



## 2017 BUDGET MESSAGE

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June 2, 2016

Chairman and Members of the Commission:

In the budget presented in July 2015, we illustrated there would be a difficult budget problem facing the Board in 2018 caused by two unrelated issues. First was the ongoing funding of community health care needs. Secondly, the concern of how to maintain the community's assets over the next 30 years without a revenue source dedicated to those assets. The budget I present to you today develops a plan for funding health care while maintaining a balanced budget. However, it does not solve the challenge for funding the long-term maintenance and upgrades to our roadways, parks, and public safety needs for the immediate or long-term future.

In an effort to find solutions for the upcoming 2018 issue, the Board created the Citizens Financial Structure Advisory Board. The Advisory Board met from December 2015 through April 2016, and then presented to you and the community a recommendation that they believe will not only solve the funding of this critical need but will also provide a sustainable solution to the county's budget process.

Today, I am presenting the FY17 Recommended Budget. The FY17 gross budget is \$1,167,819,982 with a net budget of \$567,921,690. Our county is seeing above average growth for the west coast of Florida which is helping our financial recovery. Our government continues to be challenged in our services and our workforce.

Although this is a balanced budget, our funding model is simply not sustainable for the long-term financial health of Manatee County. This year's budget is again reliant on reserves, albeit to a lesser extent than in years past thanks to increased property tax revenues. However, because of our heavy reliance on property taxes to fund this government, and because voter-approved mandates have limited our ability to meet local demands through property taxes, by the next budget year we face a very real possibility of needing to compromise the Board's long-standing 20 percent reserves policy in 2018. Remember, we are still in a position of deficit spending and if the Board chooses to add something to the balanced budget, an equal expense must be removed.

We have been extremely fortunate in that growth in our tax base has exceeded our expectations. Based upon the Property Appraiser's latest estimate we have increased the estimate to 9%. The additional growth has provided funding for increased state-mandated costs and critical public safety and capital needs.

Total revenues for the FY17 Recommended Budget are \$568 million which is a \$15 million increase in the total Net Budget from the FY16 Adopted Budget (exclusive of the Port). The Recommended Budget has historically been presented without the Port financial information in order to establish like trends and comparisons. The 9% growth in property values constitutes an increase of \$16.5 million in property taxes.

Although still increasing, property tax revenue is \$26.5 million less than in 2007. So, despite the fact that we have grown by 60,000 people over that time, our budget is 11% lower.

It is my recommendation to maintain tax millage rates unchanged for the 10th consecutive year. The General Obligation (G.O.) Bond established for the county is growing closer to its maturity in FY18 and as a result, has a slight decrease in tax requirements due to end of life of the bond. I have recommended placing the reduction in property taxes from the G.O. Bond within the General Fund millage and using the resulting funds to aid in payment for Community Healthcare and the Sheriff’s Department. The resulting shift in millage creates no effect on total millage levied.

Millage Summary	FY16	FY17	Difference
	Adopted	Recommended	
Countywide Operating	6.4046	6.4206	0.0160
G.O. Bond Issue	0.0280	0.0120	-0.0160
MSTU	0.6109	0.6109	0.0000
Total	7.0435	7.0435	0.0000

According to the US Census website, the most current population estimate is 363,369, which is approximately 60,000 higher than 2007 levels. The need to address the safety of our growing population remains at the forefront of our concerns. Therefore, similar to the budget I presented last year, the second year of this biennial budget prioritizes public safety and maintaining assets and service levels for our citizens. The 9 percent in additional revenues is again primarily invested in the same areas.

Those additional revenues are available to fund the following proposed investments for the upcoming fiscal year:

- The Community Paramedic program sends specially trained professionals into the community to improve access to healthcare while decreasing overall healthcare costs;
- The Marine Paramedic Rescue unit delivers advanced life support service to the residents and visitors of Anna Maria Island;
- Partial funding of 8 additional School Resource Officers (SROs) at Manatee County middle schools;
- Funding for 8 additional Law Enforcement Officers for the Sheriff’s Office.

