BOARD OF COUNTY COMMISSIONERS
20 NORTH MAIN STREET • ROOM 263 • BROOKSVILLE, FLORIDA 34601
P 352.754.4002 • F 352.754.4477 • W www.HernandoCounty.us

September 22, 2020

Honorable Chairman and Members
Hernando County Board of County Commissioners
20 North Main Street, Room 263
Brooksville, Florida 34601

Dear Commissioners:

It is my pleasure to present to you and the citizens of Hernando County the Fiscal Year 2020-21 Budget. This budget represents the priorities, policies, and insurances that the basic services to the citizens of Hernando County are funded and will be provided. The budget contains my plan of funding to implement the projects, services and initiatives that have been established by the Board of County Commissioners (BOCC). This budget has been developed with input from County departments, senior staff, requests from Constitutional Officers, input from citizens, and my determination of maintaining sustainable funding levels, needs, and priorities.

The current approved budget, with conservative spending and higher revenues received than anticipated, has allowed for an estimated cash carried forward balance in the General Fund of $24,878,032 ($1,094,104 dedicated to Library grants and $783,925 for space needs).

The COVID (19) virus has caused a loss of revenue for the current year and is predicted to continue to cause additional loss of revenues for FY 20/21. The County has seen a loss of revenue is Sales Tax, State Revenue Sharing, Tourism Bed Tax, and Gas Tax. We estimate the loss of revenue for the current year will be over $1 million in the General Fund, $1.4 million in fuel taxes and $289,000 in Tourist Development, estimating an overall loss of $2,689,000. The County has also experienced unexpected costs countywide, as well as from all Constitutional Officers responding to the COVID (19) virus. The current and future expenses for COVID (19) are anticipated to be reimbursed to the County utilizing the recent CARES Act funding the County can receive from the State of Florida.

The uncertainty of the economy going forward is a concern. Restrictions on the ability for businesses to operate, consumer confidence in a safe environment, and a stable economic situation will factor in the revenue we receive next year from Sales Tax and State Revenue Sharing. Estimated revenue figures, provided by the State, have reduced revenue budget estimates for FY 20/21 from Sales Tax, State Revenue Sharing, and Tourism Bed Tax. Estimated Sales Tax figures are over $1 million less than current year budget figures. State Revenue Sharing revenues are estimated to be decreased over $600,000 and Bed Tax an estimated loss over $400,000.

This budget contains a total of $115,677,127 in Capital Improvement projects. Due to past financial considerations and decisions, significant General Fund capital projects have been postponed. This budget contains a proposed $3,274,000 in General Fund Capital Improvement projects, including the ERP Software System ($1,400,000 of $2,000,000 total budgeted) for the

BOCC and Clerk of Circuit Court, paving of the Westside Government Center parking lot ($200,000), and Government Center fire alarm upgrade ($200,000).

Significant improvements are also funded for required school zone upgrades, various jail improvements, including a new generator, and roof replacement. Construction of Fire Station 5, and improvements to Fire Station 2 are funded FY 2021, as well as a splash park at Anderson Snow Park.

Economic development infrastructure will be funded this year with the construction of Telecom & Technology Drive at the Airport, Cyril Drive Bypass project, and the Runway improvements. The Disaster Recovery funds established last year are continuing to be budgeted in Solid Waste to provide adequate financial resources for hurricane storm debris removal. The final payment for the loan from the General Fund to the Hernando County Fire Rescue will be made this year.

The Florida Retirement System County participation rates (highest class increase of 2.51%) increased significantly this year. We have budgeted salary increases for non-bargaining employees at three (3%) percent. The contract for bargaining position employees is currently under negotiation. Cost of health care continues to rise for the County; however, we have been able to limit cost increases due to the operation of the County's wellness center. The County level of funding contribution has remained the same.

The County is growing, both in residential and commercial development. This year, based on the Property Appraiser's Certified Taxable Value, the current rate of property value is anticipated to grow 8.68%. This added a taxable value increase of $796,675,172. Hernando County is located within an area that is experiencing and will continue to experience a high growth rate. There are numerous subdivisions under construction and several more being planned that will increase the number of our residents. The increased residential growth will need to be complimented by a growth in commercial businesses in order to maintain and lower the rate of taxes in the County.

The FY 2020-21 Budget has a reserve level in the General Fund of 18.5%. This meets the Board policy required level of 18.5%. Adequate reserves are critical to absorb unanticipated loss of revenues and mandated expenses.

The BOCC Budget Policy No. 29-01 states that the General Fund's new revenues must equal new expenses without utilizing existing reserves or cash carried forward and have reserve levels at 18.5% or higher. The FY 2020-21 Budget contains new revenues of $114,851,125, expenses are $119,431,582 (including transfers). The overage of $4,580,457 contains Capital Improvement projects totaling $3,274,000, as well as anticipated revenue losses. The anticipated reduction in revenues from Sales Tax and State Revenue Sharing for FY 2021 is currently $1.5 million.

The General Fund budget includes funds for additional Code Enforcement support, Brooksville Mainstreet program, increased promotional funding for Airport and Economic Development. Twenty-four (24) new positions have been included in the FY 2021 Budget. General Fund contains an addition of two (2) FTEs, one position has been eliminated from Libraries, half (.5) removed from Purchasing, one added to Code Enforcement, Animal Services, Facilities, and (.5) to Economic Development. The remaining are in Fire Rescue (15), Solid Waste (1), Building (1), Courts (1), Transportation (3.5), and Airport (.5). The addition to Fire Rescue is to add a dedicated crew for the existing Ladder Truck Crew for immediate life safety rescue for multi-story buildings. This is due to the continual growth in the County of multi-story buildings. Transportation addition is to provide an additional crew for roadway maintenance including patching potholes.

