

County Administrator's Budget Message

Introduction

The County Administrator and Staff are pleased to present to the Board of County Commissioners and the citizens of Monroe County the adopted budget for the coming fiscal year. This budget includes not only the results of the efforts of people throughout the County Administration, but also similar efforts by the Constitutional Officers, with policy guidance and instructions from the Board of County Commissioners.

The County has continued with its successful process toward more professionalized and refined budget preparation and adoption. In previous years, the review process has progressed from one of line by line detail to one of the Board of County Commissioners dealing with policies and trends so that the budget discussions could truly become a clear indication of where the Board of County Commissioners wishes to place its priorities.

As previously approved by the Board of County Commissioners at the special meeting on February 27, 2003, the budget is presented in a new modern format. This step forward shows much more clearly the relationships among revenue sources, expenditures and personnel. The Board of County Commissioners will be able to see at one time how these fit together for the various divisions and departments. The budget, by its very nature, is the implementing document for the series of policies and programs that the County will pursue. Recognition of improvement and professionalism in the County's budget was provided by the Government Finance Officers Association (GFOA), granting the County its Distinguished Budget Presentation Award for six fiscal years 1999 through 2004.

During fiscal year 2004, many major issues developed that will have direct impacts upon the fiscal year 2005 budget and the tax rates for the various taxing districts. In Monroe County there is a tendency to dwell upon the more controversial issues, forgetting that most of what the County government does on a daily basis it does well, quietly, and without controversy. The adopted budget for fiscal year 2005 reflects the continuation of effective services, as well as responding to the more controversial issues and major challenges pertaining to state and federal funding and state mandated local government cost increases.

- The budget, tax table and millage table reflect the split of the Sheriff's budget into countywide and municipal policing functions, which first occurred in the fiscal year 2001 budget.
- The budget reflects the requirement that the Tourist Development Council provide thirty percent of revenues toward infrastructure costs.
- The budget responds to the instructions of the Board of County Commissioners to utilize fund balances according to policies established by the BOCC.
- The budget addresses the issues of employee compensation in conjunction with stated goals of the Board of County Commissioners to have adequate compensation levels to attract and retain qualified employees.
- The budget reflects the control of costs, for this year at least, in the group benefits program.

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- The budget continues to reflect the impacts of lower interest rates.
- The budget addresses some of the inequities and operational problems that occurred during the reorganization and downsizing efforts in fiscal year 2001.
- The budget includes the County's continued support for human services and social services provided by community based organizations, at an increased funding level as decided by the Board of County Commissioners and communicated to the Human Services Advisory Board.
- The budget responds to state mandated cost increases, especially in reference to juvenile justice funding.
- The budget includes funds set aside to implement the third and final installment of the settlement in the Shadek litigation.
- The budget responds to the impacts of the state government's Revision 7 to Article V of the Florida Constitution.
- The budget maintains an increased funding level for Fire/Rescue/EMS services. There are additional needs in this area and it is projected that the combination of operational budget authority and equipment funding in the infrastructure sales tax account will assist with improvement.
- The budget reflects the nearly concluded negotiations with the International Association of Firefighters and the current negotiations with the Teamsters. Also included are the budget requests from the Sheriff as a result of his discussions with the Fraternal Order of Police.

Budget Themes

The fiscal year 2005 budget is a continuation and reflection of advances made in previous years that stabilized what had previously been difficult situations in some of the funds. The policy established by the Board of County Commissioners in reference to fund balances has served to provide predictability to the availability of funds to respond to general needs and problem areas. The only exception of stability of the various funds is in the Road and Bridge fund which, as has been reported to the Board in the past, is in danger of using up its fund balance and requiring the Board of County Commissioners to shift costs to ad valorem taxation within the next few years if it wishes to maintain the same level of services.

This budget continues the progress made in various areas in previous years. As was discussed in previous budget messages, the budget presents a balanced picture of the need for fiscal conservatism and the desire on the part of the citizens for services. As in past years, a number of other themes are prevalent in the budget. Many of these will be familiar to the Board of County Commissioners since they have been major influences on the budgets for years.

- The budget responds to outside pressures that have a major impact upon the County's finances. This includes the cost of property insurance as well as the necessity of

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complying with federal mandates such as the Americans with Disabilities Act, the Fair Labor Standards Act, the Family and Medical Leave Act, Federal Department of Transportation Drug/Alcohol Program requirements, Occupational Safety and Health Administration requirements, etc.

