

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		Department Director / Extension				
Stockton Whitten		Assistant County Manager, Venetta Valdengo						



Tammy Etheridge, Clerk to the Board, 400 South Street • P.O. Box 999, Titusville, Florida 32781-0999

Telephone: (321) 637-2001
Fax: (321) 264-6972

October 2, 2015

MEMORANDUM

TO: Stockton Whitten, County Manager

RE: Item V.C., Citizen Request by Michael Slotkin, PhD, for Citizen Budget Review Committee Member Report

The Board of County Commissioners, in regular session on October 1, 2015, acknowledged a Citizen Budget Review Committee Member Report by Michael Slotkin, PhD, and took no formal action.

Your continued cooperation is always appreciated.

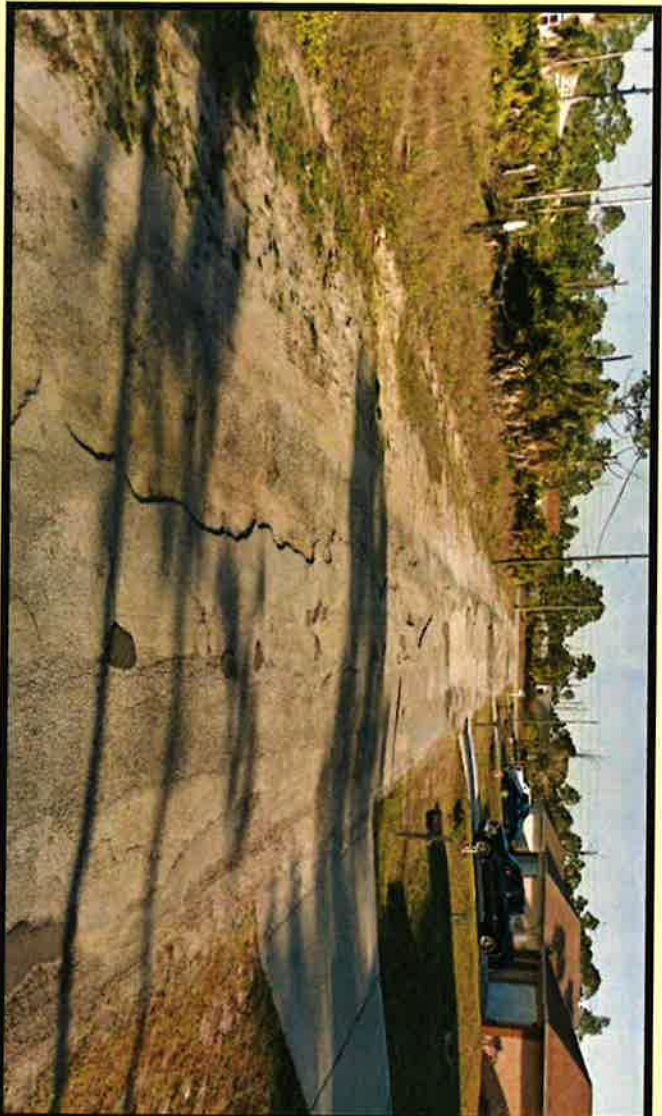
