

Item V.C 2/2

ADD ON

Meeting Date
October 1, 2015



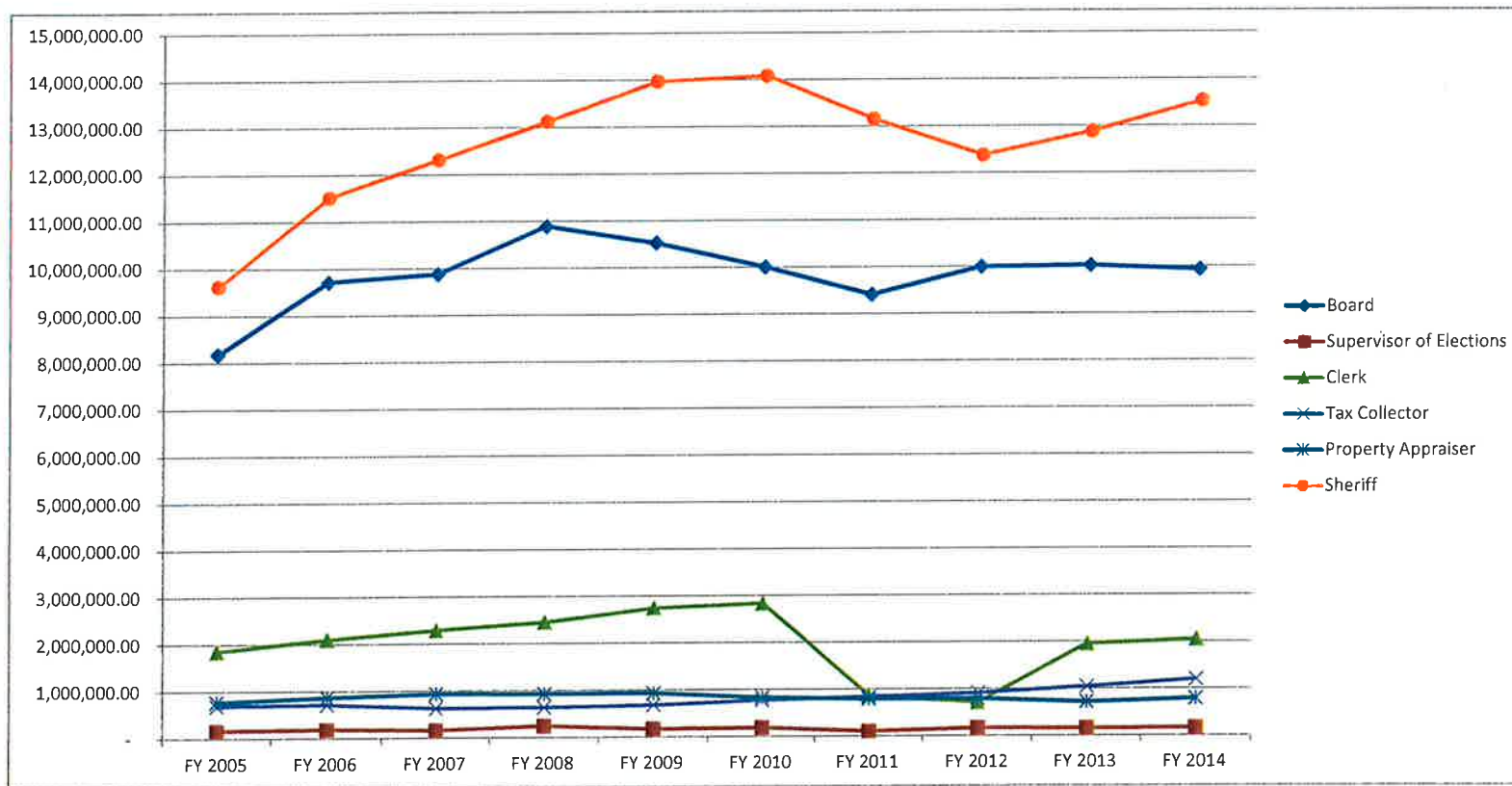
AGENDA	
Section	New Business
Item No.	V C

AGENDA REPORT
BREVARD COUNTY BOARD OF COUNTY COMMISSIONERS

SUBJECT:	Citizen Budget Review Committee Member Report
DEPT/OFFICE:	Committee Member – Michael Slotkin, PhD (Commissioner Barfield appointee)
Requested Action:	Adequate time for a brief synopsis.
Summary Explanation & Background:	<p>Brevard is currently facing two fiscal realities that are intertwining but separate. Firstly, ad valorem revenue collections are failing to keep pace with community income, and secondly, given the legacy nature of the problem, it appears that an adequate revenue formula to address roads and infrastructure has never really been in place. Fixing reality #2 can help contribute to the alleviation of some of the difficulties associated with reality #1, by addressing the most transparent crisis point of the moment (i.e., roads and infrastructure) and enabling the channeling of future revenue increases that would naturally occur to the numerous current and anticipated areas of need (i.e., health insurance increases, salary compression affecting retention, parks/environmental lands, fire/emergency services, and others).</p> <p>See attached report.</p> <p>Contact: Dr. Michael H Slotkin, College of Business, Florida Institute of Technology <u>mslotkin@fit.edu</u> 321-674-7267</p>
Clerk to the Board Instructions:	
Exhibits Attached:	
Contract /Agreement (If attached): Reviewed by County Attorney	Yes <input type="checkbox"/> No <input type="checkbox"/> PR <input type="checkbox"/>
County Manager	Assistant County Manager, Frank Abbate
Stockton Whitten	Assistant County Manager, Venetta Valdengo
	Department Director / Extension

