)                          |                   | -2,927                       | -2,998                         | -3,002                         | -3,229                         | -3,288                         |
| Subtotal Central Svs. Chgs                       | 11,129            | 12,759                       | 13,379                         | 13,379                         | 13,379                         | 13,379                         |
| Subtotal Transfers In                            | 7,086             | 7,692                        | 7,730                          | 7,723                          | 7,723                          | 7,723                          |
| <b>Total Revenues</b>                            | <b>81,900</b>     | <b>78,025</b>                | <b>80,979</b>                  | <b>81,544</b>                  | <b>82,459</b>                  | <b>83,569</b>                  |
| <b>Expenditures</b>                              |                   |                              |                                |                                |                                |                                |
| Personal Services-Excluding Health               | 26,039            | 26,687                       | 28,852                         | 28,852                         | 29,429                         | 30,017                         |
| FRS Rates  | 1,805             | 1,859                        | 2,735                          | 2,732                          | 2,814                          | 2,898                          |
| Health & Life Insurance Costs                    | 5,314             | 5,161                        | 5,670                          | 5,637                          | 5,919                          | 6,511                          |
| Operating Expenses                               | 34,375            | 34,582                       | 35,618                         | 35,557                         | 36,623                         | 37,722                         |
| Capital Outlay                                   | 1,126             | 1,044                        | 1,077                          | 1,116                          | 1,116                          | 1,116                          |
| Grants & Aid                                     | 4,554             | 5,087                        | 5,176                          | 5,306                          | 5,465                          | 5,629                          |
| Transfers  | 9,492             | 6,951                        | 6,828                          | 6,979                          | 7,188                          | 7,404                          |
| 1.5% Budget Reduction (Cumulative)               |                   |                              |                                |                                | <b>-1,328</b>                  | <b>-2,698</b>                  |
| <b>Total Expenditures</b>                        | <b>82,705</b>     | <b>81,371</b>                | <b>85,956</b>                  | <b>86,178</b>                  | <b>87,226</b>                  | <b>88,600</b>                  |
| <b>Use of Reserves</b>                           |                   | 3,346                        | 4,977                          | 4,635                          | 4,767                          | 5,031                          |
| <b>Capital Advance from Fiscal Stabilization</b> |                   |                              | 7,500                          |                                |                                |                                |

**Stage IV – Evaluate & Adjust**

The budget is not a static document but one that is continually monitored and amended on an on-going basis. The Fiscal Division updates departmental projections on a monthly basis and conducts quarterly business meeting with departments. In addition each action brought for consideration to the Board of County Commissioners also includes evaluation and budgetary amendments that would be necessary.

One of the strengths of a two year planning process is that it allows us to conduct more thorough analysis in the second year; such as, in depth analysis of past efforts, in-depth review of proposals that were identified in the budget process and update and review of metrics.

**2013/14 – 2014/15 Budget**

The best news of this year’s budget process is that although we are seeing only a modest 1.6% increase in assessed valuation, the property devaluation that has eroded revenue seems to have hit bottom. This, coupled with estimated growth in state shared revenues allowed the General Fund to see its first revenue increase in five years. The following is a broad overview of major initiatives and adjustments that are included in the 2013/14 – 2014/15 Budget grouped within the Board’s Strategic Focus Areas.

## **Water Resources**

Establishment of a new MSBU for East / West Spring Lake Wastewater – as part of advancing the County's Wastewater Masterplan, this new MSBU was established and a project plan budget of \$17 million developed. Residents have the option of prepaying or financing over a 20 year period.

To advance both the Wastewater Masterplan and foster economic development, \$7.5 million is being advanced from the Fiscal Stabilization Reserve to install sewer main along US41 from Veterans Blvd to the Sarasota County Line. This is being done in conjunction with the State's widen of US 41 and will cost Charlotte millions of dollars less than if done as an independent project.

## **Economic Development**

Commitment to tourism as an economic generator - The Tourism Development budget is funded by a 3 cent Accommodations Tax. Over the past two years this revenue has rebounded significantly and as part of the 2013/14 Budget this is being used to finance an increase of \$275,000 for marketing, research and website development.

Leverage marketing dollars by linking state branding to local initiatives – In a combined effort with Tourism Development, Economic Development is initiating an extensive marketing program that makes use of branding and resources available from the State's "Florida: The Perfect Climate To Do Business" campaign. An increased investment of \$150,000 was included in the Economic Development budget.

## **Public Safety**

Additional Rescue Units - The Fire/EMS group currently has 11 Ambulance/ Rescue units that service all of Charlotte County including the City of Punta Gorda, with the last 3 units being added in 1998 from Sales Tax funding. Since that time three stations have been constructed with no additional Rescue Units being added. Call volumes have increased 23.6% since 2005. To address this situation the Board authorized the addition of two rescue units funded from the Capital Projects Fund at a cost of \$543,000 and 12 positions at an annual cost of \$1,125,000.