Sincerely,

BOARD OF COUNTY COMMISSIONERS
SCOTT ELLIS, CLERK

Tammy Etheridge, Deputy Clerk

/af

COMMENTS - CITIZENS BUDGET REVIEW COMMITTEE



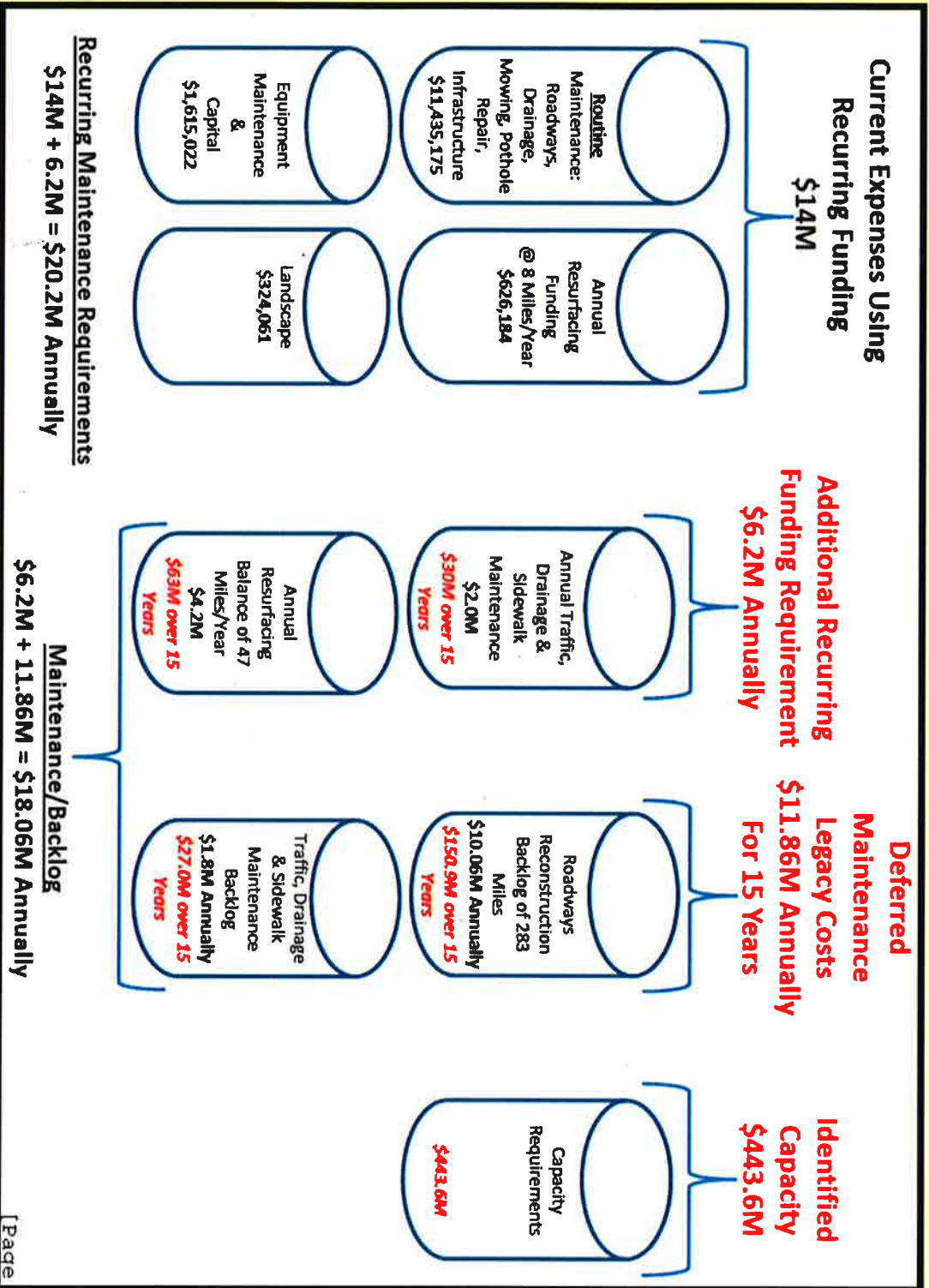