- The budget represents changes made to the group insurance program by the Board of County Commissioners last year. It also reflects the stabilized cost of the group benefits program, at least for this year. Reference to media reports suggests that what Monroe County has been experiencing with its group benefits program is occurring throughout the country and that private and public entities are wrestling with the same problems. Twice, at the instruction of the Board of County Commissioners, the County sought responses to bids for all parts of the County's program and the entire benefit package. County consultants attempted to market the program directly to the private sector. None of the responses were substantial enough to change the program. The County will apply to the new state sponsored special risk pool for health benefits if applications are made available.
- The budget reflects continued stability in the workers' compensation fund and responds to cost changes in the risk management fund.
- The budget continues to respond to mandates upon the County government. One of the major ones is the detention facility on Stock Island and the need to maintain and protect that huge investment. Maintenance and operations are identified in both the County Administration and the Sheriff's budgets.
- The budget continues to respond to the Board of County Commissioners' policy of expanding park and recreational facilities. There are proposals for the increase in maintenance and upgrading of existing parks, including children's playground equipment, as well as the building of at least one major new park. As a result of decisions made in reference to the operation of the Upper Keys Community Pool, the Board of County Commissioners found it necessary to fund a Contract with the YMCA to operate the balance of the Key Largo Community Park. Funding in the amount of \$42,192 is included in the FY 05 budget.
- The budget responds to ongoing daily services provided to citizens. There are increases and improvements in many of these services, especially fire rescue/EMS, libraries, and growth management.
- The budget continues to respond to major long range initiatives and policies adopted by the Board of County Commissioners, including the implementation of the Comprehensive Plan, the Livable CommuniKeys Program, the preparation of new land development regulations; implementation of wastewater treatment programs, affordable housing, and the activities necessary to comply with the Administration Commission's new work program and rule. The cost of compliance with the requirements of the Carrying Capacity Study will need to be shared with other governmental levels.
- The budget responds to compensation policies established by the Board of County Commissioners. In fiscal years 2000 and 2001, a merit program was funded and

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implemented. In fiscal years 2002, 2003 and 2004, the Board of County Commissioners established an across the board compensation level for all County employees including those under the Constitutional Officers (7% for 2002, 4% for 2003, 2.4% for 2004). In addition, the Board approved a Recruitment and Retention Program. The combination of these items substantially reduced turnover in those areas under the Board of County Commissioners. In the spring of 2004, the Board of County Commissioners discussed raising the salary ranges and individual salaries by 3.4%. Additional discussions indicated that it was time for compensation levels to attract and retain employees living in this high cost economy. Other discussions with the Board of County Commissioners in reference to IAFF negotiations and the presentation by the Sheriff's Fraternal Order of Police at the Board of County Commissioners' meeting in June of 2004 resulted in expressions of a clear message of fair compensation being considered in this adopted budget. As a result, an across the board 7% increase has been approved and has been included in the FY 05 budget for all BOCC and Constitutional Officer's employees, with the exception of unionized members of the Sheriff's and Fire/EMS employees which received increases in accordance with their respective contracts still being finalized.

- The new budget format is designed to provide more focus on major issues as a result of reviewing executive level reports. These are included in the budget book. In addition, the format allows the Board and public to see the relationships among revenues, expenditures, and personnel for each part of the government. The budget is prepared according to professional guidelines provided by the Government Finance Officers Association.
- Although the budget responds very clearly to the continuing commitment of the Board of County Commissioners to fund human service and social service agencies in the community through the work of the Human Services Advisory Board, there are other requests from community organizations for additional funding. Some of these are included as they have been historically within the budget document.

This budget addresses many major issues in the County. It, therefore, is a document that will engender policy discussions by the Board of County Commissioners and clear guidance to the Administration. If there is one theme that is prevalent throughout the entire budget, it is that the County has established a strong financial position which will enable it to traverse more difficult economic times and consider major issues while it continues to provide services to the citizens. The Board of County Commissioners should not lose sight of the fact that some issues may tend to draw attention away from the substantial advances made over the last few years.

Budget Format

At the meeting of the Board of County Commissioners on February 27, 2003, the Board and the Administration discussed a new format for budget presentation. The Board approved a format which was used previously and successfully by other counties. This is a major step forward. The new format presents the centralization of division and departmental information. This format also enhances the usability of the budget document for all users.

Challenges Addressed

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It seems as though many of the challenges faced by Monroe County Government are present each year. Some of the items discussed below have been discussed in previous budget messages and substantial progress has been made. However, they have a major impact on the overall budget each year and need to be identified as ongoing activities. Some of the other items discussed are new and can be handled in one budget year. Hopefully, in addressing these major challenges, the Board can see that each budget does not exist by itself, but rather is another step in a continuing effort to provide and to improve services to the citizens.

Employee Compensation – The County has wrestled with the issue of fair and equitable employee compensation and its relationship to productivity and the quality of service. During fiscal year 1999, the Administration presented to the Board of County Commissioners a series of proposals for moving forward not only employee compensation, but also the downsizing of the work force and the improvement of productivity. The Board agreed to those proposals as the beginning of a multi-year program. These were implemented in fiscal year 2000 and continued successfully in fiscal years 2001-2003. Additionally, in fiscal year 2001 the Board agreed to adjust the salary ranges for the positions under its jurisdiction to reflect three years of consumer price index increases. Fiscal year 2002 continued with a stable workforce (no major increases or decreases). Also, the Board of County Commissioners authorized a recruitment and retention program, which had helped to reduce turnover from near 20% per year to less than 7% per year. However, at the time of adopting this budget, the turnover is currently running at an 18% annual rate.

