Members of the Board of County Commissioners:

I present to you the County Administrator's Recommended Biennial Budget for Fiscal Year 2010 (FY 10) and Fiscal Year 2011 (FY 11), which total $3.468 billion and $3.775 billion, respectively. The adopted budget for FY 09 was $4.032 billion. The reduction from FY 09 to FY 10 of $0.564 billion ($564 million) is the next impact of several large changes in underlying components of the budget. The operating budget will decline $133 million from FY 09 to FY 10 and the capital budget will decline $221 million. Both reflect economic factors that require dramatic changes in the programs we fund.

Debt service, to the contrary, is up $272 million in FY 10 as we pay off a share of our existing debt to free up operating revenues to help balance the FY 11 budget, and due to the rollover of short-term commercial paper used in our capital program. Transfers, an element of budgeting that tracks the flows between the "funds" that comprise a budget, are down $317 million from FY 09 to FY 10. While transfers are reflected in the overall budget total, they reflect good accounting but do not reflect a change in services.

The Eighth County Biennial Budget – This represents the eighth biennial budget for the Board of County Commissioners (Board). Under a biennial process, the Board develops detailed budgets for two separate years. The first year's budget is adopted in September, and covers the period October 1, 2009 through September 30, 2010. The second year's budget represents a planned budget for the period October 1, 2010 through September 30, 2011. The Board will meet statutory requirements for the FY 11 budget through an abbreviated budget update process next year and formally adopt the FY 11 budget in September 2011 public hearings.

The intent of a biennial budget process is to focus implementation of major policy decisions in a two year cycle. The biennial process is particularly germane as we face the toughest fiscal challenges of our careers because we must demonstrate that the actions needed to balance the FY 10 budget are sustainable in FY 11. As I will explain, the recession we are experiencing and – more importantly – falling property values require that FY 10 cuts be followed by additional cuts in FY 11. As difficult as the budget reductions needed to balance FY 10 will appear, those required in FY 11 cut even more deeply into long-standing programs. As we identified those added FY 11 cuts, we carved out an amount of funding reductions that I was unwilling to recommend at this time because I believe that before we cut direct service delivery further, it is necessary to restructure our County organization to reduce further the cost of providing services.

Responding to the Financial Challenges of Recession and Declining Real Estate Values

The financial challenge we face is largely a consequence of falling real estate values and sharply reduced new construction – each of which impact property tax revenue. Florida has been particularly susceptible to values that built to unsustainable levels earlier in this decade and which declined last year and continue to decline. Florida county governments are particularly reliant on property taxes. Adding to that challenge are other elements of the current recession, including lower revenues such as gas taxes and sales taxes and higher demand for some services.

Declining property values are expected to drive down our property tax collections by 13 percent in FY 10 and by an added 8 percent in FY 11. After we developed these budget recommendations, we obtained the first formal estimate of property values from the Property Appraiser but the estimate we are required to use in adopting the FY 10 budget will not be available until the end of June. Formal estimates for FY 11 will be received a year later. We relied on State revenue estimating conference estimates and informal checks with the Property Appraiser to derive our revenue estimates and they proved fairly reliable in estimating the first official estimates from the Property Appraiser for FY 10. The State estimates portray future challenges as well: property values are not projected to increase much in the three years following the two years of declines reflected in this biennial budget. This means that cuts we make to balance the budget must be overwhelmingly sustainable for the foreseeable future – i.e., we do not expect to restore the cuts that are recommended. Our Countywide General Fund faces the greatest challenge due to the high level of reliance on property tax revenue and due to greater amounts of costs that the Board does not control.

Municipal governments, while also reliant on property taxes, receive larger shares of their revenue from other sources including utility taxes, franchise fees, communications taxes, and user fees. While our Unincorporated Area General Fund – which provides municipal services to County residents and businesses in the unincorporated area – is less reliant on property taxes than the Countywide General Fund, we do not levy all of the non-ad valorem revenues that many municipalities levy so even our Unincorporated Area General Fund faced a greater challenge than many municipalities.