The BOCC has four significant capital projects which have not been funded for several years. These projects are the New Government Building, 800 MHz Emergency Radio system, ERP Software System, and the Courthouse additional Courtroom and security upgrades. This year, we have funded the first phase of the ERP Software System ($2 million of $3 million), and the design of the Courtroom addition. Looking forward, we anticipate a significant funding need for the 800 MHz Emergency Radio System which will be partially funded in the General and Fire Rescue funds. This project can be partially funded with impact fees; however, these funds are not sufficient for these expenses.

The BOCC has successfully sold multiple surplus properties this year and we anticipate there will be more sold. Per Board direction, these funds are to be utilized for future capital needs and/or one time uses. This year, the BOCC should determine how to fund the remaining costs of these required capital projects.

It is my recommendation that we adopt the budget as presented, utilizing the prior approved maximum millage rates, which provides a reduction in millage by .25, and plan in the coming months to provide diversification of revenues as well as bonding to provide funding our needed capital projects.

Sincerely,

Jeffrey Rogers, P.E.
County Administrator

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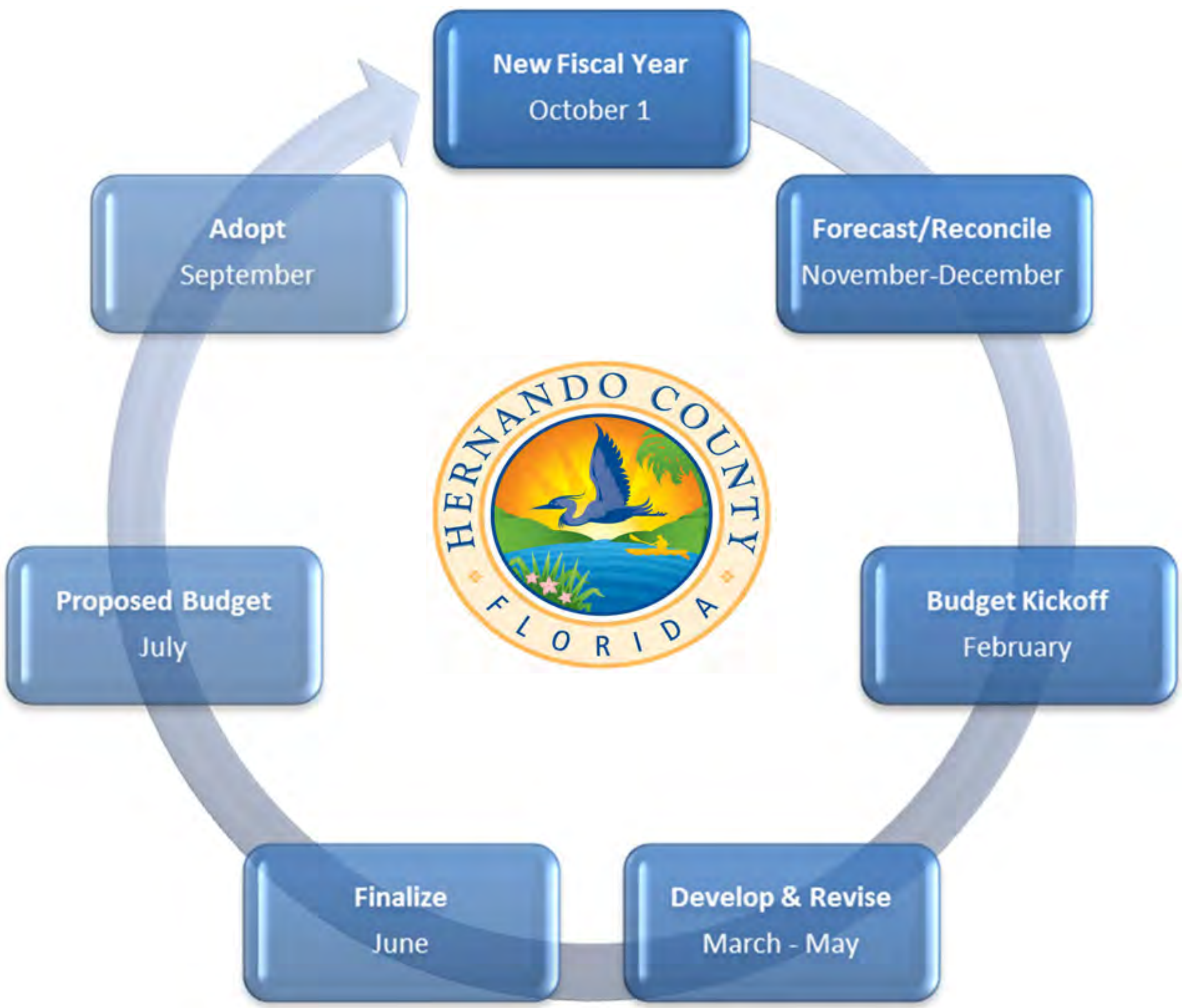

Budget Cycle

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