During the economic downturn the Board of County Commissioners were faced with extremely difficult funding decisions. The Board wisely chose to avoid widespread layoffs and reductions in service to the community by prioritizing those areas of the budget. Capital investments — roads, parks and equipment repair — were funded on an as-needed basis and many of those improvements were postponed until a time when revenues improved. The time to reinvest in those capital needs has come, and we are again recommending more substantial amounts for those assets that have gone some time without repair or replacement.

To that end, I propose the following investments:

- Parks and preserves infrastructure upgrades - \$ 584,000;
- Additional unincorporated road system maintenance - \$ 1.5 million;
- Continuation of the Stormwater Discharge Maintenance Program and Contracted Street Sweeping - \$525,000.

In addition to physical asset maintenance, we have placed great emphasis over the last several years in technological improvements. By investing in our technological infrastructure, we have been able to keep pace with current technology advances. Further stages of these upgrades are included within this budget

including the public safety radio upgrades that are part of the P-25 radio system now being implemented by Manatee and Sarasota counties. Additional stages of improvement in accordance with our infrastructure upgrades continue within this budget.

Stress in the workforce remains a serious concern in our organization. We have attempted to maintain pace with the employment market in the area of employee compensation. Our Pay for Performance (PFP) program, initiated three years ago, has provided an excellent method of rewarding performance while providing a consistent application of evaluation criteria and performance rewards throughout the organization. We have again placed a 4% increase within the budget for all employees of the Board and the Constitutional offices. We anticipate that compensation increases budgeted at 4% of salaries to have a similar distribution format for FY17 although the ranges of increases may vary.

Since lowering our workforce by 300 employees since 2007, I have not recommended new positions funded by property taxes. Where employee positions have been added, they have been funded through user fees and enterprise funds. However, this year, with the growing population and heightened public safety demands I have recommended 11 new property tax-funded positions, eight for the Manatee Sheriff's Office and three for the Public Safety Department. Increased staff levels in other areas of the budget are paid through user fee-supported departments and other non-property tax revenues. The allocation of the added positions is as follows:

<b>Employee Position Increases</b>	<b>FY16 Adopted</b>	<b>FY17 Recommended</b>	<b>Increase</b>	<b>Revenue</b>
<b>Board of County Commissioners</b>				
Building & Development	105	112		7 Building Fees
Neighborhood Services	86	90		4 SW TIF Revenue
Parks & Natural Resources	61	62		1 Parks/Recreation Fees
Property Management	175	177		2 Tourist Tax-Beach Maint
Public Safety	252	257		7 Fees/Property Taxes
Public Works	399	403		4 Internal Charges
Utilities	393	400		7 Utility Fees
Subtotal	1,471	1,501	32	
<b>Sheriff's Office</b>	1,167	1,175		8 Property Tax

Throughout the economic downturn and into recovery, our budget strategies and financial policies have not jeopardized the financial health of the county. These strategies have resulted in maintained bond ratings for Manatee County even as the economy faltered. The county's ratings for General Obligation debt have been maintained at AAA and Aa1 by Fitch Ratings and Moody's respectively. Utility debt was rated at AA+ and Aa2 by Fitch Ratings and Moody's respectively in 2015. The higher ratings have allowed us to issue recent bonds and bond refundings without bond insurance or a debt service reserve, which is very rare, and results in considerable savings on the debt obligations. We recommend our current reserve policies remain in place, and other prudent financial management practices continue, so our strong ratings will be preserved for the future.

Two large issuances of debt occurred during the current fiscal year. First, the county issued \$36 million in General Government revenue debt to address several critical maintenance issues such as the P25 radio system, upgrades to jail facilities systems, and maintenance of beaches. By taking advantage of low market interest rates, the county has been able to make significant advances in maintenance and debt service.

The second debt issue was the establishment of a \$36 million credit line for design and engineering stages for the long-awaited 44th Avenue improvements. The 44th Avenue project is broken in to several

smaller stages within our Capital Improvement Program (CIP) but is considered one project. Once the project reaches the construction phase, the credit line will be replaced with a bond issuance to fund the completion of the project. Debt issuance for this project is scheduled to occur within the FY17 budget; however, as with all construction projects, timing of issuance will be initiated based upon the phase of the project. Debt service for this growth project will be paid by impact fees from the Southeast & Southwest Impact Fee zones.