Other economic impacts have led to a decline in revenue based on sales tax collections, sharply lower interest earnings, and sluggish fee revenue. The impact on user fees has already led to mid-year reductions-in-force in the Building Services Division of the Planning and Growth Management Department and in the Water Resource Services Department. In both cases, we were unable to delay cutting positions until FY 10.

While the economy and the real estate market have driven current fiscal challenges, recent actions initiated by the Florida Legislature have made Florida local governments more susceptible to this recession. Concerned about local governments' use of revenue gains during the economic expansion, the Legislature imposed millage reductions in FY 08 and scheduled a referendum on tax reform (Amendment One) that, upon approval by Florida voters, drove down property tax revenues in FY 09. Our County has used much of its capacity to survive a recession without significant service reductions to meet the past two years' impacts of tax reform. At the same time, the Legislature has neglected to address a narrow sales tax base that makes the State as well as local government revenue derived from taxable sales cyclically sensitive to the economy. The State similarly failed to address the loss of revenue resulting from Internet sales that are taxable.

As a result, we will cut direct services to the public at the very time in an economic cycle that citizens and businesses most rely on public agencies.

We have not dwelled on the unfortunate hand we have been dealt, nor have we ignored the opposition to taxes that passage of Amendment One reflected. In building a balanced budget for FY 10 and in identifying the additional challenges to balancing the budget for FY 11, we have neither recommended a tax increase nor an increase in user fees other than that which the Board has previously approved. We have, however, looked at changing the course of future revenues available to balance the budget by doing what many citizens are doing – reducing our debt. We will reduce our outstanding debt significantly over the next year to free up operating revenues that can be used to sustain existing programs in FY 11. "Defeasing" $80 million in bonds issued in 2003 and 2006 will free up more than $13 million per year in non-ad valorem revenue beginning in FY 11 that is currently used to pay debt service.[1]

Efficiencies – Once again, we challenged departments to identify "efficiencies" within the budget, which we define as spending reductions with no measurable impact on service delivery or shifting costs to other funding sources to free up general revenue. Some of the savings are quite modest such as the Code Enforcement Department's reuse of file folders, but they reflect departments' efforts to drive down costs. We continue our efforts to remove artificial barriers by greater sharing of resources. Aging Services and Health and Social Services – both substantial departments but largely occupying the same floor of County Center – will share a receptionist and administrative resources. To facilitate this process of cost reduction, we held many positions vacant to help identify how to operate with fewer staff. Overall this budget reflects more than $10 million per year in new efficiencies in just our two General Funds in FY 11 and an added $ 1 million in FY 12.

In conveying his budget request to the Board, the Sheriff identified significant efforts taken in his organization to reduce and avoid costs. He has indicated his willingness to assist us in looking for further savings. To meet our needs in the next few years, we will need to strengthen cross-organizational efforts to drive down costs and that will require additional organizations to step forward with similar commitments.

Position Cuts – It is appropriate here to raise an issue that was controversial earlier in the process of preparing this budget: I understand that I alarmed some people when I spoke of the potential for 1,000 job cuts. It certainly was never an objective to cut a large number of positions but as we began working on a strategy for balancing the budget

[1] The County will establish escrow accounts to pay future principal and interest on bonds that cannot be purchased. Once the escrow accounts are fully funded, no further payments will be needed for that debt and revenue will be available for operations.

it became apparent that most people within and outside of government lacked context for the significance of the challenge we faced. Dollar amounts lose significance once one becomes comfortable with the concept of a $4 billion budget. Within the specific areas of that overall budget that are impacted by declining revenues, the impact is severe. I found that only when one converts the dollar amount of revenue losses into another "currency" – i.e., jobs – did the significance of the challenge become more understandable. As a provider of services, our operating budget is heavily based on compensation. Reducing that budget ultimately means cutting positions, contracted services, or both.

In identifying specific budget cuts, we looked for opportunities to avoid cutting positions. Also, we understood that cutting a specified number of jobs does not necessarily equate to laying off that number of employees. As I have indicated, we temporarily held vacant even positions we need to fill in the hopes of using those positions to save employees in other positions that would be cut. In the case of our afterschool recreation program, the Board authorized 150 new positions this year to expand the program. The positions were never filled because attendance did not increase and they were not needed. Those 150 jobs are included in the number of positions cut but they clearly do not impact any employees.