The Administration continues an attrition program with the goal of reducing the workforce without layoffs. The reassignment of work and responsibilities also helps to improve productivity. Originally conceived as a response to the potential for layoffs as a result of the proposed incorporations, the attrition program has now become a part of reforming the manner in which County work is assigned. The program has shown signs of streamlining some County operations while reducing the number of employees.

As a result of the cutback of approximately 123 positions under the Board of County Commissioners since fiscal year 2000, many of the operating areas of the county are running very thin. Much of what the Administration does is in a crisis mode rather than developing longer range plans and implementing those plans over time. This budget reflects not only decisions made by the Board of County Commissioners in fiscal year 2004 to reverse some of this trend, but also in other areas to return to more efficient and effective operations.

The adopted fiscal year 2005 budget has a net increase of 21 positions for those areas directly under the control of the Board of County Commissioners and a total net increase of 17 positions for other areas of County government. From fiscal year 1998 to fiscal year 2005, the number of full time equivalent positions under the BOCC has decreased from 623 to 518 (18%). This has included both County-wide and municipal services.

Group Benefits Program – The County has made major strides over the last few years in correcting the previous problems associated with the group benefits program and its fund. Previously, the fund had been stabilized and strengthened. The program changed third party administrators, improving the efficiency and effectiveness with which claims are handled. The response from employees has been very positive over the last few years.

In March of 2001, the Board of County Commissioners met to review the increasing costs in

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the group benefits program. Presentations by the County's health insurance consultants, Walgreens Health Plan representatives and Keys Physician Hospital Alliance staff along with county staff served to point out the growing problems. The Board of County Commissioners wrestled with many of the issues, including changes that would impact employees, dependents, and retirees and made some adjustments to the program. The cost savings of those adjustments are estimated to be between \$400,000 and \$500,000 per year.

During the fiscal year 2004 budget preparation, the Board made some additional changes which proved to be controversial on the part of employees and retirees. However, the changes addressed the estimated increase and have served to stabilize the group benefits fund for the current year. The County is not facing major group benefits problems as it has in the past two years and it is projected for fiscal year 2005 that there is no need for any consideration of additional contributions by employees and retirees, or adjustments to the benefit level. In fact, the projected difference between the fiscal year 2004 adopted budget and the proposed fiscal year 2005 budget for group benefits is only about \$90,000. There is no need for additional taxation or other revenue enhancements and there is no need for an increase in the internal premiums paid by the County on behalf of employees or in the cost of dependent coverage or retiree coverage.

The Board should be aware that the group benefits program includes not only health care but also pharmaceutical coverage, as well as an Employee Assistance Program along with life insurance for participants. The costs of all of these are included under the premium paid by the County on behalf of the active employees and the subsidized premium paid for retirees and dependents. There is only a \$50 per month premium paid by retirees who currently receive full benefits under the program. The County also subsidizes the cost of dependent coverage by about 60%. The result is that the great majority of program costs are paid by the Board of County Commissioners through the internal premium funding process, which is supported approximately 87% by ad valorem taxation.

It should also be recognized that the program covers not only approximately 500 employees under the Board of County Commissioners but also 826 employees under the Sheriff and other Constitutional Officers. There are 629 dependents of the above stated employees. There are approximately 260 retirees covered under the program. When the Board of County Commissioners first instituted retiree coverage in 1988, there were only 12 retirees. The growth in that number, as well as the growth in health care costs, dependents' subsidy, pharmaceutical costs, major cases, etc., has contributed to a rapidly growing group benefits program, with fiscal year 2005 being a projected year of stability.

In its deliberations over the years, the Board of County Commissioners has been most sensitive to the needs of employees, retirees and dependents. The County has been slow to increase dependent contributions recognizing the direct impact upon employee take home pay, especially for more moderate income workers. It has also been of great concern that retirees felt they were irrevocably entitled to free health care after retirement, even though that is not borne by the policies that have been in place. In the past, each time there has been a discussion of the group benefits program, the Board of County Commissioners has decided either to do little in the way of major changes and thereby assuming the growing costs, or, as in March, 2001, has made some significant changes which balanced the needs of the program and the County with the covered individuals. The Board of County Commissioners is aware of the continuing problem, even as information is available about the affects

on other governments and the private sector all over the country. Changes made in the fiscal year 2004 budget have been extremely helpful in protecting the program for the employees.