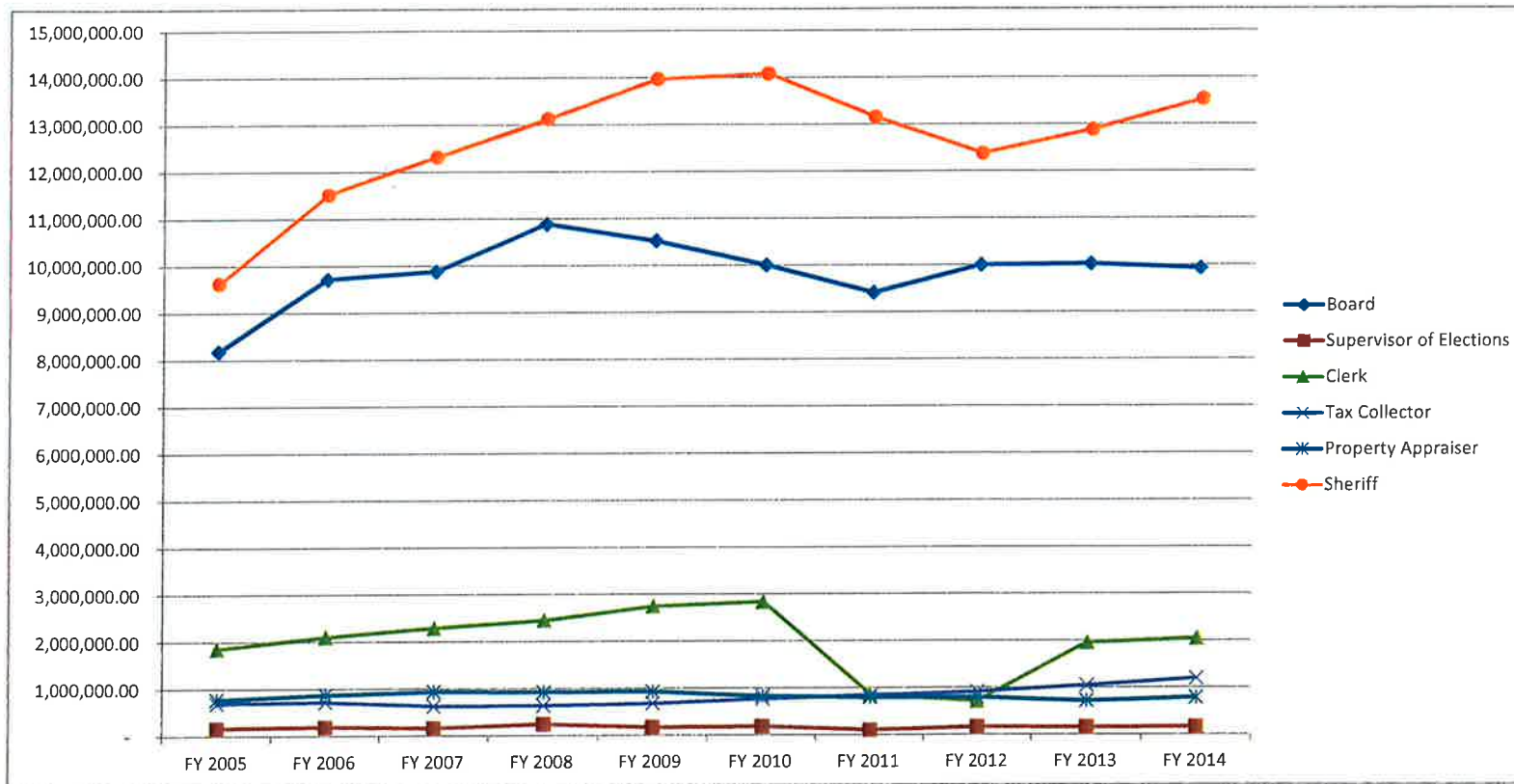
10 Year History Accrued Compensated Absences

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	% Change	\$ Difference between FY05 to FY14	\$ Difference between FY09 to FY14
Board	8,183,459.00	9,720,234.00	9,883,318.00	10,891,723.00	10,527,907.00	10,003,247.00	9,414,899.00	9,997,393.00	10,023,111.00	9,934,024.00	21%	\$1,750,565	(\$593,883)
Supervisor of Elections	173,374.00	191,414.00	165,019.00	245,019.00	174,226.00	186,249.00	103,992.00	165,661.00	160,280.00	167,772.00	-3%	(\$5,602)	(\$6,454)
Clerk	1,855,657.00	2,099,915.00	2,289,704.00	2,451,181.00	2,748,799.00	2,837,941.00	879,287.00	715,007.00	1,954,276.00	2,047,137.00	10%	\$191,480	(\$701,662)
Tax Collector	696,625.00	717,070.00	631,954.00	643,497.00	682,109.00	769,719.00	841,262.00	917,863.00	1,046,375.00	1,202,146.00	73%	\$505,521	\$520,037
Property Appraiser	779,477.00	873,348.00	939,396.00	927,041.00	934,613.00	832,057.00	799,537.00	799,537.00	722,000.00	788,563.00	1%	\$9,086	(\$146,050)
Sheriff	9,632,075.00	11,524,394.00	12,323,585.00	13,128,295.00	13,975,851.00	14,089,943.00	13,161,070.00	12,380,517.00	12,889,184.00	13,533,388.00	41%	\$3,901,313	(\$442,463)
Total	21,320,667.00	25,126,375.00	26,232,976.00	28,286,756.00	29,043,505.00	28,719,156.00	25,200,047.00	24,975,978.00	26,795,226.00	27,673,030.00	30%	\$6,352,363	(\$1,370,475)