Certainly some positions that became vacant were critical to operations and were filled. Others that have not been recommended to be cut in this budget process have been left open temporarily so that they might be used to absorb employees whose jobs are cut but who may be saved from layoff by filling a vacancy.

Ultimately the estimate of job cuts was fairly realistic. We specifically identify 1,070 positions that will be cut from FY 09 to FY 11, of which 905 would be cut by FY 10. In addition, some organizations funded by the County have not released the specifics as to the impact of funding cuts on their positions – the Planning Commission, the Environmental Protection Commission, and the County Attorney. Specific detail on cuts appears following this budget message and additional narrative can be found in the department pages within the budget book.

As I indicate later, further restructuring and coordination between organizations funded by the Board will be required to identify the last cuts needed to balance the FY 11 budget and those efforts will likely identify added position cuts. Even as the Board reviews my budget recommendations, that restructuring effort will begin with the intent of providing detail on those recommended cuts by the end of February 2010.

The Process

As we began our internal discussions on how to address the challenges facing this budget process, we recognized the need for "guiding principals." We considered legislative mandates and duplication with other governments and the non-profit and private sectors. We considered aspects of health, safety and welfare. We considered the intensity of our impact on lives and we considered what proportion of an eligible population we touch – our "market penetration." We valued retaining our high bond ratings.

A Zero Base Budget Process – We continue to use our zero base budget process that requires departments to build their budgets from the ground up. While paper intensive, it is a process that facilitates numerous alternative funding options for each department by layering service delivery levels. Combined with a process of first considering efficiencies that can avoid service impacts, we had the ability to balance to available revenues. As one would imagine, every cut required to balance a budget becomes more difficult to accept than the last. That is partly why the cuts we made to respond to the challenges presented by tax reform in the past two years will seem much less severe than those now required to address our economic circumstances.

The County's budget is composed of numerous funding sources, many of which have legal limitations on how they may be spent. As a result, the cuts in the Recommended Budget reflect key funding sources and the programs they fund while other programs reliant on other revenues are less impacted. As I noted previously, two program areas required immediate action. In one case, we needed to respond to declining building permit revenue by reducing our permitting and inspections staffing and, in the other, we needed to respond to declining system revenue by reducing our staffing in water/wastewater operations. Grant programs are similarly dependent on restricted grant funding and in one instance; we faced the total loss of State Housing Initiative Program (SHIP) grant revenue for FY 10.

While we tend to focus much of our attention on general revenue – the least restrictive of our revenues – the budget comprises the sum of all programs and all funding sources. The budget prioritization reflected in the "decision units" that build departmental budgets is replicated for each funding source. That allows us to balance the budget within each of the separate funding areas. Some programs and departments are overwhelmingly dependent on general revenue while others have multiple sources of funding. As a result, budget cuts will appear more severe in some organizations than others even before priorities are set between programs reliant heavily on general revenue. Where an organization significantly supplements a grant-funded program with general revenue, we may cut the general revenue supplement without impairing the grant-funded portion of the program as long as grant matching requirements are still met.[2]

Various factors were considered as we addressed balancing the budget to available revenues. We considered how we interact with other service providers – the State, other local governments, non-profit providers, and businesses. Senior staff and I met with representatives of our three municipalities – Tampa, Plant City, and Temple Terrace. I met with each of the Constitutional Officers at least once as we were each assessing our needs.[3] We considered the capacity of non-profits to provide services and we coordinated with School Board representatives on common services.

Short-term opportunities are limited, but as those who have studied the restructuring of government are aware, these types of efforts typically evolve over a period of several years as common objectives are identified and as barriers to success are eliminated. One effort can move forward at this time: One is the joint acquisition of an "enterprise resource planning" (ERP) system with the City of Tampa to replace aging financial management systems and other existing automation systems used by each government.[4] The governance groups for the County and City are merging to facilitate an acquisition that may serve as the common system over time for other local government users.

