

# Budget Message

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Mr. Chairman and Members of the Board of Commissioners,

On behalf of the elected officials and staff of Jackson County, I am pleased to present to you a balanced budget for the Fiscal Year which begins on January 1, 2011. We are starting to feel comfortable with an established budget cycle that includes adoption of the fiscal spending plan 6 months before implementation. We have decided to make a recommendation this far in advance of the fiscal year so that we can make any necessary adjustments before the year starts. It is important that we get on a continuous cycle so that we can strengthen our systems and processes around the budget.

## **Budget Theme & Tactics**

This year's budget theme is 'Keep the Course'. The County is in a strong financial position because of the Board of Commissioner's fiscally responsible decision making, cooperation with other elected leaders, and careful planning. This position was evidenced this year by the increase in the county's bond rating from A+ to AA. We continue to integrate your strategic plan into everything we do. We hope that this will be evident as you review this year's budget. We have made significant fiscal progress over the past several years. Our projections, however, indicate that recovery of the economy will be a slow over the next five years. Consequently, we must constantly push ourselves to do things better, cheaper, and faster.

We have continued to use long-term planning and contingency planning as a method for being responsive and agile to the changing economy. New to the budget this year is a five year projection of balanced revenues and expenditures. We have continued with conservative estimates of revenues and an effort to reduce expenditures. Lastly, we have engaged Department Heads and Elected Officials in finding short and long term solutions towards creating a structurally sustainable budget while continuing to provide a high level of services to citizens.

## **New to This Year's Budget**

Department heads and elected officials have demonstrated the county values of accountability and collaboration in preparation for this year's budget. We requested departments and agencies to define how their programs support the Board's strategic plan and to measure success in meaningful ways. In responding to this request, they have shown their aptitude to share

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knowledge, prudently manage county resources, and deliver customer-focused service as your value statements say.

In each program page you will be able to see how the services they provide relate to your strategic plan goals and how they measure community outcomes, efficiency, and effectiveness. This moves county government more closely to operating like business where we have measurable outcomes, we know how to gauge efficiency, and we are in tune with the customer. This is a new responsibility for most department heads and elected officials and so I ask for your patience as we begin this endeavor of performance measurement. More important than just posting numbers on tables is changing the culture to one that uses data and story to make responsible decisions.

### Significant Challenges

Through the budget retreat process and the work of our revenue committee, we were able to get a confident grasp on what was happening with our largest revenue source, property taxes. We know that for several more years we will continue to lose approximately 3% per year in revenue, which equates to approximately \$600,000 or \$200,000 for every 1%. Since the retreat we were surprised to learn that on the revenue side we would lose approximately \$120,000 in revenue from the Register of Deeds and another \$37,327 in revenue from the County Clerk services. The Register of Deeds revenue is directly related to lack of property transactions in the county. The revenue from the County Clerk is a combination of services such as passports, licenses, and permits that can most likely be explained by the slowed economy.

On the expenditure side of the budget, the county took a big hit on the retirement premium for members of the pension system. The county currently pays 11.22% of pension employee salaries into the retirement system. The actuarial report determined the new rate to be 13.59% which amounts to an additional burden to the general fund of \$296,471. Two other expenditure impacts posed significant challenges to the 2011 budget. Step increases came in higher than we expected, costing \$317,845 to the general fund. A reduction in support services allocation required us to increase support to the Friend of the Court by \$110,938.

### Solutions

Although the Board planned to use reserves in 2010, subsequent budget changes allowed us to balance the 2010 budget without the use of reserves or one-time revenues. As did the adopted 2010 budget, the 2011 budget contemplates the use of available reserves to balance the budget. You will see in the five year plan that we have proposed to use reserves in a responsible way and stay within the board's policy.

With the aforementioned challenges, we took advantage of several robust reserve funds to support the unanticipated expenses. We were able to decrease the transfer out to the Child Care Fund by \$531,653. Additionally, we used the Health Department Reserve Fund to pay for \$199,875 of retiree health care, which we pulled directly from the cost allocation plan. Although these are re-occurring expenses, these funds can sustain these costs for several years without jeopardizing the particular fund balances which will allow us to make further expenditure adjustments.

### **Highlights of 2011 Budget**

The 2011 budget is around \$230,000 less than the 2010 Fiscal Year budget, which represents a reduction of 1/2%. This year's budget has more than 80 fewer full-time equivalent employees than in 2004 and 5.5 less than in 2010. We hope that between now and the end of the current year, the few remaining positions not addressed through attrition will find other opportunities within the county government or on their own.

As planned in the retreat, this budget uses \$736,956 from the General Fund Reserve and \$250,000 from the budget stabilization fund. The expected fund balance at the end of 2011 will be 28.9%. The five-year plan anticipates spending \$3.2 million from the General Fund Reserve and \$1.25 million from the budget stabilization fund. This judicious use of reserves will bring the county in line with the Board's goal of maintaining a General Fund Reserve of 18%-24% as the expected reserve after 2015 will be 23.7%.

As you will recall 2010 is the final year of our revenue sharing reserve fund. The topic continues to be debated in the state legislature. This budget anticipates \$1.8 million in state revenue sharing allocations for 2011. In the event that the legislature appropriates revenue sharing for Jackson County at \$3.4 million, we recommend that the Board use this money to fund the strategic objectives. Those include an additional road patrol deputy, demolition of the Riverwalk Hotel, funding for park facility improvements, and compensation for employees.

### **Challenges for the Future**

It is my responsibility to inform you about several challenges in the coming years. As you know we have been successful at negotiating seven union contracts for no wage increases in 2010 and 2011. As I have said to you before, we need to find ways to increase compensation to employees in future years. We have to balance the expectation of increased productivity with some incentive to accomplish that productivity.

The county funds capital improvements through the use of the delinquent tax revolving fund. As you will see from our presentation, the requests far outweigh the available funding. There

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may come a time when the general fund will need to supplement the delinquent tax revolving fund to keep pace with our aging facilities. We are not at that point yet, but I feel responsible to initiate that conversation with you.

A big unknown for all of us, is the impact of national health care reform. There seems to be no shortage of experts on the new legislation, but none are able to definitively tell us how it will impact our benefit package and costs. This is one that we will just have to wait and see how it will work.

### High Performance

I want to mention a positive change in the county, the pursuit of high performance. The Administrator/Controller, Deputy Administrator, and the Improved Work Environment Team sponsored 36 managers, department heads, elected officials, and up-and-comers to a 3-day retreat on how to build a high performance organization in the 21<sup>st</sup> century. This has generated much interest amongst our leaders and has the potential to improve service delivery, management capacity, efficiency, and a positive culture. We have organized a leadership team, which is focused on implementing the precepts learned in the three day retreat. This will be a long-term effort to move the organization to higher performance.

In conclusion, I would be remiss if I did not acknowledge the extraordinary cooperation we continue to receive from department heads and elected officials in putting together this year's budget as well as the specific work of Adam Brown and Gerard Cyrocki. This was another successful year of implementing the Board's strategic plan and making difficult decisions in a participative way. Thank you for your continued support of our efforts.

Sincerely,



Randall W. Treacher  
County Administrator/Controller