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It should also be noted that the Administration has kept track of what the other public agencies have been doing over the last few years. Most of this has been reported to the Board of County Commissioners. The School Board, Aqueduct Authority, City Electric (Keys Energy Services) and others have made changes in how their programs operate. The County finds itself in a period in which it should review the program every year and make adjustments, if necessary.

The Board has also been kept informed of changes previously proposed and of those currently under review for adoption by the Government Accounting Standards Board (GASB). It became necessary to review the group benefits program, especially the free health care for retirees portion, to reduce what was an approximate \$65 million dollar unfunded liability. Changes made in 1999 by the Board of County Commissioners in reference to eligibility for the retiree benefit reduced that level to approximately \$26 million dollars. However, the County has experienced a major increase in the number of retirees, presently 260, and the trend continues. The County's consultant has indicated the exposure has risen substantially to \$90 million currently.

In April of 2003, the Board of County Commissioners considered the entire group insurance program and the need for reducing costs substantially in adjusting the manner in which parts of the program were funded. The Board decided to adjust the deductible, the medical co-pay and out of pocket limit including the pharmaceutical program, the dependent subsidy, retiree contributions, and some other specific service level benefits. In addition, the Board decided that the vision and dental parts of the program should be provided separately through employee payroll deductions as employees deem appropriate for their personal situations. The overall change was a savings of approximately \$3.8 million, approximately \$3 million of which was ad valorem taxation.

Comprehensive Plan – When the 2010 Comprehensive Plan took effect in July of 1997, the County turned its attention to implementation. Much has transpired since then and the County has been funding significant parts of that plan.

In 1999 the Governor and Cabinet, sitting as the Administration Commission, adopted a new multi-year work program requiring the County, in conjunction with a variety of other agencies, to meet certain goals over the life of the work program. In the recent years, the County has made substantial strides. Fiscal year 2005's budget includes \$726,593 for Comprehensive Plan implementation. The general work associated with the wastewater program has been funded. The capital costs are being handled mostly through the capital program. During last year, the Board decided to establish five new taxing districts to raise wastewater funds. These numbers are included in the budget figures and on the millage sheet. During fiscal year 2005 the last of these five districts (Big Coppitt Municipal Taxing Unit) will begin to collect monies to fund wastewater projects in that area.

A major effort during the year in reference to implementing and improving the Comprehensive Plan will be the continuation of the Livable CommuniKeys Program. This will continue on Big Pine Key in conjunction with the habitat conservation program and the countywide carrying capacity study. There are program areas for Stock Island and two additional areas in the Lower Keys from Little Torch to Sugarloaf and Rockland to Saddlebunch. In the Upper Keys there will be an ongoing Livable CommuniKeys Program in Key Largo and Tavernier.

Human Service Organizations – During the preliminary budget discussions, the Board of County Commissioners reviewed the level of funding available to the Human Services Advisory Board. The

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BOCC determined to have that funding at \$1,347,950. The Human Services Advisory Board recommended a total of \$1,379,500, \$31,550 above the Board of County Commissioners determined total funding. The final approved funding of The Human Services Advisory Board was adopted at \$1,404,500 for fiscal year 2005.

During fiscal year 2002, the Board established a committee with the overall responsibility for reviewing how the County handles the funding of community-based human service and social service organizations. That committee was chaired by Commissioner Spehar and brought to the Board of County Commissioners a plan for change, which ultimately was adopted by the Board with instructions to the Human Services Advisory Board for it to proceed with those changed policies and categories of services for preparation of recommendations to the BOCC. Those policies are still in place.

The Human Services Advisory Board did as requested and submitted back to the Board such proposals. Part of the proposal was to have those agencies that provide statutorily mandated services to come directly to the Board of County Commissioners. Those are listed within the budget as stand alone requests.

However, the issue does not stop there. In the Budget Messages for the proposed fiscal years 2002, 2003 and 2004 budgets, the following statement appears:

It must also be noted with some concern that the BOCC is being approached more frequently by outside organizations to increase their grants or to make up for cutbacks by state and federal programs. This makes the County the "payer of last resort" at the same time the County's state and federal funds are being reduced, especially for social services, employment training, and youth programs. The BOCC should consider a policy for dealing with this situation.