by

Michael H. Slotkin, PhD
Bisk College of Business
Florida Institute of Technology

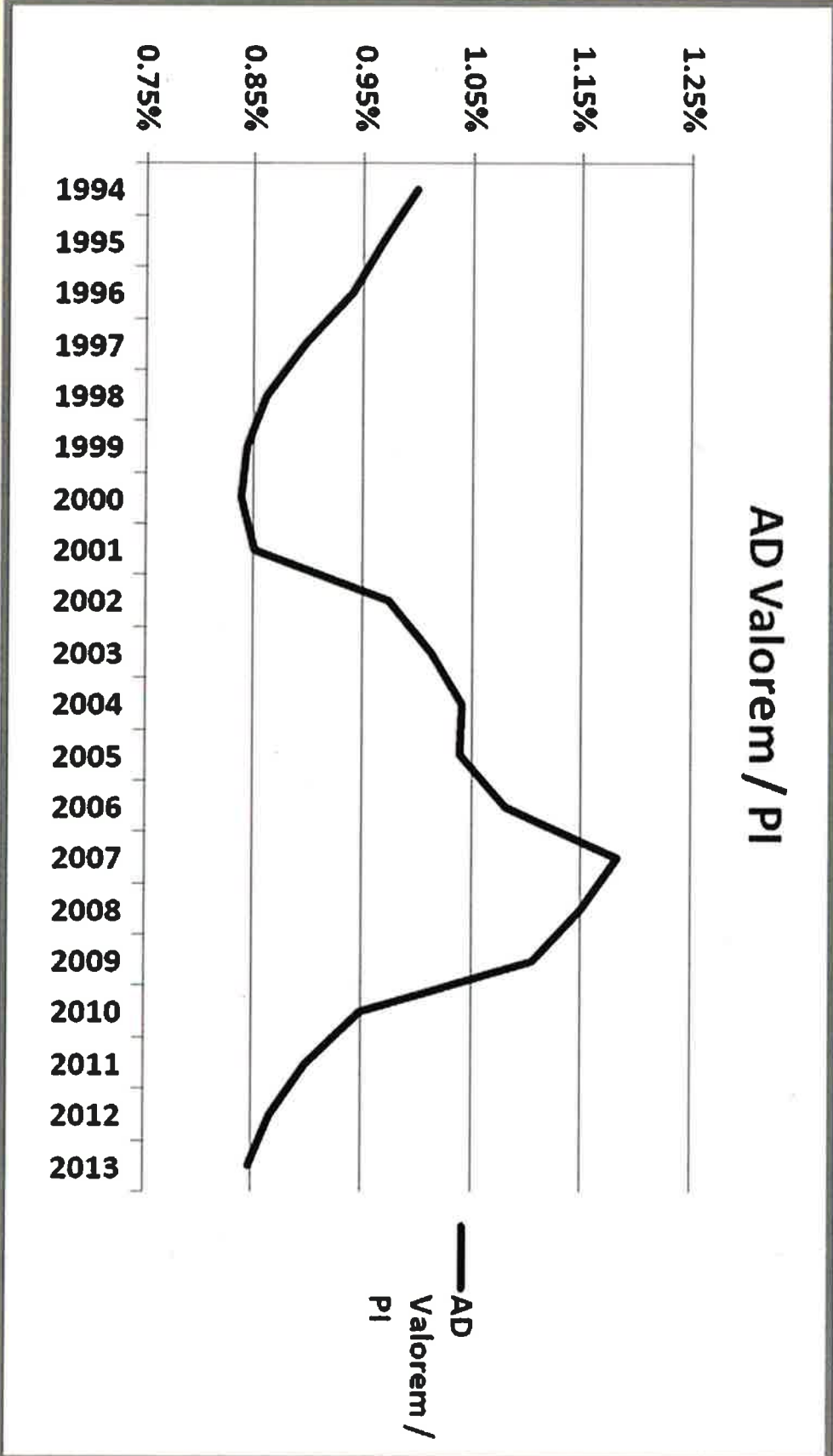
Presented at

**Brevard County
P&Z Meeting
October 1, 2015**