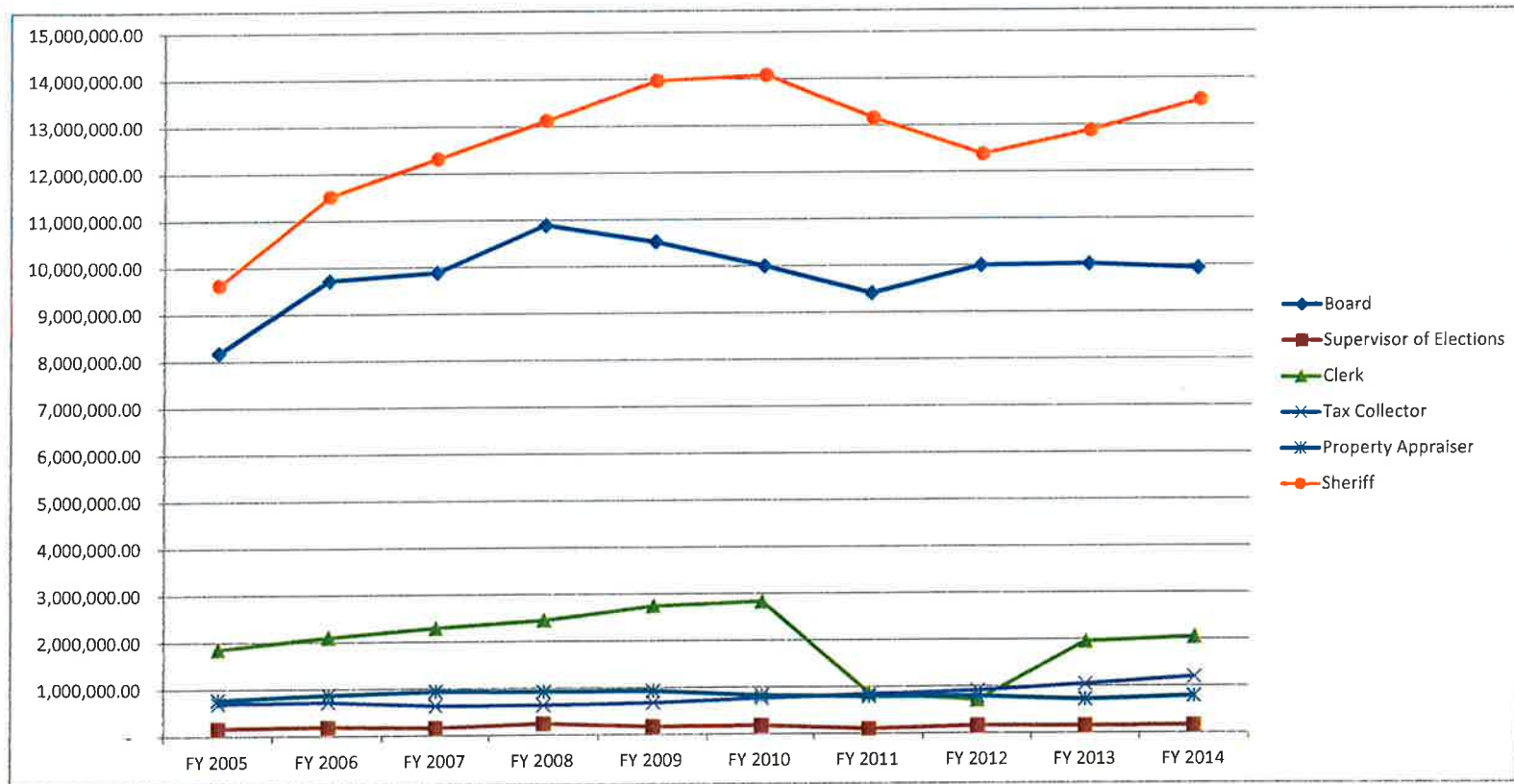
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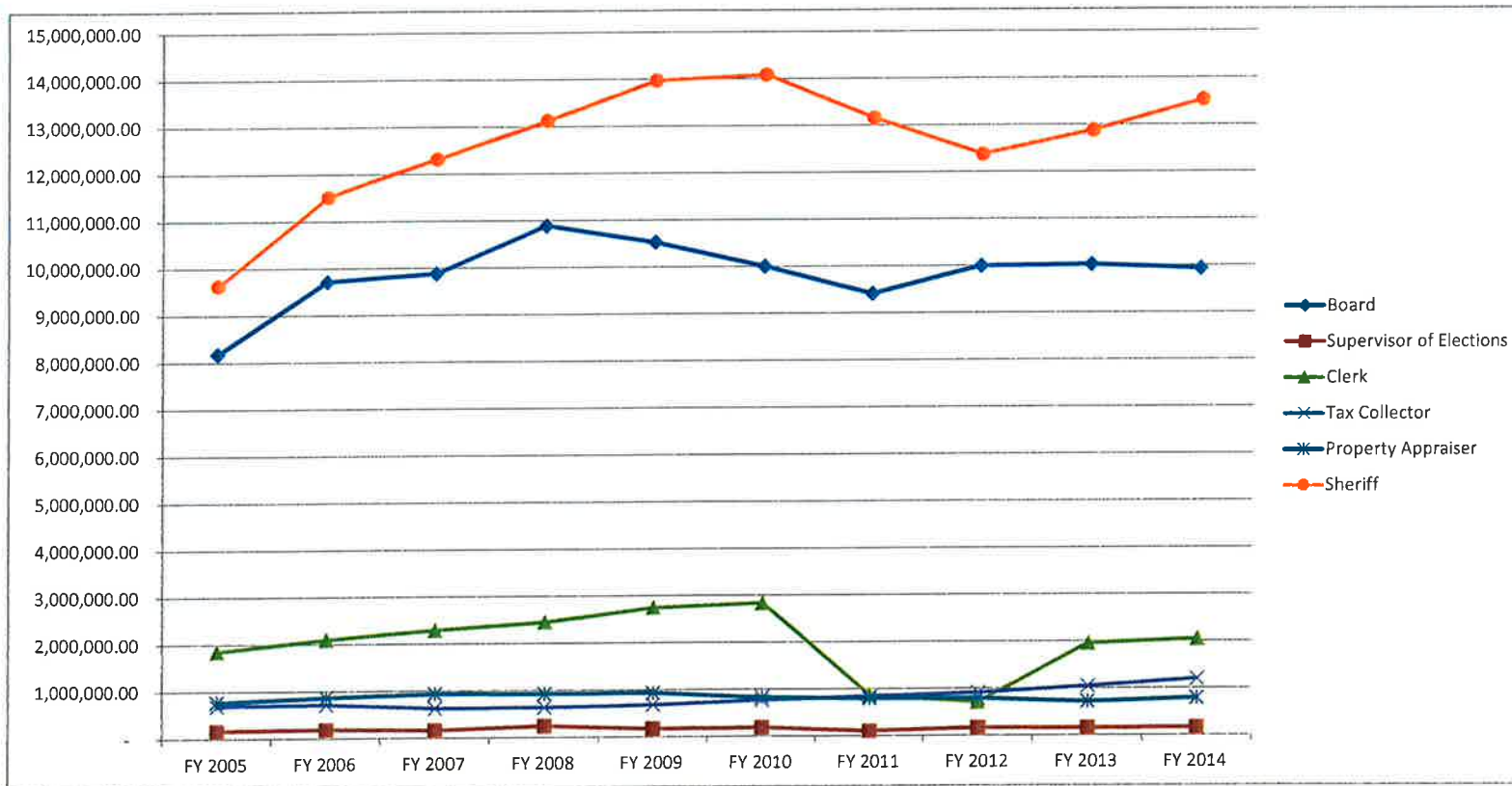
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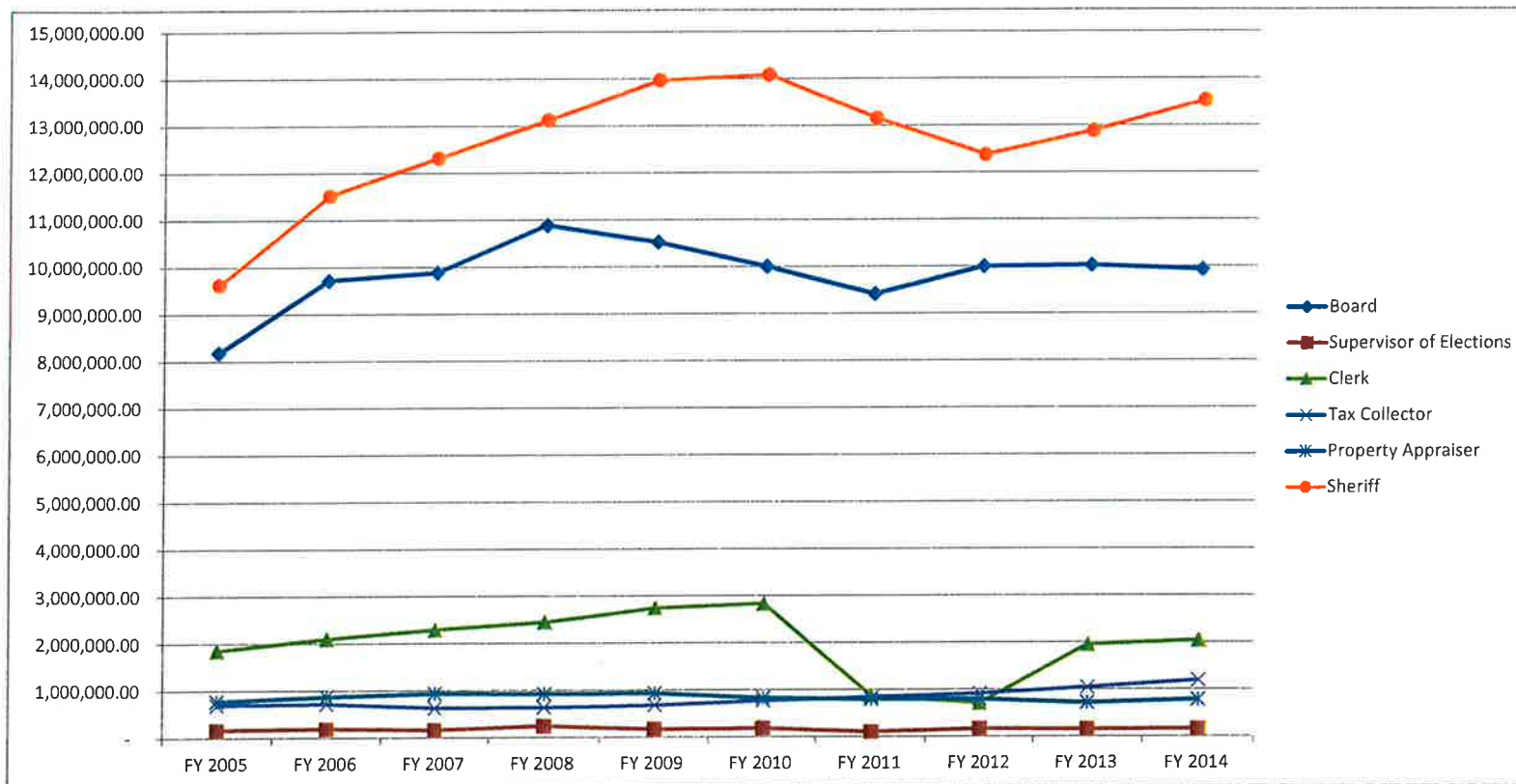
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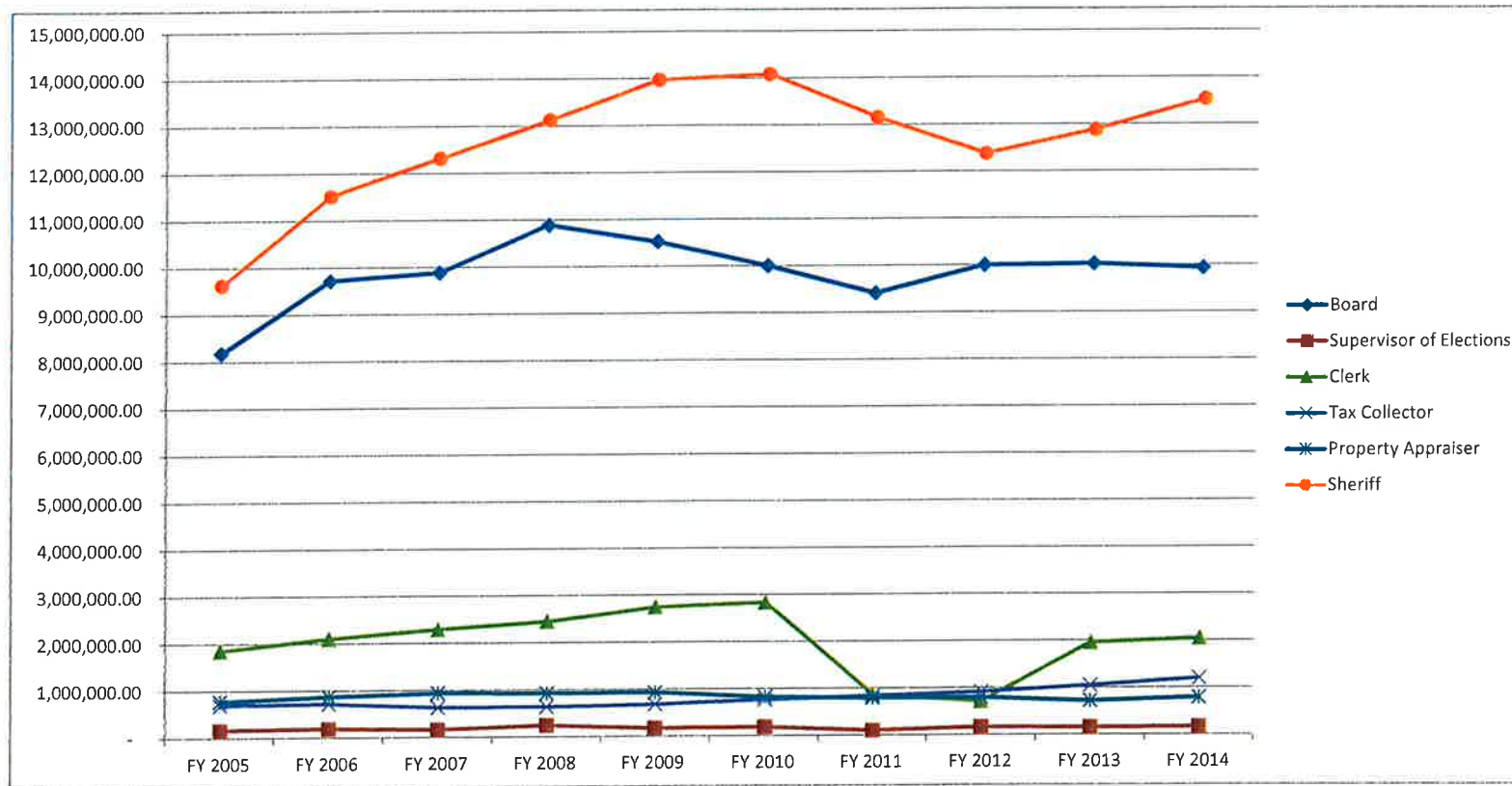
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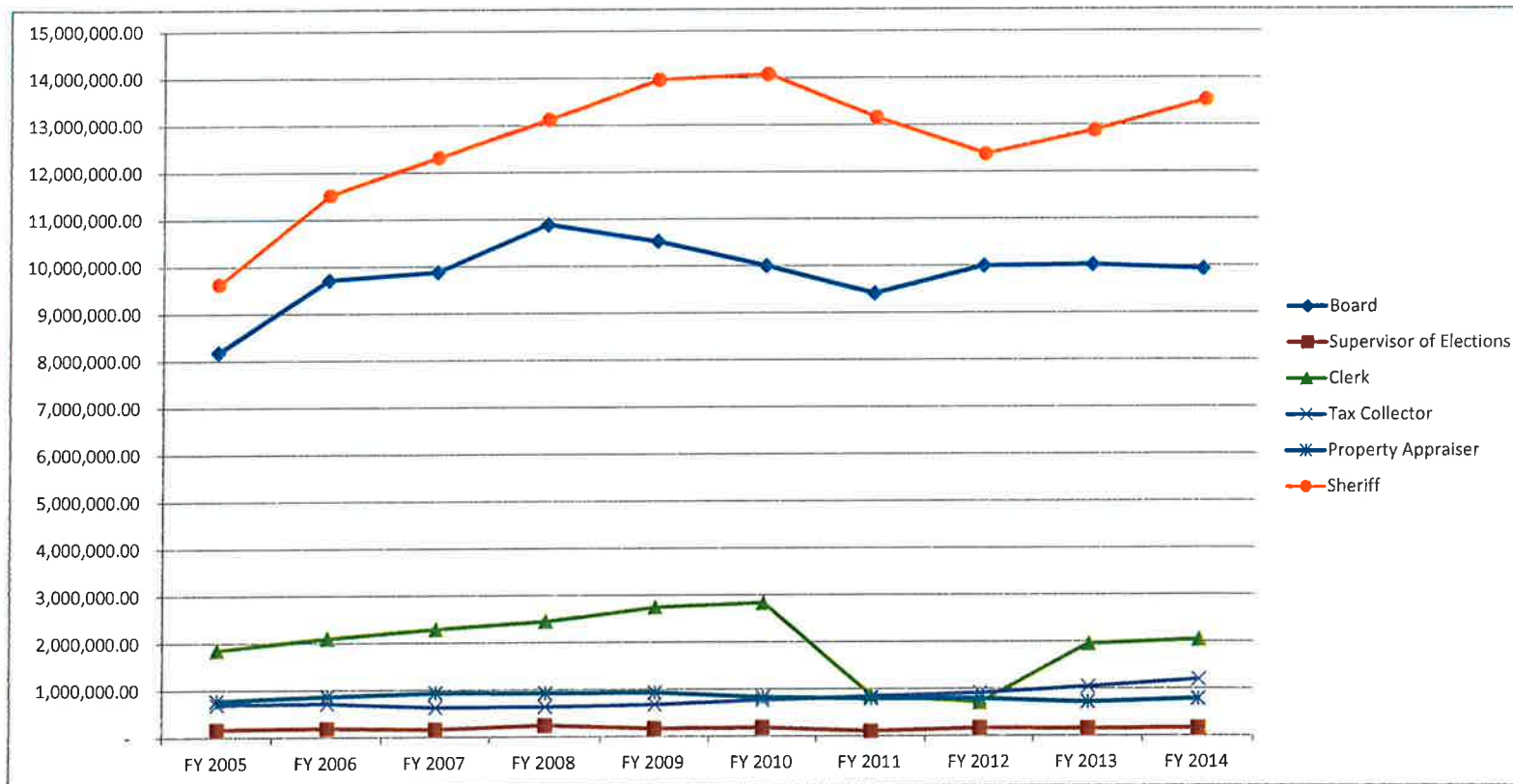
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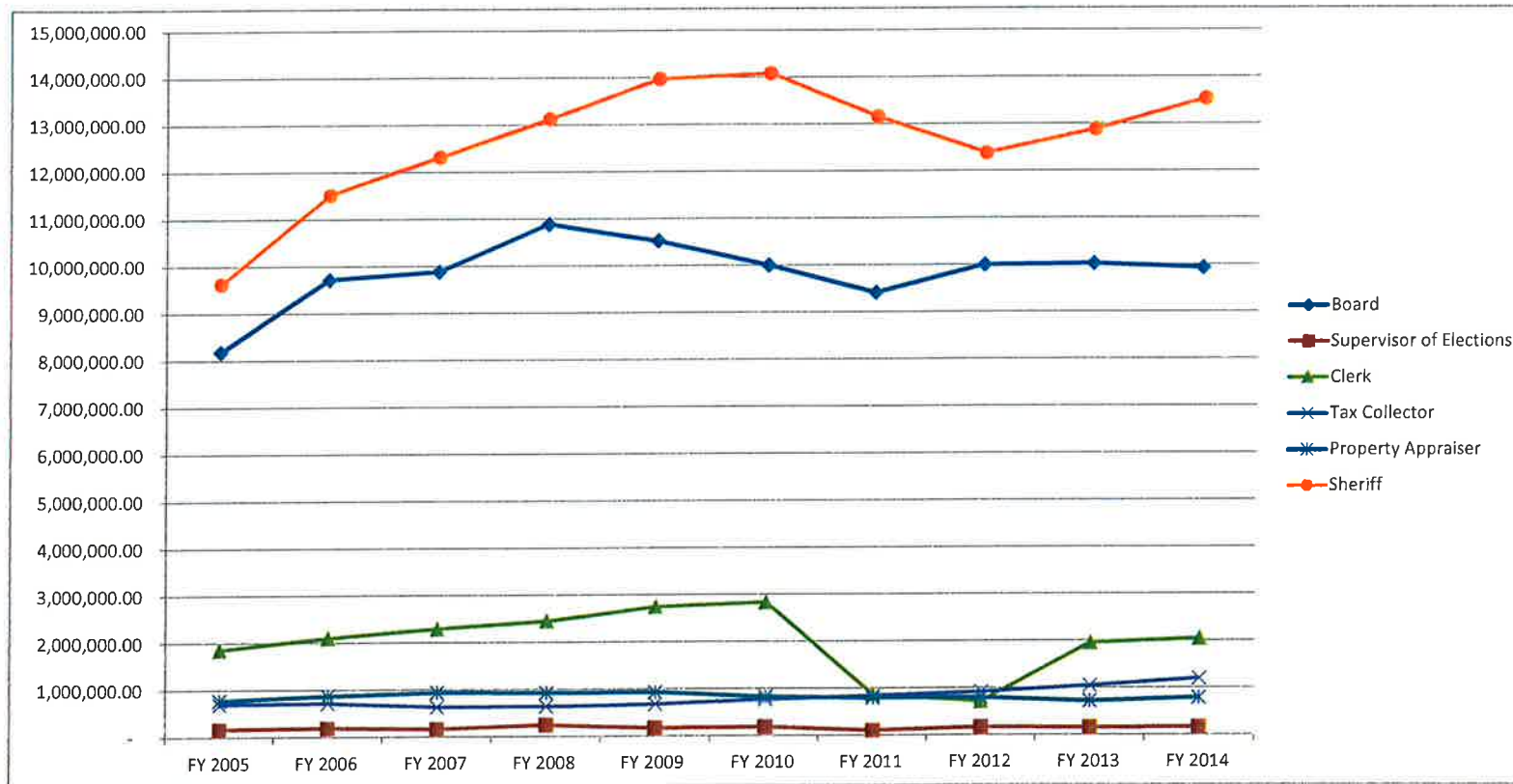