The significant loss of property tax revenue in FY 10 and FY 11 most impacts three operating funds: the Countywide General Fund and the Unincorporated Area General Fund, as previously noted, and the Library Tax District Fund. The Library Tax District covers the City of Tampa and the unincorporated area. The District coordinates services with libraries operated by the City of Plant City and the City of Temple Terrace although taxpayers in those jurisdictions do not contribute tax revenue to the District. Each of these separate funds pay for a series of specific programs and the implications of lower revenues in each fund is reflected in the programs for which they pay.

In recent years, we identified the funding shortfall in an upcoming year based on what it would take to fund a "continuation budget" for that year. In essence, a continuation budget reflects repricing of the current year's budget plus any annualized impact of a cost that may have phased in the previous year and the cost of operating any completed capital projects. This year, we took a stricter look at the funding shortfall. Specifically, we considered how much existing FY 09 revenue would be available for appropriation in each of the next two years – FY 10 and FY 11. That would allow us to identify how much of the appropriations in the current year could not be sustained in the future – even at current (FY 09) prices. Any unavoidable cost increases in FY 10 and FY 11 would therefore add to the revenue shortfall and increase the need for appropriations reductions (budget cuts) or replacement revenue.

Early on, we estimated the combined shortfall in revenue for our two general funds as totaling $110 million in FY 10 and increasing by another $56 million by FY 11 – a total reduction of $166 million in FY 11 from the FY 09 level. Later estimates varied only a few million dollars each year. Before we began meeting with departments and agencies to review their budget submissions and the priorities within them, we established "benchmarks" that would be used to evaluate potential budget cuts. Using the adopted FY 09 budget for the two general funds, we subtracted the nonrecurrent component, reserves, to arrive at total appropriations. We then considered the average cut necessary in all programs to balance to reduced revenues.

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[2] Aging Services programs provide an example. Several programs are funded with grants but heavily supplemented with general revenue. Recommended cuts in the Countywide General Fund in FY 11 appear large – but the overall cutback on programs, when grants are considered, is compatible with other social service program reductions.

[3] The Constitutional Officers are the Sheriff, Clerk of Circuit Court, Tax Collector, Property Appraiser, and Supervisor of Elections.

[4] The County's share of the ERP project is fully funded by FY 10 by using a combination of countywide and unincorporated funding from capital projects reserves to supplement prior years' appropriations.

Impact of Revenue Loss on FY 10 and FY 11

Total General Funds, FY 09	$1,166 million
Less: Reserves	(162)
Equals: Total Appropriations	$1,004 million
FY 10 Projected revenue loss*	$110 million
Revenue loss as a % of appropriations	11%
FY 11 Projected revenue loss*	$166 million
Revenue loss as a % of appropriations	17%

* from FY 09 revenues

Using this calculation, it was apparent that an average cut of 11 percent would balance appropriations to estimated revenue in FY 10 and increasing that cut to a total of 17 percent from FY 09 would balance the FY 11 budget. We then recognized that the Board funds budgets for independently elected Constitutional Officers who have certain independence in their budgets. We also recognized the priority that is frequently given to certain public safety functions: police and fire. We recalculated the impact of the revenue loss to look at what cuts would be needed, on average, if we excluded the Constitutional Officer budgets and the Fire Rescue Department from the calculation:

Potential Impact of Revenue Loss on FY 10 and FY 11

Total General Funds, FY 09	$1,166 million
Less: Reserves	(162)
Equals: Total Appropriations	$1,004 million
Less: Constitutional Officers (FY 09)	(443)
Less: Fire Rescue Department (FY 09)	(116)
Equals: Remaining Appropriations	$445 million
FY 10 Projected revenue loss*	$110 million
Revenue loss as a % of remaining appropriations**	25%
FY 11 Projected revenue loss*	$166 million
Revenue loss as a % of remaining appropriations**	37%

* from FY 09 revenues

** net of Constitutional Officers' and Fire Rescue Department FY 09 budgets

While we recognized that there was no exclusion of these areas from cuts, the recalculation provided us a range that would be useful as we met with departments and agencies and considered the potential need for budget cuts from FY 09 levels. In the absence of proportionate cuts in areas we were unlikely to control, we prepared to make substantial cuts in programs directly controlled by the Board of County Commissioners. As shown in the cut, if there were no reduction in the total budget for Constitutional Officers from their FY 09 budgets, and no reduction in the Fire Rescue Department budget from the Department's FY 09 budget, then balancing the budget without added revenue would require an average 25 percent cut in remaining appropriations from FY 09 levels. As we began meeting with departments and agencies, we therefore looked at a 25 percent budget reduction as a potential reduction in each organization, with the potential for further reduction in FY 11.