There are also additional requests from a variety of nonprofit agencies for approximately \$1,069,000 over and above the numbers from the HSAB. Additional requests for programs funded directly by the Board of County Commissioners (not through the HSAB) for new or expanded grants are as follows:

Lower Keys AARP - \$5,000 requested - a \$2,500 (100%) increase - \$5,000 granted
Middle Keys AARP - \$5,000 requested - a \$2,500 (100%) increase - \$5,000 granted
Big Pine AARP - \$5,000 requested - a \$2,500 (100%) increase - \$5,000 granted
Healthy Kids - \$39,734 - a \$1,241 (3%) increase - \$39,734 granted
Fine Arts Council - \$115,000 requested - a \$70,000 (156%) increase - \$72,500 granted
Heart of the Keys Youth - \$30,000 requested - a \$331 (1%) increase - \$30,000 granted
Big Pine Athletic Association - \$45,000 requested - a \$5,000 (13%) increase - \$45,000 granted
Upper Keys YMCA - \$13,500 requested - a \$643 (5%) increase - \$13,500 granted
Florida Keys Wild Bird Center - no previous funding - a \$20,000 request - \$14,000 granted
Florida Keys Wild Bird Center - no previous funding - a \$900,000 request - \$0 granted
Rural Health Network - \$200,000 requested - a \$50,000 (33%) increase - \$232,000 granted
Big Pine & Lwr Keys Wild Bird Ctr - no previous funding- a \$14,000 request- \$14,000 granted

For all directly funded agencies, see page F-6.

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What has been happening has been occurring for many years. Under the philosophy of devolving power back to the states, the federal government has provided states with additional responsibilities for programming and has sent less money to support the programs. Likewise, the states have been moving many programs, especially in the human and social service category, back to local communities with less funding support than previously. Since the problems in the community continue to exist, local government frequently becomes the last refuge for organizations that want to provide services to the community.

Monroe County Health Department- During the budget process the County received a budget request of \$342,034 from the Florida Department of Health. This is an 11.9% increase over the fiscal year 2004 request of \$305,660. This was approved and is included on the millage sheet. In addition, small counties waste generator contract has been approved at \$75,541 a 1.9% increase above the fiscal year 2004 request.

Solid Waste and Recycling Rates – The impact of the hurricane and tropical storm clean-up costs from 1998 and 1999 have caused some concern in reference to the rates. However, the fund balance continues to be strong and it is anticipated that the fund will stay secure. After last year's budget process, the Administration was concerned that there would need to be an increase in the residential collection rate to cover the cost of residential collection, recycling, related programs, and haul out. There has not been an increase in rates for eight years. Efforts have succeeded in stabilizing haul out rates for the past three years and next three years, doing away with various cost elements in the contract with the haul out contractor. New franchisee agreements have been negotiated and adopted. The one area of concern was the growing debt of the City of Marathon in reference to the amounts owed the County for tipping fees and haul out services. That debt has been resolved and Marathon is current with its payments. This is the ninth year in a row that there has not been an increase in the assessment.

BUDGET SUMMARY

This section will cover a number of issues with which the Board is generally concerned. These issues are highlighted to assist in an understanding of the major issues that are causing changes.

Presentation April, 2004

In anticipation of changing budget situations, the Administration presented an overview of history and issues to the Board of County Commissioners to help prepare for the budget year. The presentation covered a wide variety of issues including the ones identified below.

The presentation discussed the increasing property values in Monroe County. There has been substantial annual growth in property values and, as a result, ad valorem millages in most areas of the Keys have been reduced over the last five years, with some fluctuation as a result of the municipal incorporations. The most recent figures supplied by the Monroe County Property Appraiser indicate that property values County-wide have increased from \$14.8 billion for fiscal year 2004 to \$17.45 billion for fiscal year 2005, an 18 % overall increase. This means that properties that are not homesteaded will experience a larger tax increase than homesteaded properties.

The presentation identified a number of major issues that were important for this year's budget presentation. Included among those were a level of compensation, stabilized group benefits costs,

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insurance cost increases, the Shadek settlement, how to handle nonprofit funding, state budget issues and cost shifting to the County, and the County Commission fund balance policy. A summary of those issues showed the Board of County Commissioners the potential impacts on County government, before the Board even began considering County services.

SUMMARY OF ISSUES*

	<u>Total</u> <u>Estimated Impact</u>	<u>Ad Valorem Funds</u>
Salary Increases (per 1%)	\$600,000	\$540,000
FRS Rate Increase	\$100,000	\$90,000
Group Benefits	No increase	No increase
Insurance	\$150,000	\$135,000
Shadek Settlement	\$1,400,000	\$0
State Budget Issues –	\$166,000	\$166,000 (State shift of DJJ Costs to County- currently under litigation)

The Board did not provide specific instructions concerning the preparation of this year's budget as it had in the previous year. This is probably a reflection of the fact that this year's budget does not have the major negative impacts as the proposed budget for fiscal year 2004. However, the Board did provide some guidance in reference to its desire for adequate compensation for employees and the Administration is quite aware of the Board's concern about nonprofit funding and the rapid increase in costs.

One major issue that has caused great confusion and concern among governments throughout the State is Revision 7 to Article V of the Florida Constitution. This revises a wide variety of responsibilities for funding and implementing court related activities. The additions and subtractions from the County budget show up in a number of ways. Overall, this revision is projected to save the County approximately \$3.5 million in court related expenditures, while also decreasing certain revenues by approximately \$2.4 million previously budgeted by the County, for a net \$1.1 million decrease in expenditures.