The Utility system has identified several water and wastewater projects to be scheduled with debt issuance. Highlighted details are within our CIP and will be reviewed at the Board's scheduled budget review of the CIP on June 16, 2016.

As a supplement to the Budget Message, I have provided an additional document (Exhibit A, attached) that provides greater details with regard to budget issues. These issues include further details on programs such as Health Care funding for the community, increases in Public Safety expenses, and Capital Improvement Program (CIP) highlights.

The initial budget recommendation is presented in advance of the statutory timetable for the county budget process, and is based on an early estimate of property values as they stood on December 31, 2015. Official, certified values from the Manatee County Property Appraiser will be available on July 1, 2016, while the County Commission is on recess. County staff will use the July 1 numbers to update the Recommended Budget so that figures reconcile to the certified values. It is anticipated that only minor adjustments will be required, and by August 2, 2016, staff will use the reconciled figures to produce and make available to the Commission and the public an updated budget document that will conform to the statutory requirements and timetable.

We provide this initial budget recommendation before the formal start of the budget process in July in order to facilitate review by the Commission in consideration of the meeting schedule for June and August. Since this is a working budget, staff may make minor adjustments as more accurate information becomes available up until the formal July 15 budget is produced. When the July 15 budget is produced, it will include a summary of any material changes made through staff adjustments.

After the County Commission returns from the summer break, an August 2, 2016 budget work session has been scheduled so the County Commission can review the updated figures, and unresolved or "flagged" items identified in budget work sessions. At that work session you will also set the tentative millage rate that will be noticed to all property owners on the mailed "TRIM" (Truth in Millage) notices.

After today's presentation, the Commission has scheduled four budget work sessions on June 8, 14, 15 and 16, as well as a public hearing on June 16. A Budget Reconciliation meeting, at which the proposed millage rate will be certified, is scheduled for August 2. Two additional public hearings on the budget will be held in September. The September dates have not yet been scheduled. The first public hearing in September will be noticed to all taxpayers via the notices of proposed property taxes sent out by mail. The second public hearing will be noticed by a newspaper advertisement published in accordance with Florida Statute requirements.

## **CONCLUSION**

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The largest concern facing Manatee County in the aftermath of the recession is our inability to maintain aging and stressed assets and quality level of service commitments to the community. Manatee County is not unique in this regard; local governments around the state are struggling with the increased costs for roads, parks and public safety needs.

I believe our situation is more concerning than the other governments, because of our heavy reliance on property taxes. Remember, since the huge population increase from 2007 to the present, a series of voter-approved measures such as Amendment 1 and portability now limit the ability for property taxes to keep pace with local growth.

As the property values increase for our community, there is a distinct disconnect in the correlated increase in taxable values. "Save our Homes" (SOH) limits homestead taxable values from increasing to 3% or the percent change in the Consumer Price Index (CPI), whichever is less. Prior to SOH, the taxable value, upon which taxes were calculated, was equal to the market value less homestead exemption. When the market value increased, so would taxable value and therefore tax revenues to keep pace with community needs. With SOH, our county's ability to receive property taxes as home values rise is therefore limited.

The majority of our service departments such as Parks, Community Services, Neighborhood Services and areas of public safety (Sheriff and EMS) fall within the General Fund where 57% of the revenues available are based from Property Taxes. So as demand for service and costs for the services rise, the ability for the county to match costs with revenues are disconnected.

<b>Manatee County Property Taxes</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
Property Taxes	157,819,284	166,652,195	186,725,054	209,758,032
Less Save Our Homes Cap	<u>3,378,003</u>	<u>6,226,732</u>	<u>14,270,572</u>	<u>26,252,187</u>
Property Taxes Collected	154,441,281	160,425,463	172,454,482	183,505,845

In 2016, while the county received an increase in property taxes of \$14 million, another \$26 million was excluded from Manatee County's tax revenues due to 'Save our Homes' tax exemptions. The change in CPI for FY16 was .8% and for FY17 it is .7%. That's great news for homesteaded property owners in Manatee County, but a sobering reminder that absent another funding solution, the Board faces three possible scenarios in 2018:

- 1) You may continue to rely on property taxes and ask homeowners who are already paying the majority of our costs to pay more in the form of a millage increase;
- 2) You may choose to reverse our longstanding reserves policy, and balance the budget going below the 20 percent mandatory reserves. This choice, of course, could harm our stellar credit ratings and limit borrowing power in the future. This choice also leaves us vulnerable in the event of a natural disaster or other local funding crisis;
- 3) You may choose to adopt a smaller budget that will require workforce and service reductions in the community.

