

St. Johns County Administrators Hearings - April 30 through May 5, 2008

With the passage of Amendment 1 in January, revenues for fiscal '08 (yr ending Sept. '08) were reduced by nearly \$10 million and another \$75 million in reductions are estimated to be felt over the next 5 years. Due to the foresight of the staff and the Board of County Commissioners, the '08 hit has been dealt with. The budget for '09, now in its earliest stages, leaves much work to be done.

In the first cut, the '09 budget totals \$675 million, down \$32 million from the '08 total of \$707 million. The General Fund for '09 is forecasted at \$160 million down from \$178 million, by about 10%. The '09 budget includes \$136 million of capital project carry overs and the '08 budget similarly included these.

The current economy particularly as it relates to the construction and housing sectors has importantly impacted the County as well. Impact fees which are collected from developers as new structures are electrified to cover their impacts on infrastructure and services reflect this construction slump vividly. Impact fees collected totaled \$36.9 million in '06, \$39.3 million in '07, \$39.6 million in '08, but in the fiscal '09 budget they have fallen to \$18.1 million, a reduction of 54%. Similarly, user fees collected by the permitting center and by growth management are much reduced for the same reasons.

In the past, property valuations have been adjusted to just market annually providing in most recent years substantial increases in ad valorem tax revenues which represent over half of general fund receipts. This clearly will not be the case this year as both new housing starts and existing valuation are falling.

Governmental budgets must balance and unfortunately there remains a general fund deficit of \$7.7 million yet to be covered.

A good part of this \$7.7 million is created by a new expense category resulting from a change in governmental accounting practices wherein post employment benefits must be currently funded. The total of these county wide is \$7.8 million, \$4 million of which hits the General Fund.

In '08, the County operated under a hiring freeze which resulted in the first absolute staff reduction in memory and helped provide sufficient funds to handle the property tax reform measure with relative comfort.

While not operating under a hiring freeze currently, the County is under a hiring "chill" with attrition producing a similar result. There are 80 odd positions currently budgeted but unfilled, producing something like a \$5 million "bottom drawer" to help deal with the evolving shortfall.

There is much work to be done between the first cut and the resulting final budget in September and choices will have to be made.

Several areas were suggested for further analysis and we were encouraged to hear that they were already under consideration: increased employee participation in healthcare costs, and the restricted private use of county vehicles and fuel in commutation.

The County healthcare costs are reflected in the self-insuring collection accounts known as the Internal Service Funds. The County contributes to these funds as experience requires and claims are paid from them. The '09 budget is forecasted to be \$32 million, up from almost 30% from '08 total with roughly the same number of employees.

Currently the County pays all of the employees premium costs with the employee paying the additional charges for spouse, children and family coverages beyond.

The County's health insurance advisor, the Bailey Group, analyzed 11 other counties and 12 local commercial, institutional, and other government operations' practices. 6 of the counties and 9 of the others required their employees to provide some help on employee premiums. The list included Flagler College, the St. Johns County School Board and virtually all of the commercial entities.

Duval, Clay and Flagler counties operate in a similar fashion to St. Johns. The administration is looking at alternatives here but does not want to shoot itself in the foot competitively. Their emphasis is on a complete benefit package but health cost is such a prominent part of the total, and increasingly so, it deserves very close analysis.

A number of departments permit the use of county vehicles by the responsible employees in commuting to work. As an example, the Sheriff feels that allowing assigned vehicles to be permitted into the neighborhoods where they live is a positive sign of police presence. It also permits instant deployment from the officers home in times of emergency. If they had to commute to their vehicle this would not be possible. They also feel this commuting use of company vehicle has been a promised benefit at the time of employment.

Approaching the cost problem from a different vantage point, the sheriff's department is moving from Ford Crown Victorias to Chevrolet Impalas at a significant savings per vehicle, a very advantageous interest rate (2.7%) and reduced fuel expense with no loss in performance.

Fire and rescue units also are seen taking their vehicles into the community. This is explained by the fact that these units are always on call and that a full crew compliment must be with the equipment in case of a call. Obviously fuel costs are

a major element of the total and all steps that can be taken should be to reduce these expenditures, but proper protective and safety measures are equally, if not more, important.

In summary, the task for the County Administrator this year to prepare next year's budget is truly a formidable one. Right up front it entails a state-mandated 10% cut in the general fund budget. In addition it entails the consideration of a) faltering real estate market which affects property appraisals and permitting fees, b) a general slowing of the economy which will adversely affect sales tax collections, c) a quickening of inflation, d) ever-increasing medical and retirement benefits for County employees, and e) any further tax cuts that may be mandated in the November election. If this isn't enough, they also have to contend with the post employment benefit accounting change.

In light of these challenges, the direction of the new county administrator Mike Wanchick and Doug Timms and his OMB staff has been most impressive and they have only begun. Our neighbor to the north would give anything to be in the position St. Johns finds itself. This has been due to fine financial management and the foresight of the County Commission in the last 2 years in providing much needed discipline in managing the county's affairs.

Hat's Off

While the entire staff is impressive, we thought a few, in particular, deserve special acknowledgement.

Mehgan Wall, Director of Legal Aid – She makes due with a minimal budget and a minimal salary, strictly out of love for helping those in need. Her own enthusiasm for the job enables her to enlist high power, pro bono assistance from local attorneys, including the County attorneys (on their own time).

Troy Blevins, Director of Parks and Recreation – Among his many accomplishments, he managed to take the newly renovated St. Augustine Amphitheater from zero to being on the verge of breaking even financially within a very short period. In the process, the facility is offering quality and innovative entertainment with the national booking organization anxious to be involved. The General Fund is now covering \$350,000 of a \$2.5 million budget.

Maria Colavito, HHS/Mental Health Services – With a big assist from the administrator's office, she was able to reorganize the mental health department saving 20% of a \$5 million budget.

Mike Rubin, Construction Administration and Gene Burns, Facilities Maintenance – These two have been consistently competent year after year.

Mike Grace, Fleet Manager – Mike has overseen the bio-fuel operation creating diesel fuel from vegetable oil at a cost of something like a \$1.00 a gallon.

Mary Ann Blount, Real Estate, Mike Campbell, GIS, and Gail Oliver, Surveying – They too have been consistently competent year after year.

Our apologies to those that have been overlooked with this acknowledgement. As said before, the staff is of a very high quality in our view.