Appropriations

The overall adopted appropriations for the coming year are in Section E of the budget book, in a form entitled "Fiscal Year 2005 Adopted Budgetary Cost Summary". The increase in the adopted budget from fiscal year 2004 to fiscal year 2005 is from \$290,096,105 to \$298,042,843 a \$7,946,738 (2.73%) increase. In reference to the operating departments under the Board of County Commissioners, the following are the changes:

Board of County Commissioners	-\$7,354,000
Management Services	+\$583,000
Public Safety	+\$465,000
Public Works	+\$6,867,000
Growth Management	+\$1,875,000
Community Services	+\$857,000
Veterans Affairs	+\$41,000
Key West Airport	+\$470,000

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Fire Rescue Services	+\$1,817,000
Guardian Ad Litem	+\$139,000
Elected Officials (Constitutional Officers)	-\$890,000
Appointed Officials and Boards	+\$3,077,000
TOTAL	+\$7,947,000
	(Rounded)

The next section will demonstrate the major changes that are impacting the proposed fiscal year 2005 budget.

Changes in Costs of Operations

Because of the concern of the Board of County Commissioners about expenditure levels, this section will be concerned primarily with the increases and decreases by division for those services directly under the Board of County Commissioners. The information contained below is included in the Budgetary Cost Summary by official/division and the backup material. All of the directly under the Board of County Commissioners include 7% to fund the compensation program for employees and for the Constitutional Officers with the exception of the Sheriff and Fire rescue employees covered by Union Contracts.

1. Board of County Commissioners – Because of the manner in which fund accounting is done in government and BOCC policy decisions, the BOCC section of the budget shows an \$-7,353,538 (-13.11%) decrease. This reflects over \$5 million reduction in budgeted transfers, over \$4.6 million reduction in debt service and a \$1.7 million increase in reserves, plus \$182,000 increase in the Human Services Advisory Board funding, plus other minor adjustments.
2. Management Services Division – The Management Services Division shows an increase of \$582,741 (2.12%). This increase is due mostly to the amount contributed to risk management and improvements in Technical Services. There are no significant changes in group benefits.
3. Public Safety Division - The Public Safety Division includes a \$464,782 increase (2.52%). The biggest increase is in Emergency Communications of slightly over \$250,000. There are other adjustments that add up to the total. It should be noted that the Marathon Airport, operating primarily as a general aviation facility, breaks even in reference to revenue and expenses and requires significantly less assistance from the Key West operation.
4. Public Works Division – This budget shows an overall increase of \$6,866,938 (9.04%). Approximately \$4.6 million of this increase is reflected in General Government Capital Projects. This is not an increase of new money but, rather, an adjustment in the timing for the development of projects. There is approximately a \$3.1 million increase in environmental projects with the same explanation. A major decrease is in the Road Department (gas tax). Nearly a \$1.9 million reduction

partially is a result of projects having been completed and partially is a result of the on going depletion of money in the gas tax fund. There is a \$845,000 increase to

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reflect

increased maintenance costs in County facilities, including the coming online of the County building in the Village of Islamorada and a new park on Big Pine Key.

5. Growth Management Division – The Growth Management budget is \$1,874,526 (18.73%) more than fiscal year 2004. This is due to a number of factors. Notable is the addition of \$1,483,703 in additional proceeds from the wastewater taxing districts. Also included are funds to assist with the payment of the Shadek settlement. There is an approximate \$543,407 decrease for the Comprehensive Plan funding.
6. Community Services Division – There is an increase of \$857,213 (14.3%). Because the departments within the Division have run tight budgets for years, the major impacts here represent changes in the costs of operating the libraries, not only including personnel but technology, and the cost of social services.
7. Veterans Affairs Department – This Department, which stands as an independent Department outside of divisions, shows a \$40,842 increase (7.9%). This is primarily the result of personnel compensation and insurances.
8. Key West International Airport – First, the Board should be aware that because of organizational changes, the Marathon Airport is budgeted under the Public Safety Division. In the adopted fiscal year 2005 budget, Key West shows a \$469,935 increase (11.4%). This is due primarily to the availability of airport funds, grants, and security requirements.
9. Fire Rescue Services – For the second full budget year, Fire Rescue Services are listed as a separate Department under a new Chief. For the proposed year, this budget, including the Upper Keys Trauma District, shows an increase of \$1,816,991 (21.38%). This is primarily the result of necessary increases in personnel, in order to increase the responsiveness and professionalism of their services, thereby increasing the protection of lives and property. With the introduction of the new Fire Chief, the Board of County Commissioners and Administration assigned him the responsibility of modernizing the joint paid/volunteer services and making it a quality service for all citizens. There are also additional costs for the proposed IAFF contract, needed equipment and advancing technology. Fire District Six (Key Largo) has increases of over \$200,000 to support its operations.
10. Guardian Ad Litem – (First time budget) – Because of changes in state funding of various programs due to revision 7 of Article V, the County is undertaking a budget of \$138, 866 for the Guardian Ad Litem program.
11. Elected Officials – Budgets for the Constitutional Officers and the County's obligations to the judiciary show an overall decrease of \$890,321 (-1.4%). This represents an approximate \$3.5 million decrease from the budget of the Clerk of the Court and \$964,000 decrease in judicial administration. These numbers are offset by the Sheriff's increase of approximately \$3.3 million, which primarily represents

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adjustments in compensation levels. Other additions and reductions are less significant to the overall numbers.