The Citizens Financial Structure Advisory Board recognized that relying on property taxes as our chief funding source is unsustainable for the future. It is an unfair revenue source that asks local homeowners to foot most of the bill for local government, and is limited in its ability to keep pace with local growth because of voter-approved and state-mandated tax reform. For this reason and others, the Advisory Board unanimously recommended exploring funding alternatives that will make our government sustainable for the long-term future of Manatee County.

Since 2007, the Board and our workforce have done a remarkable job continuing to meet the needs of this community. Revenues have risen, and we project additional modest growth for next year. But I believe this is the last year we will have the option to continue the "business as usual" approach to funding

local government. There is considerable stress in our workforce. There is considerable stress on our roads and infrastructure. There is considerable stress on our finances. Something considerable must change for the long-term health of Manatee County Government.

## ATTACHMENT- EXHIBIT A

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**Budget Process and Review** – This is the second year of the biennial budget process. As the second year of the budget process, the County Commission and the public have seen the issues and details of the FY17 budget during the FY16 budget process. Major issues and policies will be summarized again during the FY17 budget process. The work sessions during this second year budget process will be designed to focus only on changes recommended since last year, but there will be a review of updated Fund Summaries and the Capital Improvement Program.

**Health Insurance** – With the average health insurance plan rising at double digit percentages for both the employer and employee, Manatee County has received little growth of Health Insurance costs which provides an excellent financial position. In analysis of future costing, it would be a prudent strategic step to increase the premiums in order to maintain the excellent health of our self-insured fund. I am recommending a 4% growth of insurance premiums for the employer only. This factor has been built into the salary changes for both the Board's employees and the constitutional officers.

**Compression within our workforce** – Manatee County had a salary analysis performed to determine if pay compression produced an adverse effect within our pay scales. Pay compression is the result of the market-rate for a given job outpacing the increases historically given by an organization to tenured employees. The study provided evidence that the county needs to address areas where compression has been established. Within the FY17 Budget, a reserve of \$500,000 has been established to begin addressing the areas highlighted within the study.

**Mandates** – Manatee County is responsible for the medical expenses incurred while individuals are incarcerated at our jail facility without medical insurance. During FY16, we have already experienced significantly higher costs over prior years. As a result, a recommended \$700,000 will be added to Inmate Medical expenses in order to provide the mandated coverage.

**Health Care Spending** – The FY16 Budget provided \$6.9 million in continued support of the healthcare programs funded by the county by using non-recurring tax dollars to support the program and the remaining funds within the Healthcare corpus. The corpus was established by the funds received from the sale of Manatee Memorial Hospital and provided funding for the programs until the corpus reached its end of life in FY16.

For FY17, it had been planned for \$6.9 million to be used from non-recurring General Fund reserves to support Health Care. With the partial debt retirement of the General Obligation Bond, we are able to include \$2.9 million of recurring funds toward the \$6.9 million target and the remaining \$4 million provided from reserves. As property values continue to increase, I propose \$1 million each year be programmed for Health Care funding until the \$6.9 million total is reached in approximately 4 years.

**Pictometry** – Various departments and Constitutional offices use pictometry to provide high quality resolutions for addressing, assessing, and response activity. Pictometry is a process which captures

images by low-flying airplanes producing images from fronts and sides of buildings and locations on the ground. The process of updating the county's information occurs every two years. During the current year, the cost of \$256,000 is needed to update pictorial information. The cost of the project has been allocated among the largest users, including the Property Appraiser, Sheriff, Building & Development Services, Public Safety, Public Works and Utilities.

**Public Safety Programs** – During FY16, pilot programs for Community Paramedicine and Marine Paramedic Rescue were put in to place. Each program has been successful and both are recommended for continued funding in the FY17 Recommended Budget. Community Paramedicine reduces healthcare spending by preventing unnecessary ambulance transports and improves patient health outcomes. The Marine Paramedic Rescue provides an Advanced Life Support quick response vehicle which is stationed solely on the Island and responds to 911 calls. In addition, this unit can also perform water rescue and other lifeguard functions as necessary.