The Stage is Set for Significant Program Cuts - By May 1, we received the formal budget requests for the Clerk, including the Value Adjustment Board, and for the Supervisor of Elections and the Sheriff. The remaining two Constitutional Officers submit budgets to the State for approval. We assumed a level budget for the Property Appraiser and we calculated the reduced commissions that would be paid to the Tax Collector based on smaller tax collections in FY 10 and FY 11. Overall, the commitment to Constitutional Officers is expected to drop $11.1 million from FY 09 to FY 10, or down 3 percent. By FY 11, the net reduction will only be $3.8 million or down 1 percent from FY 09.

In the case of our Fire Rescue Department, we tightened spending but avoided significant service reductions – resulting in a $2.1 million reduction from FY 09 to FY 10 (a 2 percent reduction) but no net reduction by FY 11.

We factored in changes in revenues as well. The Supervisor of Elections anticipates a reimbursement in FY 11 from the City of Tampa for the $1 million expected cost of the City's election. We also updated estimates of how much Constitutional Officers return unspent at year end – a non-revenue source known as "residual equity transfer." We used the entire portion of the Communications Services Tax that the Board has earmarked for Fire Rescue capital and operations to insulate against significant cuts in Fire Rescue operations. That revenue will need to be dedicated to existing operations on a continuing basis or Fire Rescue will need an alternate revenue source to avoid the cuts that have been necessary in other programs provided to unincorporated area residents and businesses such as stormwater maintenance, zoning, code enforcement, and recreation.

These modest reductions meant that the brunt of the budget cuts would be made in remaining areas of the budget.

Embedded within the remaining programs are some costs we cannot control – for example, we face a fixed payment to the Florida Department of Juvenile Justice for housing juveniles in State facilities and we have statutory funding obligations to the Courts for communications, facilities, and technology under the interpretation of Article V of the Florida Constitution. Some programs have varying costs but also cannot be controlled such as the tax increment payments the Board has committed to the cities of Tampa, Plant City and Temple Terrace to assist in redevelopment. We have, for now, assumed those tax increment payments will decline proportionate to the overall decline in property values. Until we receive information later this year from the Property Appraiser, we cannot fine tune those amounts.

Strategies for Balancing

Having reviewed department and agency budget priorities and knowing the scale of reductions needed to balance the budget, we identified strategies we would use. One strategy was to avoid simply deferring costs. With no expectation of strong revenue growth within the next five years, the strategies used to balance the budget need to be sustainable. Second, we sought to avoid using non-recurring sources to cover recurring costs. A focal point in the examination of local governments' budgets is whether they are drawing down reserves. As we developed the recommended budget, staff conferred with each of the bond rating agencies – Moody's, Standard and Poor's, and Fitch Ratings, as well as our financial advisor and our bond counsel. As I indicated earlier, we identified a strategy of paying down outstanding debt in FY 10 so that we could free up revenue in FY 11 that would no longer be required for debt payments. That strategy used non-recurring sources for a non-recurring use – debt repayment.[5] It facilitates using recurring revenue to cover recurring costs.

We ensured we were in compliance with Board policy limiting spending – BOCC Policy 03.05.07.00. We also carefully assessed our ability to avoid future drawdown of fund balance in the Countywide General Fund and Unincorporated Area General Fund. In each case, we assessed the impact of tighter budgeting on the unspent appropriations and excess revenues that, along with reserves, restore ending fund balance. As necessary, reserves have been increased to ensure that we carry over a comparable amount of fund balance at the end of FY 10 and FY 11 to that anticipated to be carried forward at the end of FY 09. Drawing down fund balance would equate to using non-recurring revenue to pay for recurring expenditures – a practice inconsistent with recommended practices and long term fiscal health.