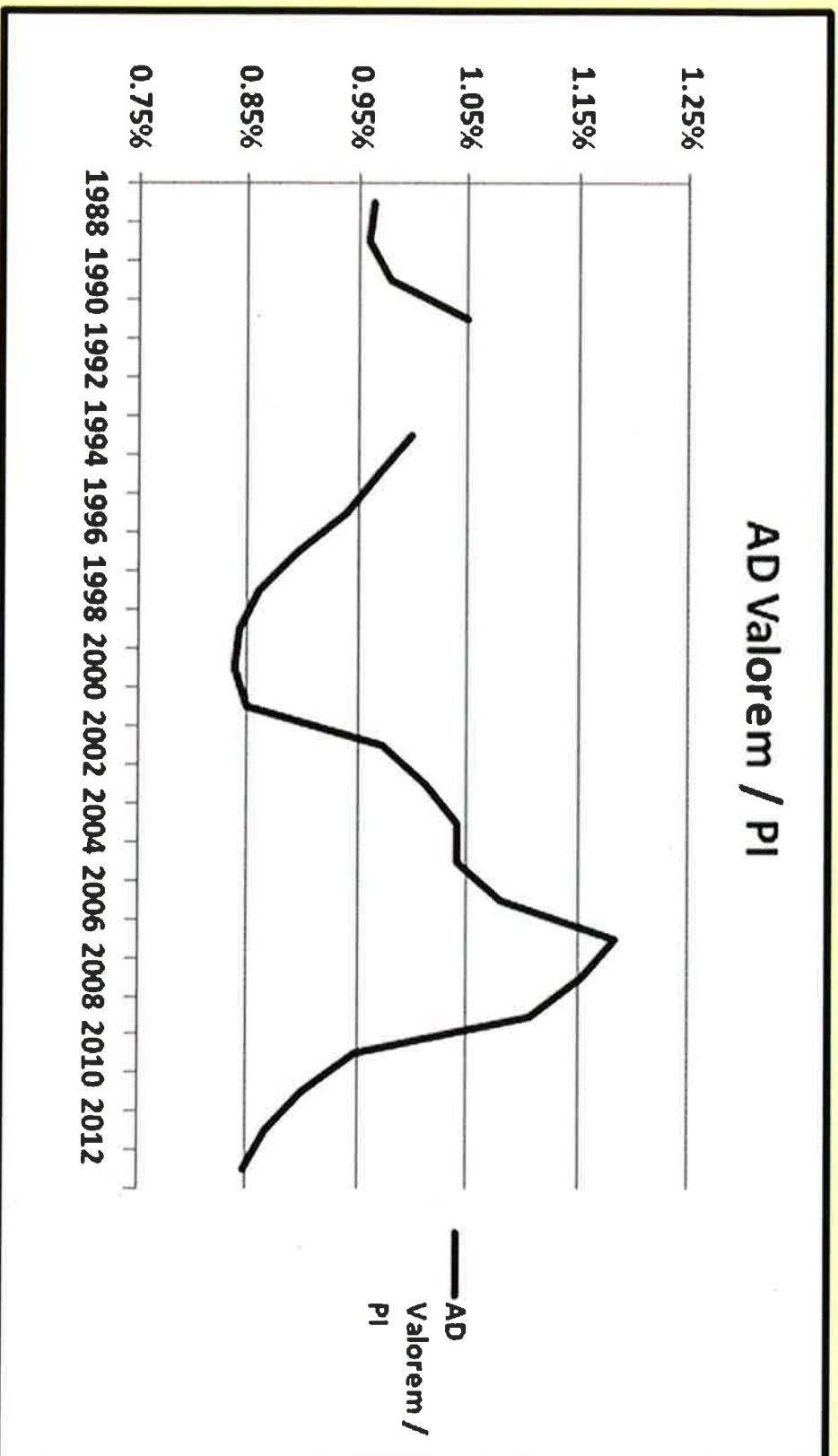
Prologue



Revenues & Income

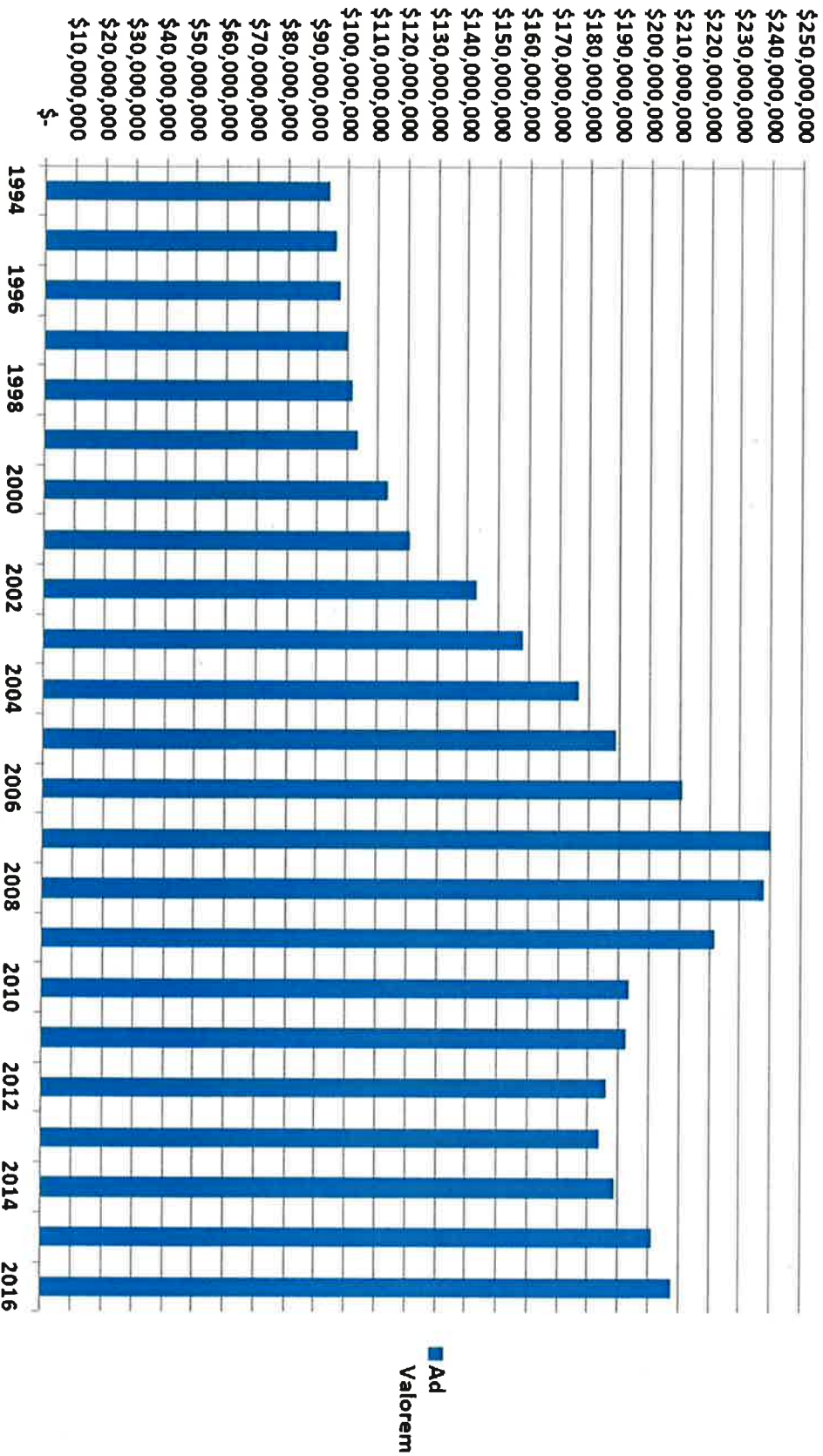


Revenues & Income



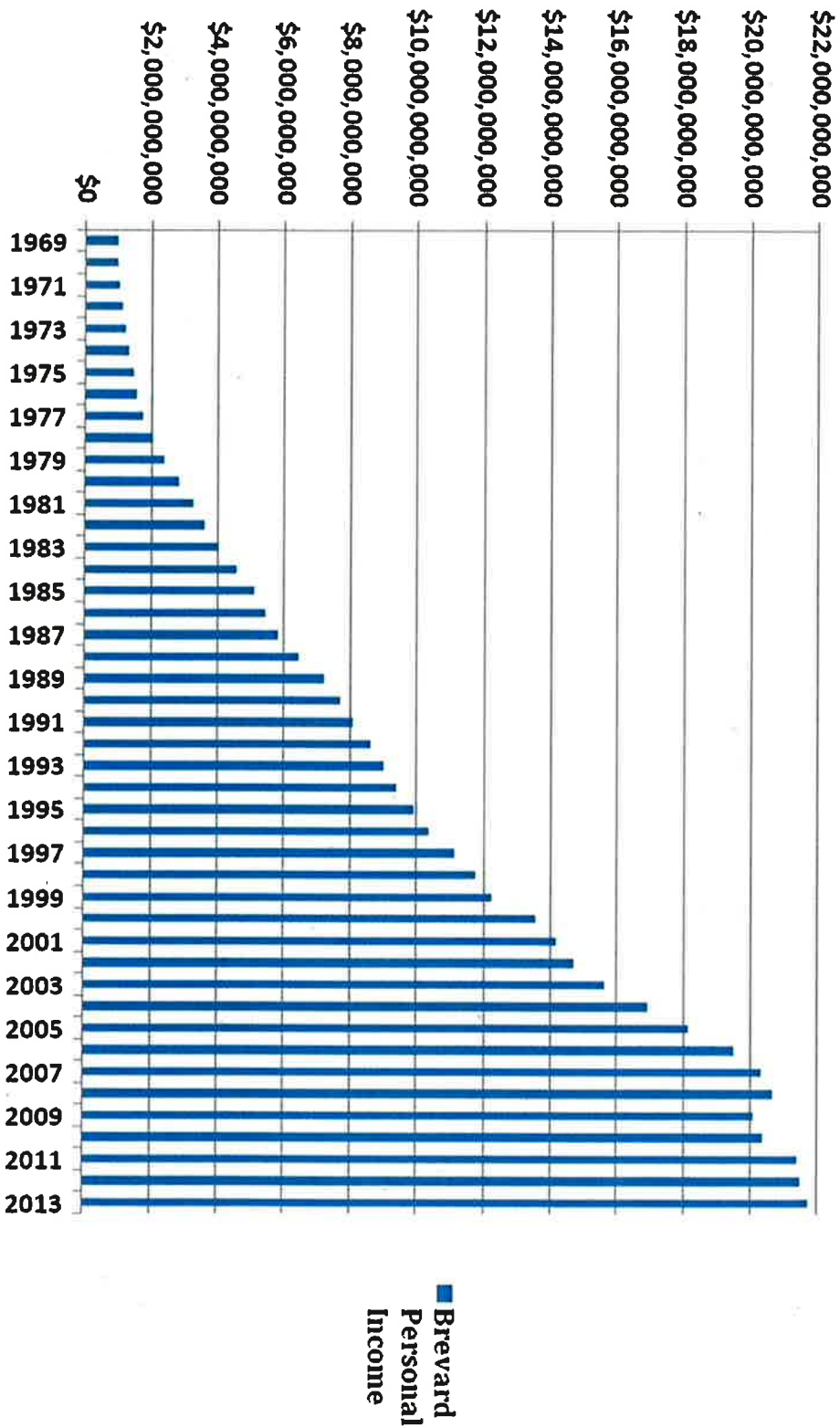
