

As we prepare for the 2013 budget year, we are being asked why the County's budget situation is slow to improve while other public agencies seem to be getting better?

There are a number of critical concerns that have a great deal of influence on decision making for the 2013 budget. The following provides a summary of the County's current situation and the primary contributing factors and issues which affect the 2013 budget.

In a nutshell:

The economic downturn began in 2008. During this time, County revenues have *decreased* while demand for services, primarily in law enforcement and inflationary expenses such as health care costs, have *increased*.

Reduced revenue:

- Between 2008 and 2010, general revenue sales tax collections *decreased* by \$900,000.
- The actual impact to the General Revenue (GR) fund is nearly *double* this amount, since shortfalls in the Law Enforcement Sales Tax (LEST) fund must be paid from General Revenue. The combined decrease in GR plus LEST sales tax between 2008 and 2010 was \$1.8 million.
- It is important to note that sales tax is the largest component of the GR budget making up about 33% or 1/3 of all revenue. It is also the most *volatile* component of revenue.
- Additionally, building fees and recording fees *decreased* by nearly \$500,000 between 2008 and 2011.

Increased costs:

Law Enforcement

- In 2008 law enforcement consumed 55.3% of the General Revenue budget, totaling \$20.6 million. By 2012 law enforcement services consumed 65.6%, or \$22.6 million of the total budget of \$34.5 million, an *increase* of \$2 million.

IMPORTANT NOTE: "Law enforcement" as referred to above includes the following divisions of the General Revenue budget: Circuit Courts, Circuit Clerk, Juvenile Court, Juvenile Detention, Juvenile Grants, Prosecuting Attorney, Prosecuting Attorney Special Projects (Title IV-D Child Support Division), Sheriff, Sheriff Special Projects (HIDTA), Jail, Pre-Trial Services, Medical Examiner, Vehicle Operations – Sheriff, Prosecuting Attorney, PA Title IV-D, Juvenile, Pre-Trial Services, Vehicle Fuel – Sheriff, Petit Jury Script, Rent for Public Defender, the Judicial Building Lease (bond payment), and General Revenue support for the 1997 Law Enforcement Sales Tax fund.

- While private business activity slowed down as a result of the economic downturn, demands upon the criminal justice and juvenile justice systems have increased. Our departments in the criminal justice system have done an outstanding job in controlling costs and raising revenue wherever possible.

- *We simply can't keep pace with the need.*

Health insurance

- The County has maintained its commitment to provide health insurance coverage and other benefits for its employees. Even with concerted efforts to minimize increases, health insurance premiums still *increased* by 22.6% or \$504,000 between 2008 and 2012.
 - *Bottom line?: \$2.3 million reduction in sales tax and fees for building, planning, and recording fees, plus \$2.5 million increase in cost of law enforcement services and health Insurance benefits, equals \$4.8 million annually which had to absorbed in the 1/3 of the GR budget for all other non-law enforcement services*

Some good news

- The additional 1/8-cent law enforcement sales tax passed in 2012 will help greatly. Funds from this new tax will be used to provide badly needed additional personnel, which could not otherwise be afforded. That said, this dedicated funding source, does not provide any relief for the general revenue fund or the present law enforcement sales tax fund.

So, what have we done to control costs?

- Salary increases were placed on hold. Greene County employees have not received raises of any type since 2008.
- A hiring freeze was put into effect. *However*, essential positions in law enforcement had to be re-filled.
 - Did this impact other departments? Yes -- For example 1/3 of the staff in the Building and Planning Departments has been eliminated.
- Budgets for all non-law enforcement functions in General Revenue were decreased by over 25%.

What does this really mean to Greene County?

- A 21% cut in funding for public health services.

- Elimination of funding for Community Services, the Child Advocacy Center and Court Appointed Special Advocates (CASA).
- Budget for University Extension reduced by 90% to the \$10,000 minimum required by State law.
- Cuts in any *discretionary* expenses. Travel and training in non-law enforcement budgets have been cut by over 70%, office supplies by 30%. (91% and 59%, respectively for departments directly under the County Commission). Greene County's mileage rate is lower than comparable agencies at 41 cents per mile.
- The only travel or training allowed to be paid from General Revenue is that which is *mandatory* for the function of the office. This includes the County Commission which has had all reimbursement for travel and other expenses eliminated. All other travel and training must be funded by grants or special funds.
- Building maintenance has been deferred. Fortunately, in 2011 we received a \$1.1 million bond for energy performance improvements. This has allowed us to make critical repairs to heating and cooling systems without cost to General Revenue.
- Computer software and hardware upgrades have been deferred to the point where they can no longer be supported by hardware and software suppliers.
- Departments are using grants and special funds, such as the Sheriff's fee fund and Prosecutor's bad check fund, as much as possible for equipment and training.