Detail on specific funding recommendations for non-profit agencies may be found in the Operations and Funding Guide section of the budget document. Generally, social service agencies funded by the Countywide General Fund

[5] Several non-recurring sources were used. Some capital projects reserves were reduced based on remaining project requirements. Property tax revenue set aside in prior years for potential restoration of existing ELAPP properties has been reduced from $15 million to $5 million. The County's workers compensation fund refunded reserves that had built as a result of payments in FY 05 through FY 07 that were ultimately found to be higher than necessary, based on payouts. Premium payments were reduced in FY 08 based on claims experience and it is now clear that the "experience factor" used in the lower current payments is adequate to cover claims. About $26 million of the refund will be used to retire debt.

were identified as falling into one of three service level categories: Those that directly provide for basic human needs; those that enable a person to be self-sufficient; and those that enhance a person's quality of life. Those in the first category faced the smallest cuts. Those in the second and third faced funding cuts in FY 10 and, for the most part, were unfunded in FY 11. That phase-out will allow them to seek other funding sources over the next year. One of the largest cuts was the elimination of funding for the Arts Council.

We retained funding priorities for organizations operating County funded facilities – the Museum of Science and Industry and the new History Center. Funding for facilities operated by other governments – the Lowry Park Zoo and the Florida Aquarium – were limited to eligibility for tourist taxes.

Other Issues Embedded Within the Recommended Budget

Suspension of Pay Adjustments for FY 10 and FY 11 – The budget eliminates the employee market equity adjustment for FY 10 and FY 11 that was 2.25 percent in FY 09 and was 3.5 percent in FY 08. The market equity adjustment is intended to retain relative comparability with public and private employers. There continues to be no merit pay increase in the budget. Over time, the lack of merit pay will compound the problem of experienced employees having little or no pay differential from less experienced employees. It also means that employees in the low end of a pay range will earn significantly less than the market value of their job – the market value is intended to be represented by the mid-point of each pay range. In a period of high unemployment, employees clearly value retaining a job over pay equity. When unemployment rates recede, we will face challenges in retaining some of our most experienced employees.

Furloughs – Employees have indicated an interest in helping avoid layoffs through unpaid furloughs. In exploring this option, we recognized the value of showing our employees are helping offset revenue losses through what is, in effect, a temporary pay cut. The cost of a furlough day is proportionate to income so there is a sense of equity when higher paid employees are impacted the most.

The budget reflects five furlough days in FY 10 and three days in FY 11. Five days is equal to a pay cut of 1.9 percent and three days is equal to 1.2 percent of pay. The intent is to close down County operations to the greatest extent possible in order to save on utilities as well. Savings from a furlough are limited since they don't result in proportionate savings in benefits costs and since some programs will have to be staffed during a furlough day – notably, fire stations and water and wastewater plants. Nevertheless, we wanted employees to be able to feel they have contributed to saving jobs. Furloughs are a short-term measure for cutting costs. We anticipate they will not extend past FY 11.

Benefits Cuts – **I**n addition to holding back on any salary adjustments and imposing furloughs, we are ending a 1.5 percent deferred compensation benefit offered to all employees. That benefit was initiated several years ago as a means of competing with other employers. Cutting this benefit will not impact an employee's pay check but employees interested in saving for retirement can replace the County's contribution with their own. The reduction is intended to be permanent. We are also cutting back car allowances for County Administration staff by 20 percent.

The County provides employees access to employee health insurance. Through a competitive process, we have negotiated reasonable rates and benefits for the next two years and the Board will be considering the award of a fully insured program.

Organizational Restructuring – We have initiated some restructuring of the organization and will continue that process in the coming months. The Citizens Action Center is being substantially downsized and merged with reference staff in the Library Services Department. The merged operation will receive a Countywide General Fund subsidy but will combine similar activities into a single location. The internal Equal Employment Opportunity investigation function within Consumer Protection and Professional Responsibility will merge with the externally focused Equal Employment Opportunity office and the merger will cut a management level position. Staff involved in internal investigations will be consolidated within the Human Resources Department – realigning a key staff member from Management and Budget and another from Consumer Protection and Professional Responsibility. The contracts function within Management and Budget was found duplicative in nature to those in Health and Social Services and Affordable Housing. Two positions were shifted to Health and Social Services, a manager will be placed in a vacant Affordable Housing position, and the manager and administrative support positions in Management and Budget can be deleted. We expect similar consolidations of like functions over the next year as we continue our efforts to drive down costs.