**Capital Improvement Program (CIP)** – The first year of the Five Year CIP for FY17-21 reflects some additional projects and funding requirements when compared to the FY16-20 CIP. Most of the increases are in the Utilities area of the CIP.

FY17 General Government CIP projects include the P-25 Radio Replacement project, Marble Pool Renovations, and the Robinson Preserve Environmental Center projects totaling \$8,038,449.

FY17 Solid Waste and Stormwater CIP projects include Lena Road Landfill projects, Coquina Beach Drainage Improvements, and Storm Drain Rehabilitation projects totaling \$5,570,000.

FY17 Transportation CIP projects include road projects for the following roads - 44<sup>th</sup> Avenue, Ellenton Gillette Road, Lakewood Ranch Boulevard, Rye Road, Lockwood Ridge Road, and Tallevast Road totaling \$51,362,750.

FY17 Utilities projects include Water Main and Water Line Improvement projects, and Force Main and Lift Station projects totaling \$39,757,972.

**Constitutional Officers Budgets** –The Sheriff's budget request sought an increase of \$7,020,220 over last year's budget and includes additional staffing of 37 employees. His increase requested a 4% salary increase, additional funding for District 3 office space, and the 37 employees (14 Law Enforcement Deputies, 4 Correctional Deputies, 5 Investigative Deputies, and 14 Administrative staff). Although unable to fulfill the request of 37 new employees, provisions have also been made within the budget for 8 additional employees at the rate of Law Enforcement Deputies, totaling \$1,078,146. Funding has been provided within the Sheriff's support costs for \$42,666 as an allocation of the cost of pictometry needed for the county.

Historically, the County has provided partial support for School Resource Officers (SROs) for the community. Although not located within the Sheriff's request, the FY17 Recommended Budget contains \$415,000 funding for SRO's for Middle Schools. The SRO funding amount represents half of the cost of 8 additional SROs. In the FY17 Recommended Budget, we have funded the Sheriff's 4% pay increase, employer health insurance premiums, FRS changes, SRO's and the 8 additional Deputies for a total of \$112,832,996 which represents a \$5.02 million or 5% increase from the FY16 Adopted Budget.

The Clerk of Courts and Supervisor of Elections have not requested an increase beyond their FY16 budget request.

The Property Appraiser has requested an increase to their budget of \$73,911 beyond the FY16 Adopted Budget. In addition, we have placed within the Property Appraiser’s budget an allocation of the pictometry costs to be incurred by the county for the upcoming year. Total pictometry costs are \$256,000 with \$42,666 allocated to the Property Appraiser.

The Tax Collector Budget is not submitted until August 1<sup>st</sup> however the budget reflects an increase of \$793,347 which has been estimated due to increased property tax revenues.

Constitutional Officers	FY16 Adopted	Additions	FY17 Recommended
<b>Sheriff Budget:</b>			
Sheriff Base	\$ 102,087,231		\$ 102,087,231
8 Additional Deputies		1,078,146	1,078,146
8 Additional SROs		415,000	415,000
Requested Services	5,726,839		5,726,839
Salary Reserves		3,525,780	3,525,780
	\$ 107,814,070	\$ 5,018,926	\$ 112,832,996
<b>Clerk's Budget</b>			
Clerk's Base	\$ 6,897,508	\$ (1,425)	\$ 6,896,083
Salary Reserves		173,643	173,643
	\$ 6,897,508	\$ 172,218	7,069,726
<b>Supervisor of Elections</b>			
Supervisor's Base	\$ 2,430,029	\$ (48,508)	\$ 2,381,521
Salary Reserves		33,163	33,163
	\$ 2,430,029	\$ (15,345)	\$ 2,414,684
<b>Property Appraiser</b>			
Property Appraiser's Base	\$ 4,612,481	\$ 73,911	\$ 4,686,392
Pictometry		42,666	42,666
Salary Reserves		135,110	135,110
	\$ 4,612,481	\$ 251,687	\$ 4,864,168