One note is that the County Administrator's budget, which currently shows an increase of \$31,000 (6.5%), mostly representing compensation changes for staff. However, the budget does not yet include any additional funds that may be required for the hiring of a new County Administrator and an overlap between the current and new County Administrator during the first three months of fiscal year 2005.

12. Appointed Boards and Officials – The overall increase in this category is \$3,077,763 (13.9%). This reflects mostly a \$2.6 million increase in TDC. Approximately \$400,000 is from the County Attorney who has been working with the Board of County Commissioners to improve the effectiveness and responsiveness of legal services in the County and to utilize less outside counsel.

There is an overall increase of \$7,946,738 (2.7%). The above numbers show that the total budget is a compilation of a variety of numbers which sometimes have direct relationships with each other. This increase is a combination of increases and decreases that have some impact upon ad valorem taxation but, in many cases, do not. An example is the Tourist Development Council increase of over \$2.6 million dollars. This increase is funded by bed taxes. Many of the compensation increases throughout the budget are directly funded by ad valorem taxation.

Personnel

Section D-1 through D-4 shows the adopted Personnel status as of the preparation of the adopted fiscal year 2005 budget. It includes information that was available from the Constitutional Officers.

In past years, the Personnel numbers have been reported on an FTE (Full Time Equivalent) basis. This means that part time employees would be listed at .5 or .4 and the total would count the addition of all the full time and part time employees.

Overall, in fiscal year 2004, Monroe County had approximately 1,339 positions that work for the Board of County Commissioners and the Constitutional Officers. Of that total, the budgeted positions for fiscal year 2004 under the Board of County Commissioners total 514 or approximately 38% of all employees working for the County (the numbers under the Board do not include grant employees, such as those working for Social Services). County employment under the Board reached 623 positions in fiscal year 1998. That was reduced to 588 positions or about 5.5% in fiscal year 1999. In fiscal year 2000 the number was reduced further to 562 positions or another 4.4% decrease. In the fiscal year 2001 the number was lowered to 507 for an additional 9.7%. In fiscal year 2002, the number was 501 positions, a further decrease of 1% plus. The fiscal year 2003 budget includes a reduction to 496 full time equivalent positions, a 1% reduction. The fiscal year 2004 budget included 493 positions, another 1% reduction. Therefore, in the last few years the overall employee count under the Board of County Commissioners has decreased by approximately 21%.

Adopted for fiscal year 2005 is an increase of 21 positions under the Board of County Commissioners. The Constitutional Officers also have a proposed increase of 12.5.

County Administrator's Budget Message

Major Issues

There are issues of which the Board should be aware in the development of this budget. Some of these have been discussed previously and are repeated here for the sake of putting them together with other issues that are part of the considerations. Some of them are as follows:

1. Fund balances have been included in the budget according to the policy decisions made by the Board of County Commissioners. One problem area is in fund 102, the Road & Bridge fund. This is supported by gas taxes and, as has been reported to the Board of County Commissioners previously, this fund is dwindling and, in the not too distant future, the Board will be faced with the possibility of supporting some of these services with ad valorem taxation. The fund is utilized not only for road and bridge improvements, but also for social services transportation and veteran's transportation. Those two categories are County-wide services.
2. Full cost allocation figures have been applied to next year's budget and are included under the budget of the Board of County Commissioners.
3. The budget includes no adjustments for either benefits or costs in the group benefits program. The changes made in fiscal year 2004 and other controls have resulted in a stable year for that fund. It is not necessary to recommend to the Board of County Commissioners any additional changes for the proposed fiscal year 2005 budget.
4. During the previous years' budget discussions, there was consideration of incentives and recruitment and retention issues. The Retention and Recruitment Program has generally been a success. In addition, the Administration has been working with educational opportunities and incentives based upon obtaining of certifications and specialized training that will benefit the employee and the County. These will continue in the coming year. It has now become apparent, as recognized by the Board of County Commissioners in the selection of the new County Administrator, that compensation adjustments for the last few years have not kept pace with costs. Once again, the cost of living in the Keys has increased significantly and the value of property has increased even more dramatically. Recruitment and retention are becoming major issues. The compensation proposal included with this budget is an outline within which the Board of County Commissioners can attempt to establish fairness for all County employees while providing the ability to attract and maintain quality people to serve the citizens.
5. The Board of County Commissioners created five municipal service taxing units for the purpose of supporting the cost of wastewater projects in Marathon, Conch Key, Bay Point, Big Coppitt and Key Largo. At present, those taxing districts are proceeding with taxation to be included in the coming fiscal year, including the activation of the Big Coppitt MSTU.