Fire Training Facility - Charlotte County no longer has a training facility and has not been able to conduct live fire burn scenarios or Technical Rescue exercises to aid in keeping personnel proficient in basic fire skills. Cost of construction for the new facility is budgeted at \$475,000 and will be paid for through impact fees. In addition to training our own personnel, the facility will generate revenue from other fire districts and training programs.

Sheriff's Budget – In 2010/11 Budget process the Board of Commissioners and then Sheriff Bill Cameron agreed to put the Sheriff's entire budget (Law Enforcement, Court Security, Corrections) into one fund and designate a portion of the millage rate to cover it. This was done to provide better transparency and accountability for the Sheriff's budget and gave the Board the option of "rolling back" the millage rate to keep the Sheriff's funding level the same despite property devaluation.

The budget submitted by the Sheriff for 2013/14 exceeded the anticipated Ad Valorem revenue by \$2.4 million. The shortfall was the result of a combination of factors: a one-time use of prior year savings, mandate increases in retirement contributions by the State' Florida Retirement System (FRS) and the inclusion of 9 new School Resource Officers to provide coverage at all elementary schools. Upon

request of Sheriff Bill Prummell the Board authorized a millage rollback of 0.2576 mills to bring the Ad Valorem revenue back to the level received in 2011/12.

### **Human Services**

Comprehensive planning - A number of community studies and plans are in progress: 10 Year Plan on Homelessness, United Way Needs Assessment, Health Improvement Plan, Transit Latent Demand Study, Transit Development Plan, Community Action Plan, Youth Development Asset Study. The County is participating and playing a leadership role in each of these efforts, but more importantly has the opportunity to develop a collaborative vision through the synthesis of these plans. As support in this effort the budget maintains support to the key community partners of Public Health, Community Behavioral Health Center and United Way.

### **Growth Management**

Land Development Regulations – updating these regulations (LDRs) is a priority goal for the Board of Commissioners and will require a significant contribution of staff time and resources to facilitate. Completion and adoption is scheduled for early 2014.

Stump Pass Management Plan - Stump pass is the inlet between the south end of Manasota Key and Palm Island in the western part of Charlotte County. The natural currents have a tendency to move sand into this pass limiting water flow and navigability. Charlotte County has made a financial commitment to keep this pass open for two reasons. The first is the environmental benefit, keeping the pass open allows for increased tidal flow into Lemon Bay. This flushing of the bay improves the growth of sea grass which in turn helps to maintain other sea life. The second reason is economic, keeping the pass open benefits tourism and the fishing industry in West County. The sand removed from the pass during dredging is placed on both private beaches on Palm Island and Stump Pass State Park to combat erosion.

The goal of the Stump Pass Management Plan is to provide a long-term maintenance and management plan of Stump Pass and renourishment of the adjacent beach area. The plan includes dredging of Stump Pass when required to sustain safe navigation; constructing and maintaining an appropriate structure, either jetty or groin, to reduce the rate of infill of sand into the pass; defining and quantifying needed sand volumes and frequency of placement with respect to renourishment of Stump Pass State Park beach and Palm/Knight Island Gulf frontage; clarifying long term environmental and physical monitoring requirements and needs. On-going funding for the initiative comes from the Stump Pass MSTU, Tourism Development, West Coast Inland Navigation District, and Boater Improvement Fund as well as one time grants and FEMA funding when necessitated.

### **Quality of Life**

Charlotte Assembly - Purpose of the assembly is to involve citizens of Charlotte County in forging and refining a blueprint for the County's future. The last assembly was convened in 2007. On Oct 16 and 17 of 2013, 125 citizens representing a cross section of Charlotte County will come together to provide input to the Board of Commissioners about issues critical to the County's future. That input will be incorporated as key elements into the County's planning process.

Enhance the aesthetics of major gateways – A landscape committee composed of staff and citizens was formed and spent several months developing a landscaping plan that defines levels of landscaping and

applicable maintenance, identifying the County's major gateways and prioritization criteria. \$400,000 for a pilot project along King's Highway is included in the budget.

### **Efficient and Effective Government**

Employee Health Center and Wellness Program – In April of 2009 the County opened an Employee Center to provide basic physician care to employees and their dependents. Since that time we have expanded on that concept by opening a larger facility, increasing the number of services provided, dispensing pharmaceuticals and implementing a wellness program that offers incentives and health reimbursement accounts. The net result has been an estimated cost savings to the County of \$9.7 million and another \$1.5 million to employees. We have also seen improvement in all of our health indicators. For 2013/14 – 2014/15 we anticipate holding health care benefit costs flat. In October, the Sheriff's Department employees will also begin using the employee health center.