One step forward – two steps back.

Sales tax revenues recovered somewhat in 2011, but still remained \$600,000 below 2008 levels for GR plus LEST. Sales tax has remained level in 2012. We also saw a modest increase in total revenue; however sales tax growth was hurt by a Missouri Supreme Court ruling which *eliminated* sales tax collections on out of state vehicle sales.

These gains were outweighed in 2012 due to election expenses, along with the following unbudgeted and unforeseen expenses:

- Greene County is required by law to pay the cost of the primary and general elections. This *added* over \$700,000 to the budget in 2012.
- A defect was discovered in the connections securing jail bunks to the wall, long after the warranty period had expired, costing nearly \$330,000.

- A payment of \$1.35 million for the regional Crime Lab was due. This was partially offset by sale of property and collection of pledges from surrounding cities and counties. However, it still resulted in a net cost of nearly \$300,000 to GR.
- Nearly \$955,000 had to be paid to resolve a payroll obligation which had accumulated since the conversion from a monthly pay period to a bi-weekly pay period in 1999. This cost had been postponed in 2010 and 2011, but could no longer be put off.
 - *Bottom line? The net cost to General Revenue for these items was \$2.3 million.*

Even more critical? Cash reserves.

Cash reserves are critically low.

A healthy balance for cash reserves is three months of operating expenses or \$8.5 million from the General Revenue fund.

- *Bottom line? Greene County is at a point where cash reserves cannot be allowed to be reduced any further.*

The 2013 Budget Outlook

- Due to uncertainties with the economy and low cash reserves, we have to budget very carefully. Cuts have been made to balance the budget assuming that revenue will decrease by about 3%.
- The 1997 Law Enforcement Tax fund is projected to have a *deficit* of \$1.6 million.
- More cuts in General Revenue expenses are required to compensate for both of these factors.
 - *Bottom line? It is imperative that the General Revenue cash balance be improved by year end. This has required additional cuts in spending in order to restore a contingency reserve for unexpected expenses.*

Looking ahead...

- The County is now entering its fifth year with no improvements in employee salaries. Increases in health care cost have actually *decreased* effective pay for County employees
- We continue to risk further cuts in State funding for law enforcement and public health services.

- For example, the Missouri General Assembly reduced the “per diem” reimbursement for state inmates held in the County jail from \$22.00 to \$19.58 in 2010. (The maximum allowed by statute is \$37.00; however, the State has never paid this amount.)
- We have requested that the State make no further cuts to County reimbursements. We will not know what actions the State will make until the conclusion of the 2013 legislative session in May.
- Payments for the County Neighborhood Districts (Jamestown and Wilson’s Creek) that remain outstanding on December 31, 2012 could become a significant liability to General Revenue.
- \$1.1 million in annual support from General Revenue for bond payments for the new Public Safety Center will begin in 2016.
- We are adding a significant amount of staff (105 new positions) with the new 1/8-cent LEST. However, we were not able to afford additional support personnel for computers and equipment, personnel support, or building maintenance staff. For example, we have three full time staff in our Human Resources Department for 700 employees, a ratio of 1 to 233. This compares to ratios of 1:56 and 1:100 for our sister agencies. When we add the new positions our ratio will decrease to 1:268.
- While we have been creative in finding ways to provide new building facilities without any present impact on General Revenue, we have not been able to add building maintenance or computer support staff for these facilities.
- We cannot continue to defer building maintenance items without risking significant damage and repair costs.
- We risk significant re-licensing and replacement costs if we continue to defer computer software and hardware upgrades.
- The Assessor’s Office operates on revenue from a fee collected and distributed by the State. This fee has been cut by 50% over the past few years and additional cuts are being considered. Should the State legislature make additional cuts to funding for the Assessor’s office, expenses will have to be paid from General Revenue.
- We continue to postpone improvements to the County’s pay scale. As a result we are having difficulty keeping experienced staff and attracting qualified staff in a number of key areas.