Tax Implications

Included in Section B, starting on page 42, are the millage sheets reflecting this proposed budget. The millage sheets show the trend including fiscal years 2003, 2004 and adopted 2005. The property values that underlie the millage information were derived by the Property Appraiser and show an 18% increase in values across the County.

County Administrator's Budget Message

The aggregate figure is a combination of the millage figures throughout the various taxing districts. For example, if the Board will review the "percent over roll back" column under fiscal year 2005, it will see the total services show a millage increase of 5.84%. The rollback figure is the millage rate necessary to raise the same amount of taxes next year as in the current year. Because of the increase in property values, the roll back rate came in significantly lower than the current millage rate.

It should be noted that the Local Health Unit (the State Health Department) is listed at a total taxation of \$342,034. That was an 11.9% increase above the current year. The total General Purpose Municipal Service Taxing Unit shows 3.86% increase over the roll back rate, with a very small dollar amount implication.

The Local Road Patrol Law Enforcement District shows an increase of 8.48% and the Lower and Middle Keys Fire and Ambulance District 1 an increase of 19.31%. The Municipal Service District 6, which is primarily Key Largo, shows a large increase which is due primarily to the increases in various firefighting capital equipment for this area. The aggregate then is 8.33% over the roll back figure.

The new wastewater taxing districts do not cover the entire area of Monroe County but do have an impact upon those areas. The Marathon Municipal Taxing Unit shows an increase of 18.43%, in Conch Key an increase of 48.27%, in Bay Point an increase of 29.39%, in Big Coppitt a \$70 increase per \$100,000 of taxable value and in Key Largo an increase of 20.11%. Therefore, the necessity of collection funds to support the wastewater projects has an impact upon the level of taxation to be paid within those geographic areas. The total increase in taxes to be collected is projected to be nearly \$529,000.

General Information

The general fund is divided into a number of categories. The tax collection for the library portion of the fund has been combined with other general fund activities this year. Additionally, the line "Other" includes a wide variety of general fund activities. Impacts in these lines reflect loss of interest income and state shared revenues and decreases in county funded court related expenditures.

The next line item is Law Enforcement, Jail Judicial line. This includes mostly the Sheriff's budget for county-wide services. Increases in this line item reflect the \$2.4 million of previously budgeted and collected county revenues which are now used to fund the court related expenditures outlined in revision 7 of article V of the Florida Constitution. There are unincorporated taxing districts that provide various municipal services. The General Purpose Municipal Service Taxing Unit (MSTU) includes the entire growth management, fire marshal, parks and beaches functions. Next is the Local Road Patrol Law Enforcement District. This covers the municipal policing services that the Sheriff provides in the unincorporated areas of the County.

Another municipal service that shows an increase is in the Lower and Middle Keys Fire & Ambulance District 1, which includes all of unincorporated Monroe County except for Key Largo, which is District 6, and Ocean Reef, which is District 7. During 2004, the Board created several new Wastewater Municipal Service Taxing Units. Fiscal year 2005 is the first year Big Coppitt Key is assessing taxes.

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The last number in the lower right corner of the millage sheet shows a \$5,670,105 increase in the total amount of taxation to be collected.

CONCLUSION

It should be noted at this time that the budget does include some proposals for increased County services and facilities. Notable among those is the improvement in the effort to protect lives and property to the increased funding of Fire Rescue District 1 and District 6. Additional park expansion is proposed especially in Big Pine and there is a continuing program to upgrade playground equipment for children. Attempts to address recruitment and retention and the problems of turnover and qualified employees being able to afford the Keys economy are addressed. These are problems that may never be solved but at least there is an effort being made to deal with them currently. Other state mandates such as retirement contributions that were legislated last year are reflected in the budget. Cost shifting, such as the Juvenile Justice costs are currently under litigation, and have been provided for in the general fund reserve in the event it is determined to be a county responsibility.

Each year, the State of Florida undergoes a traumatic budget process. The result is, at the very least, great consternation and nervousness on the part of County and municipal governments and the levels of funding and the programs they must operate. It can only be hoped that in the next budget year there will be a much more objective and fair approach to the funding of public services.

It must be noted that over the years, the Board of County Commissioners has maintained an extremely strong financial position and one which continues to support services and facilities as required and needed by our citizens. The current budget proposal maintains that recent history and prepares a sound base for the fiscal year 2006 budget.

County Administrator
September, 2004