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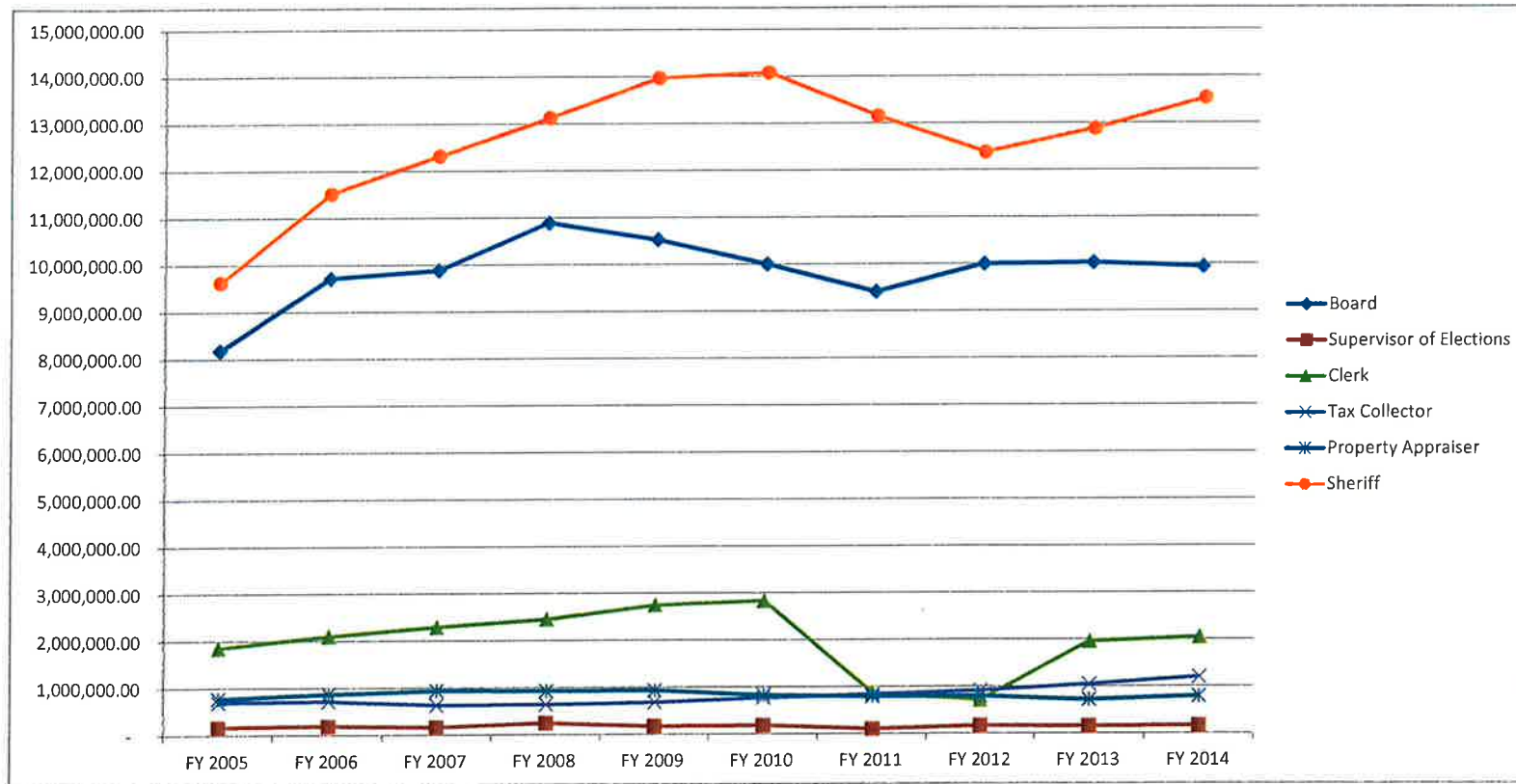
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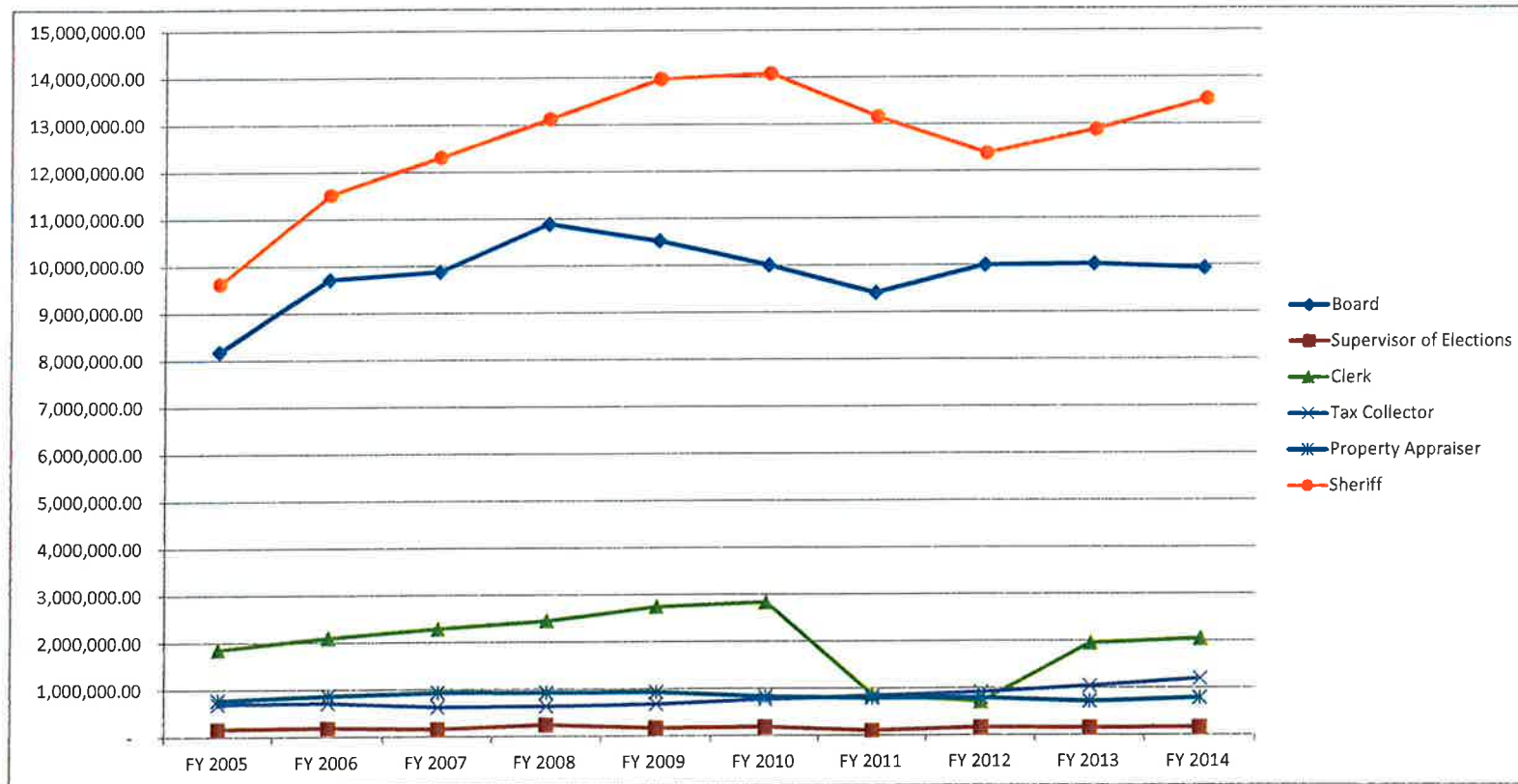
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Board	8,183,459.00	9,720,234.00	9,883,318.00	10,891,723.00	10,527,907.00	10,003,247.00	9,414,899.00	9,997,393.00	10,023,111.00	9,934,024.00	21%	\$1,750,565	(\$593,883)