Energy Initiatives – The County initiated an Energy Efficiency Initiative in 2007. Efforts have focused on ongoing retrofits such as replacing incandescent light bulbs with more efficient fluorescent or LED lighting, installing timers and motion sensors, adding window tinting and insulation where needed, solar initiatives (both photovoltaic and solar hot water heating have been installed), systems level auditing to ensure systems are running efficiently and implementing county wide energy policies. These basic ongoing measures are resulting in a 3% reduction in energy cost per year overall. During 2012/13 the County contracted to have an energy audit conducted which identified \$3.5 million worth of capital initiatives. The guaranteed savings on these initiatives is \$5.4 million over the next 15 years.

### **Fiscal Planning**

Safeguarding our infrastructure - Because of crisis identified above, Charlotte County made drastic budgetary reductions and for a time deferred capital expenditures. Over time we have reinstated replacement schedules for technology and vehicles. This budget includes an overall assessment of the condition of our buildings and the recognition that an increase in preventive maintenance is need for our parks and recreational facilities. Facilities Management has worked with Community Services and Public Safety to improve our work program process. This represents an increased budget commitment of \$400,000 including 2 full time positions and one part time.

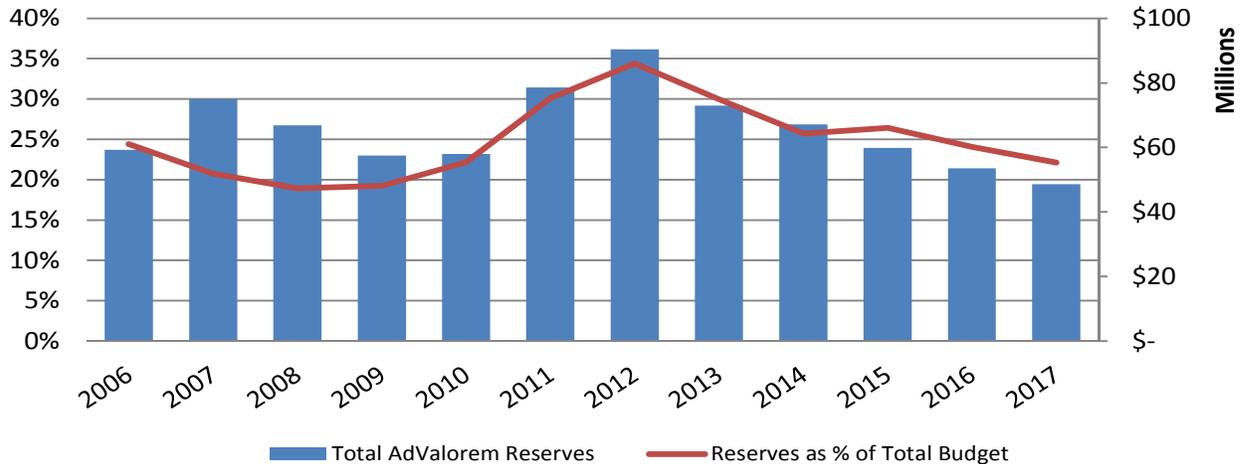
Sales Tax Extension – Florida Counties have the option to levy a one cent local sales tax for the purpose of capital construction, subject to voter approval. Charlotte County has levied that tax since 1995 and over that time has been able to budget \$325 million of capital projects. Since, the annual income from gas tax for road and bridge expansion is approximately \$4 million while the one cent sales tax currently brings about \$18 million, a predominate amount of the County's road projects have been funded by sales tax revenue. The current one cent sales tax levy expires in December of 2014 and a proposal for extending the levy for another 10 years will be on the ballot in either the primary or general election of that year. Renewal of this levy is critical to the capital infrastructure of the County.

Long Range Planning – A key component of fiscal planning is making sure that before decisions are made we project what the future implications of those decisions will be; for instance, if a capital project is approved, how will it impact future operational and maintenance costs. The 5 year General Fund projection presented above is based on the following guidelines:

- Maintain current levels of service
- Continue to identify efficiencies – target of 1.5% annually
- Sustainable replacement of capital assets
- Long range planned use of Fiscal Stabilization Reserve

Safeguarding our reserves is an important part of fiscal stability and the incremental use of the Fiscal Stabilization Reserve over the next 5 years is sustainable as demonstrated below.

## Ad Valorem Reserves



### Conclusion

Charlotte County Government and its employees are extremely resilient. As I stated earlier, we have become very adept at managing crisis and now we are taking on the challenge of declaring the future we want to be a part of, as our mission declares, “To be the energy in making Charlotte County a beautiful and enriching place to live”. The 2013/14 – 2014/15 Budget Process was a big step in that direction. The Board of County Commissioners showed true leadership in giving the organization 60+ specific goals to address. The organization provided innovative yet practical approaches toward seeing these goals accomplished.

I would like to thank the Board, our employees and the citizens of Charlotte County for making this a successful process and working toward a bright future.

Ray Sandrock,  
Charlotte County Administrator