Cutting back on layers of management continues to be a focus of this budget. I have repeatedly told my senior management that I would not balance the budget on the backs of front line workers. All departments were asked to identify cuts that would slim the ranks of management. As we worked to identify program cuts, we assessed departments' efforts to reduce management. Where we believed that effort to be insufficient, we felt it was necessary to reach into departments and begin the restructuring. These management cuts may not follow directors' priorities.

The process of streamlining management has just begun and while the management cuts reflected in budget recommendations reflect a good start, we fully expect to consolidate activities further within the next few months.

Setting Priorities – It is always difficult to accept that some activities should be eliminated in their entirety so that more pressing needs can be saved. Activities that we identified for elimination in no way reflect the quality of work performed by the staff that provided them. Ultimately, we identified activities that the State should fund but which have lacked State funding. Within the criminal justice system, the Victims Assistance program operated in conjunction with the State Attorney's Office has been recommended to be unfunded. Within County Administration, we are recommending unfunding of Consumer Protection and unfunding of Childcare Licensing activities.

On the opposite end of the spectrum, we withheld significant cuts in our Fire Rescue Department and we held back on operational funding of transportation programs provided by the Public Works and Planning and Growth Management Departments. As noted below, while we may not be able to pursue a substantial program of transportation capital projects, we have retained priority for maintaining existing transportation assets.

Transportation capital funding will be severely impacted by the need to defer capital projects that had been planned through the use of short-term and long-term debt – accessing future revenue from the Community Investment Tax (CIT) to meet current transportation needs. As we indicated a few weeks ago, we will need to defer more than $350 million in previously planned capital projects – much of that outside the six-year planning horizon used in our capital improvement program. Those projects become, in essence, unfunded. Other projects are deferred two to three years until we are able to fund them with available cash. Where we have previously approved specific projects as eligible for CIT funding through a required public hearing process, our intent is to "park" those projects and not formally remove that eligibility through another public hearing process. If they are not within our six-year CIP, however, they will still be unfunded.

Millage Impacts – Operating millage rates have been held constant for each of the next two years. Those are the millage rates associated with the Countywide General Fund, the Unincorporated General Fund (for which the millage is known as the Municipal Services Taxing Unit or "MSTU" millage), and the Library Tax District Fund. The County levies debt millage that is based on voter-approved issuance of general obligation bonds – both for our Environmental Land Acquisition and Protection Program (ELAPP) and for unincorporated parks improvements. The debt millage rates change annually based on changes in the property tax base. They decrease when the tax base increases and they increase when the tax base decreases. We were able to hold the line on debt millage increases in FY 09 with other available revenue. With the tax base declining in both FY 10 and again in FY 11, these voter-approved millages increase slightly each year for a two-year total amounting to 2-1/2 cents for each $1,000 of taxable value. Importantly, once the Board begins to issue ELAPP bonds based on County voters' approval of the $200 million November 2008 ELAPP referendum, the debt millage will increase each time the County issues bonds. Existing ELAPP bonds will mature in FY 11 while the unincorporated parks bonds mature in FY 25.

Although from an overall perspective debt millage does result in an increased tax payment, it is important to recognize where voters have explicitly approved taxing themselves. Board action that implements those voter decisions through the annual levy of debt millage should not be viewed as a tax rate change by the Board; it is truly a tax rate change approved by voters.

Conclusion

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

The economic circumstances we face are certainly not unique to this government. The recommendations laid out in this budget address the near term requirements for balancing FY 10. We have set aside a portion of the FY 11 cuts to be addressed through further examination of our organization and how it interacts internally and externally with other government agencies. It may be necessary to make further service cuts to balance FY 11 but given the significance of the cuts already reflected in this document, I felt it important to take more time to carefully consider how we might further streamline how we provide services. I seek the Board’s assistance in bringing as many potential partners to the table to consider opportunities to lower the cost of government services.

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

Respectfully Submitted,

Patricia G. Bean

Patricia G. Bean
County Administrator