Supervisor of Elections	173,374.00	191,414.00	165,019.00	245,019.00	174,226.00	186,249.00	103,992.00	165,661.00	160,280.00	167,772.00	-3%	(\$5,602)	(\$6,454)
Clerk	1,855,657.00	2,099,915.00	2,289,704.00	2,451,181.00	2,748,799.00	2,837,941.00	879,287.00	715,007.00	1,954,276.00	2,047,137.00	10%	\$191,480	(\$701,662)
Tax Collector	696,625.00	717,070.00	631,954.00	643,497.00	682,109.00	769,719.00	841,262.00	917,863.00	1,046,375.00	1,202,146.00	73%	\$505,521	\$520,037
Property Appraiser	779,477.00	873,348.00	939,396.00	927,041.00	934,613.00	832,057.00	799,537.00	799,537.00	722,000.00	788,563.00	1%	\$9,086	(\$146,050)
Sheriff	9,632,075.00	11,524,394.00	12,323,585.00	13,128,295.00	13,975,851.00	14,089,943.00	13,161,070.00	12,380,517.00	12,889,184.00	13,533,388.00	41%	\$3,901,313	(\$442,463)
Total	21,320,667.00	25,126,375.00	26,232,976.00	28,286,756.00	29,043,505.00	28,719,156.00	25,200,047.00	24,975,978.00	26,795,226.00	27,673,030.00	30%	\$6,352,363	(\$1,370,475)



