

**ORANGE COUNTY BOARD OF  
COMMISSIONERS**

**ACTION AGENDA ITEM ABSTRACT**

**Meeting Date:** February 11, 2010

**Action Agenda  
Item No. 1**

**SUBJECT:** FY 2010-11 Budget Work Session

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**DEPARTMENT:** County Manager and Financial  
Services

**PUBLIC HEARING: (Y/N)**

**No**

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**ATTACHMENTS):**

**Attachment 1.** Current Financial Status  
Presentation

**Attachment 2.** Guiding Principles and  
Identified Priorities for FY  
2009-10

**Attachment 3.** Items for Board Consideration  
in Developing FY 2010-11  
Budget

**INFORMATION CONTACT:**

Frank Clifton, (919) 245-2300  
Clarence Grier, (919) 245-2453

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**PURPOSE:** For the Board to make decisions regarding development of the FY 2010-11 budget.

**BACKGROUND:**

**1) Current Year Fiscal Update**

- **Recommended Board Action** - The County Manager recommends the Board receive an update from staff regarding the County's current FY 2009-10 fiscal status.
  
- a) **Revenues** - Overall revenue collections are on target, at this point, in the current fiscal year.
  
- i) **Real Property Taxes** - Preliminary reports indicate property tax revenues, year-to-date, are consistent with past years' collection rates. Of the \$122.3 million budgeted for real property taxes, the Tax Administration Office has collected approximately 98% of total budget, or \$119.8 million as of February 5, 2010, an increase of \$4.4 million over the previous fiscal year.

Delinquent notices have been mailed and public advertisements of delinquencies are scheduled for print in newspapers this month. Garnishment of wages will begin soon.

- ii) **Motor Vehicle Property Taxes** - Motor vehicle property tax collections to-date are on target for the current fiscal year. As economic conditions have worsened, many people are trading larger more expensive vehicles, for smaller less expensive ones. Conversely, we expect that the recent federal tax credit for purchasing a new car will have a positive effect on the FY 2010-11 budget. Staff continues to closely monitor these numbers monthly and will provide additional information to the Board as it becomes available.
  - iii) **Sales Taxes** - To date, the County has received four months of sales tax receipts for the current year – July through October 2009. Out of a \$16.8 million budget, the County has received \$6.1 million. Sales tax receipts anticipated in February and March 2010 will reflect holiday sales activity. Additionally in March 2010, we expect to receive \$2.6 million in Hold Harmless Funds due to the Medicaid Relief/Sales Tax Swap.
  - iv) **Land Transfer/Construction Related Revenues** - These revenues include Register of Deeds fees and Planning/Inspections/Environmental Health permit revenues. Revenues in the area of inspections/new construction continue to reflect the slow housing market.
- b) **Expenditures** - Overall expenditures are on target at this point in the current fiscal year. Throughout the year, the County Manager has communicated a number of budget directives that have impacted 2009-10 expenditures. The list below outlines current year budget directives and guidance the Manager has issued to date:
- Continuing the County's 12-month hiring freeze on vacant positions created by the retirement incentive
  - Increasing fund balance by 2% of budgeted operating expenditures
  - Delaying capital expenditures
  - Eliminating out of state travel and postponing other travel if possible

Other counties throughout the State have continued to implement similar budget constraints and tightening measures in reaction to the slow economy and recession.

## 2) FY 2010-11 Budget Activity to Date

- **Recommended Board Action** - The County Manager recommends the Board receive information regarding staff activity to-date in preparing for the upcoming FY2010-11 budget.

The FY2010-11 Budget process will present another year of challenges. On the revenue side, there has been little or no growth in the County's tax base this fiscal year. Additionally, we do not anticipate any substantial growth in the tax base for next fiscal year. The normal growth in the real property valuation will be offset by decreases in motor vehicle valuations, foreclosures and bankruptcies. Additionally, the Commissioners have recently expressed a continued desire to avoid a tax rate increase next fiscal year.

In regards to expenditures, departments have continued to experience an increase in demands for services due to the effects of the current economic recession, such as job losses, and reductions in household income for many of our residents. These increased requests for the services of the County have placed increased demands on the funding and costs of our departments. We need to maintain fiscal responsibility due to the uncertainty of future Federal, State and local revenues.

Going forward into the new fiscal year, the outlook is promising and improving, but we need to continue with caution and fiscal restraint. The continued forecast of limited revenues mean the County must critically examine and prioritize services offered. Our counterparts throughout the state continue with similar approaches to monitor their current budgets while planning their FY2010-11 budgets.

### a) County Manager FY2010-11 Budget Preparation Directions to Departments

In order to meet the Board's FY2010-11 anticipated budget goals and priorities, it will be necessary to decrease current year spending levels. Because of this, the County Manager has provided the following direction to department directors as they prepare their FY 2010-11 budget requests.

Departments should submit FY2010-11 budget requests reflecting core services only. The dollar amount or potential percentage decreases will be determined later in the budget process.

Department Directors are expected to look critically at their departments and propose reductions in, and in some instances elimination of, non-mandated services and activities. Additionally, the County Manager expects departments to look at opportunities to outsource services to local agencies that are duplicated by the County.

## **b) Board Priorities and Exchanges**

In addition to developing guiding principles at the January 2009 retreat, Commissioners approved priorities for the County to pursue in FY2009-10. Attachment 2 reflects, in priority the approved goals and priorities of the Commissioners. The County Manager continued to emphasize and recommended the Board consider funding for the priorities separately from other budget components reductions. In accordance with the Board's guiding principles from recent years, no new services can be added without exchanging them for current services or increasing taxes. In upcoming budget work sessions, staff will provide details about fiscal impacts to the goals and priorities established at this work session.

## **3) BOCC FY 2010-11 Budget Decisions and Guidance**

**Recommended Board Action** — The County Manager recommends the Board make decisions that provide direction to staff in developing the FY 2010-11 budget.

Staff highlighted historical trends in Orange County's revenues and appropriations at the Board's November 14, 2009 retreat. During that conversation, staff engaged the Board in a preliminary conversation about a number of budget drivers, including a target tax rate and funding for schools that would affect the upcoming budget for FY2010-11. Attachment 3 is a copy of the preliminary known issues in preparing the FY2010-11 budget. Some of the major issues influencing the FY2010-11 budget are as follows:

- Property and Sales Tax Growth is expected to remain stagnant with only an anticipated increase of .50%.
- Salaries will be budgeted at 100%.
- Increases in fringe benefits and retiree cost of \$1.9 million in FY2010-11.
- Debt service costs will increase approximately \$2.5 million in FY2010-11.

This handout highlights a number of budget drivers that will influence the upcoming budget. The County Manager recommends Commissioners make decisions at tonight's work session to guide in developing the FY 2010-11 budget.

**FINANCIAL IMPACT:** Financial impacts are included in the Background section.

**RECOMMENDATION(S):** The Manager recommends the Board of County Commissioners:

1. Receive an update from staff regarding the County's current FY2009-10 fiscal status.
2. Receive information regarding staff activity to-date in preparing for the upcoming FY2010-11
3. Make decisions that provide direction to staff in developing the FY2010-11 budget.
  - (A) Board stance related to increasing the property tax rate vs. reducing service levels, programs or support for external agencies.
  - (B) Board stance on pursuing the option ¼ cent local sales tax in support of specific programs or services (Manager input).
  - (C) Board stance on a deferral, delay on readdressing proposed capital projects.
  - (D) Other discussion/direction at the option of the board.