VERBATIM TRANSCRIPT ON ITEM V.C., OCTOBER 1, 2015

Fisher: Okay, Mr. Slotkin. How are you sir?

Slotkin: Very good, thank you. Let me start off by thanking County Commissioners, Commissioner Barfield for the appointment, County staff that worked with us along the way, and my fellow members, I appreciate getting to know you, it was an interesting experience...

Fisher: State your name and address for the record please.

Slotkin: Oh, I'm sorry. My name is Mike Slotkin, I teach at Florida Tech and I'm a resident of Grant, Florida.

Fisher: Thank you sir.

Slotkin: Thank you. So, rather than bury the lead, my recommendation to you, I served on the blue ribbon panel for transportation a year and a half ago, and this graph right here was one of the culminating slides of that report that we put together which basically detailed a need of approaching \$600 million for road and bridges. The silos in the middle, let's say, additional recurring funding requirement \$6.2 million annually, it means if you have a sustainable program and you're actually redoing, or repaving, the 55 miles of road that you need to do each year, you would need an additional \$6.2 million. Currently we're resurfacing about eight miles of those 55. The silos next to it where it says deferred maintenance legacy costs, is basically your remediation issue, because you haven't been sustainable in a long period of time. So, these are roads that are now in some state of disrepair, but don't need complete reconstruction, and that cost is significant here, that cost probably amounts to about \$12 million per year. And, of course, the very last silo is the identified capacity needs, these would be the expansion in the roadways in the area, and that identified need, according the report to that point in time, was about \$443 million. So, this is a significant amount of money, in fact, and I know you guys put out the budget and people read the newspapers, but when you say a budget of over a billion dollars, the new revenues are not a billion dollars. The new revenues are about \$500 and \$5,500 and \$60 million, so in effect the amount of the ask up there amounts to all the revenues you would accrue in one fiscal year. So, I can into this process understanding that, and there's another aspect that I understood, and I was kind of curious as we talked to different Council and Commission members, whether I would get verification of this as theory, which is basically to put the Ad Valorem receipts in the numerator and the amount of personal income that's garnered in Brevard County each year, which would be net earnings, dividends, interest, and rent and transfer payments in the denominator, and actually see where we are in the context of this cycle. The last figure I can provide to you is 2013, because we're not going to get the 2014 income figures for about six weeks, until they are released in November by the Census Bureau, but you probably right now are at about a 30 year low at this,

so this really is a time where you have a very tight situation with respect to the budget from something that is really outside roads and bridges, because in my opinion, there never was a plan for roads and bridges. You don't accumulate \$600 million in need with having a financial plan for this, so the idea that somehow we're going to find, as Dave alluded to, some pot of gold in a budget that's at historic lows fiscally in terms of Ad Valorem receipts, is just fooling yourself. So, you've got an issue with these roads that's just going to accumulate over time, and if I can give you a parable for my job, my full-time job, it's like watching these kids that start off a college semester and you get to week six and week eight and then they realize they're hopelessly behind, and the semester can get away from you real quick, and I'm afraid this issue is getting away from you real quick. So, that's the end game, I would like to explain to you why I'm so pessimistic on this ratio, you know, regenerating itself. So, just to remind you again, the numerator is the Brevard Ad Valorem receipts, and these are the actual receipts, I've included 2016, that was the proposed budget that you have right here. And, here's the actual Brevard Personal Income, and just to note, Brevard Personal Income is not the personal income of an individual, it's the entire County and that includes net earnings, what accountants refer as unearned income, dividends, interest and rent, and transfer payments. These would be payments that come to some of our retirees, unemployment compensation. The Federal government had a huge amount of transfer payments that came in during the great recession to this area. Now, these payments are unadjusted for inflation, as the ad valorem receipts are unadjusted for inflation, so as these things rise, this is a proxy for demand because cost of living increases means the cost of your goods and services are going to go up. Brevard personal income also goes up, because the population goes up as well, demands of goods and services goes up, but Brevard personal income also goes up, because per capita income goes up, adjusted for inflation. So, I've got the per capita income up there in blue, and I've got the adjusted per capita income, adjusted for inflation, it's all calibrated to year 2013 dollars, and while you see the angulations associated with recessions up there the trend overall is upward. Personal income adjusted for inflation goes up, and I will tell you as an economist, it's been doing this for a long time when income goes up, the demand for goods and services goes up. So, just to take a particular department, if we bring the IT guy up here he's going to tell you that the citizens demand for services from them, in terms of what they want interactively, have changed through the years in the demands increase, that is logical, as income goes up, demand increases. So, what I have up here for you is going back through the years from '95, the percentage change from personal income, in blue, and the percentage change in your ad valorem receipts, and you can see, basically, with the bust as you get into 2007 the ad valorem receipts are lower than the blue line, and you see the pick up recently, but here's the reason why I'm not very optimistic; that pick up isn't all that substantial, it's about on order of magnitude of three percent in years '14 and '16, and my understanding is '15 was something of

an aberrational year, because you had a power plant come on line and that would add to your construction base there, you're not going to get a power plant coming online every year. So, we're talking about probably increases that are approximating at three percent, maybe four percent if you're lucky. So, what I've got up here is change in personal income and change in jobs, I'm looking for the blue line to be going up by about three percent, as ad valorem has. Now, take a look at your 2014, because this is the number that I'm wondering what is going to happen with personal income. The increase in the jobs is two percent, look across the board there and at other two percents, and tell me if you see a blue line increase that's three percent...so this ratio is not going down, at least not in the foreseeable future. So, your budget is going to get tighter, and tighter, and tighter, and from that tight budget, with all these other departments, somehow I'm expected to believe that you're going to come up with \$600 million for these roads...you're not; so you're going to kick the can down the road till somebody else says, are you going to do something about it now, or you can pass it off to next County Commission and let them worry about it at some point. Let me skip this one, because I'm out of time here...

Fisher: Go ahead.

Slotkin: Sometimes they think that it helps for people to move back personally and show how an issue impacts you, so I'll be the first one to claim this, that me up there, these are my property taxes. I built my house in 2001, my property taxes with the adjustment of the house come online in 2002, and that blue line are my total property tax payments, see the blue line up there? It's lower than it was in 2002, but that's not the big issue up there. Anybody will tell you that you got to adjust the figure for inflation. The amount of dollars I paid in 2002 are worth more than they are 2013, dollars devalue over time. The red line actually shows you the inflation adjusted figure, so look at that correction right there. Now, let's take me out of the equation, let's pick somebody else, let's pick somebody like you, maybe a former County Commissioner. Here's the figures right here for somebody that goes all the way back to 1995, and everybody looks at that that's a lay person and says, well yeah, look at the blue line there, that's personal ad valorem tax payments, and the red line is total property tax payments, the difference would be the fee part of your property tax schedule; and they look at that blue line and they say, yeah that blue line's higher, and yeah that red line's higher. Here's the problem, since 1995 inflation been 55 percent, so if that initial blue figure in 1995 that's about \$1780 was adjusted for inflation, like many people's social security payments, or benefits are adjusted for inflation, that last blue line would be were the red line is. Here's what it looks like adjusted for inflation. Now, this is somebody that didn't move, because we understand that when you move there's going to be a reset to the property value, but if you stayed in your same house, and you've been there since 1995, you're paying lower property taxes adjusted for inflation than you are today. I don't see how that system holds. Now, that tells you a lot in that graph right there, because we

had pretty much stability until you get to 2002, 2003, and then there's a regime change; I don't know enough history to know that, but that can't hold. And, by the way, if you'll notice that dip there, you see that funky little waggle, that you see in 2008, 2009? That's because of that Save Our Homes, people's values were so low in relation to market value, that when market value started crashing the taxable value that they pay was still going up, because there was such a discrepancy between market value and assessed value at that point in time. It took about three years to phase out, but you can see the correction downward; and, by the way, I don't have 2015 and 2016 up there, but I've gotten my property tax bill, it's a community rate, figures are lower for '15 and '16. So, I don't see how you're going to solve this issue if this is what you're seeing for long time residents; and I guess my job was maybe to be somebody to give you some news that maybe you didn't want to hear, but maybe you really should be hearing. So, what's the first step? You could probably bring in 15 different agencies of government in here, and they'll tell you the same story; can't do capital refurbishment, can't retain employees, okay, can't recruit employees in here in the first place, you know; pretty much behind, I'm doing the best I can giving the money that you're giving me. Put an anchor down and try to solve one problem, start with the roads. You start with the roads, that means anything else you get, in terms of organic increases in revenue, you can use for the other purposes; but I got to tell you, particularly you two, that aren't going to be gone in a year or two, this isn't going to change; you're going to be in a tighter and tighter budget with each successive year. With that, thank you very much.

Fisher: Thank you sir. Appreciate it.

Smith: Thank you, and I would like to just add to that, that I think Mr. Barfield and I are very much aware of that; and that's why, everybody here's probably heard, probably heard me to the point where they're tired of hearing it, that we've got to fix roads and we've got to come up with some solutions; and it may not be pretty, what we're going to have to do; it's not going to go away. I said it several weeks ago, there's no cavalry coming over the hill with a bid pile of money to fix the problems, it's up to us, and we're going to have to make those tough decisions, but I think we're up to it.

Barfield: And, it's not just roads; it's the future; I mean, we've got a lot to do, there's a lot of things, because we're behind in a lot of other areas too. So, we're aware of that. Thank you.