The Numerator - Revenues

Brevard Ad Valorem Receipts

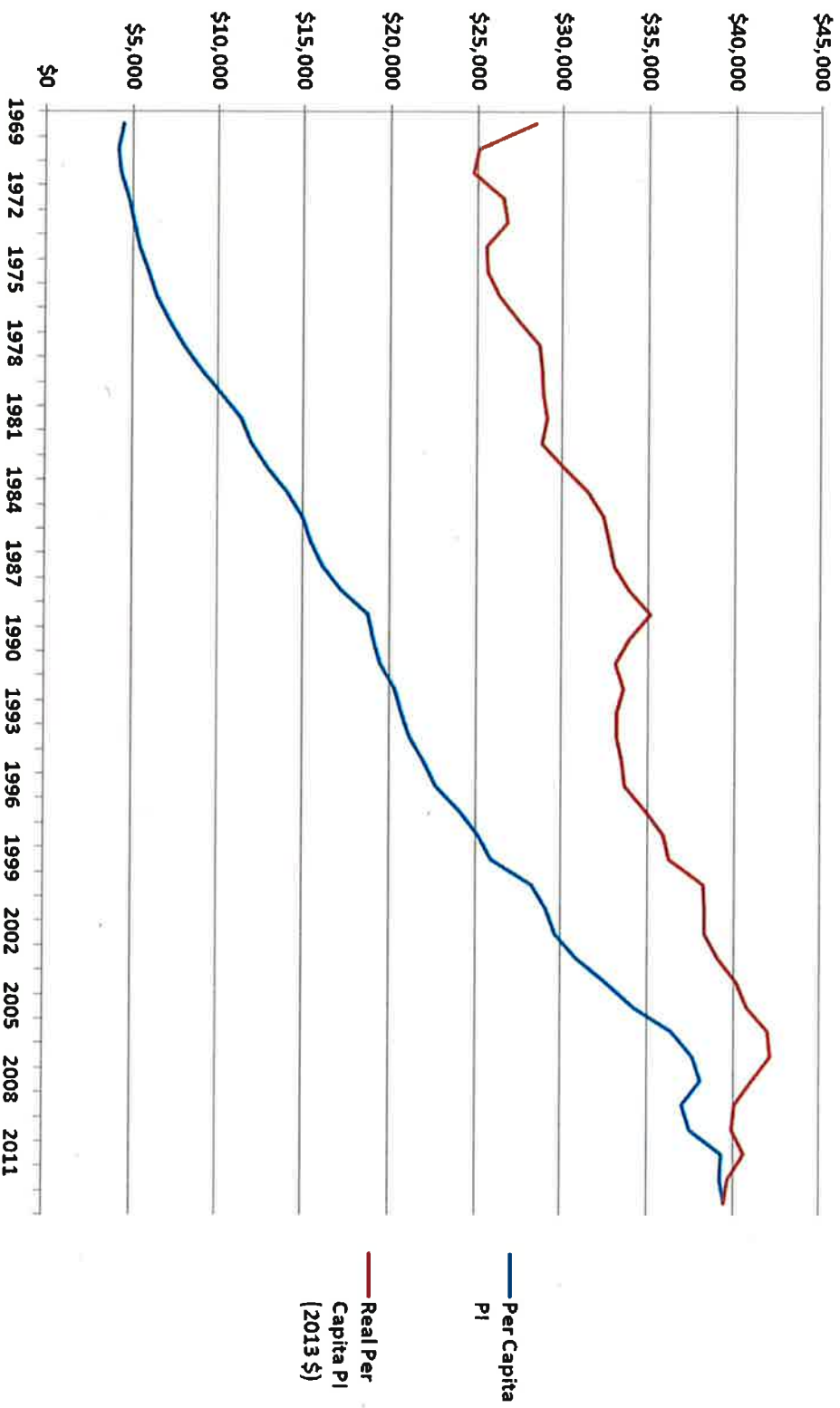


The Denominator - Income

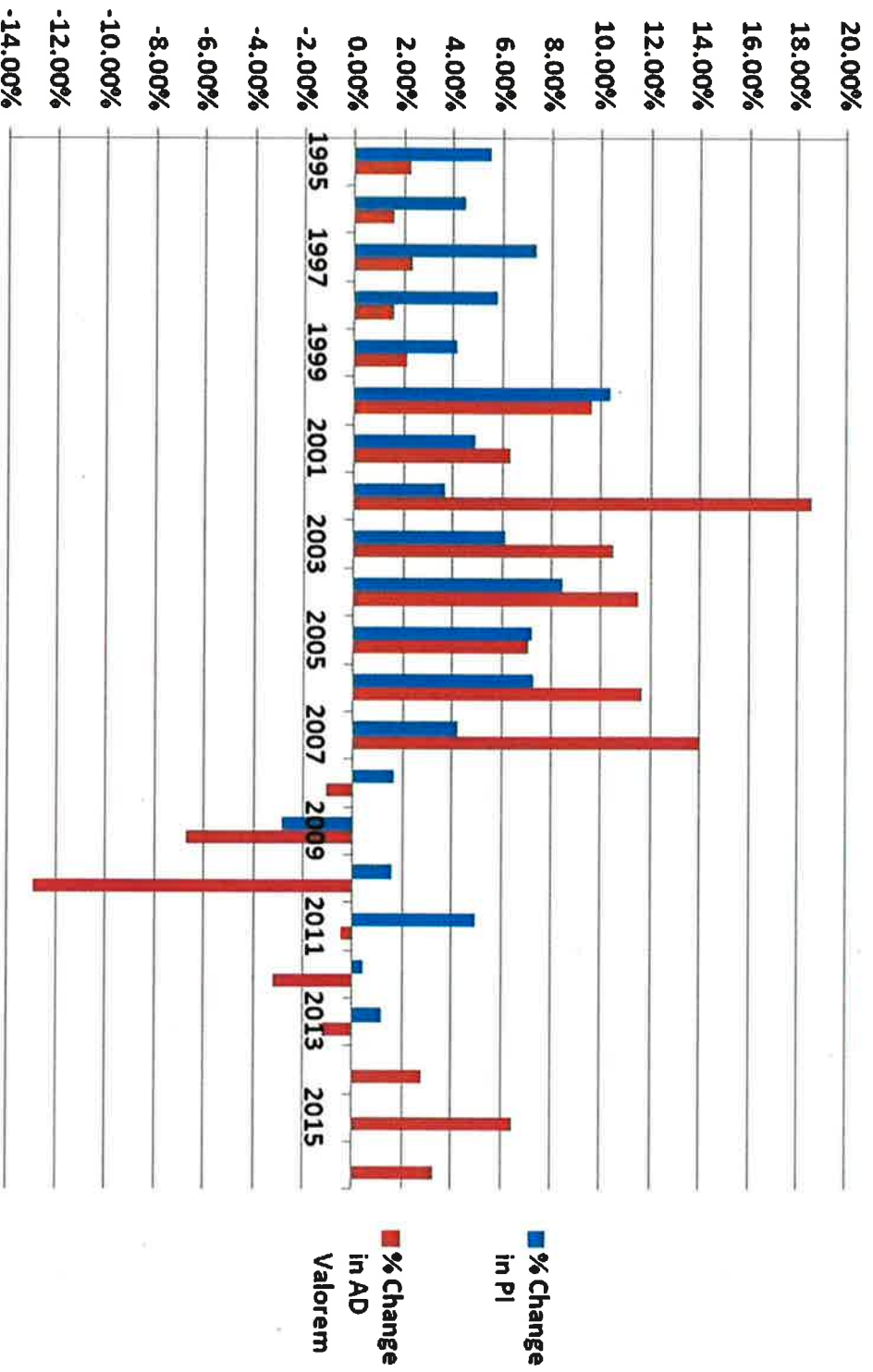
Brevard Personal Income



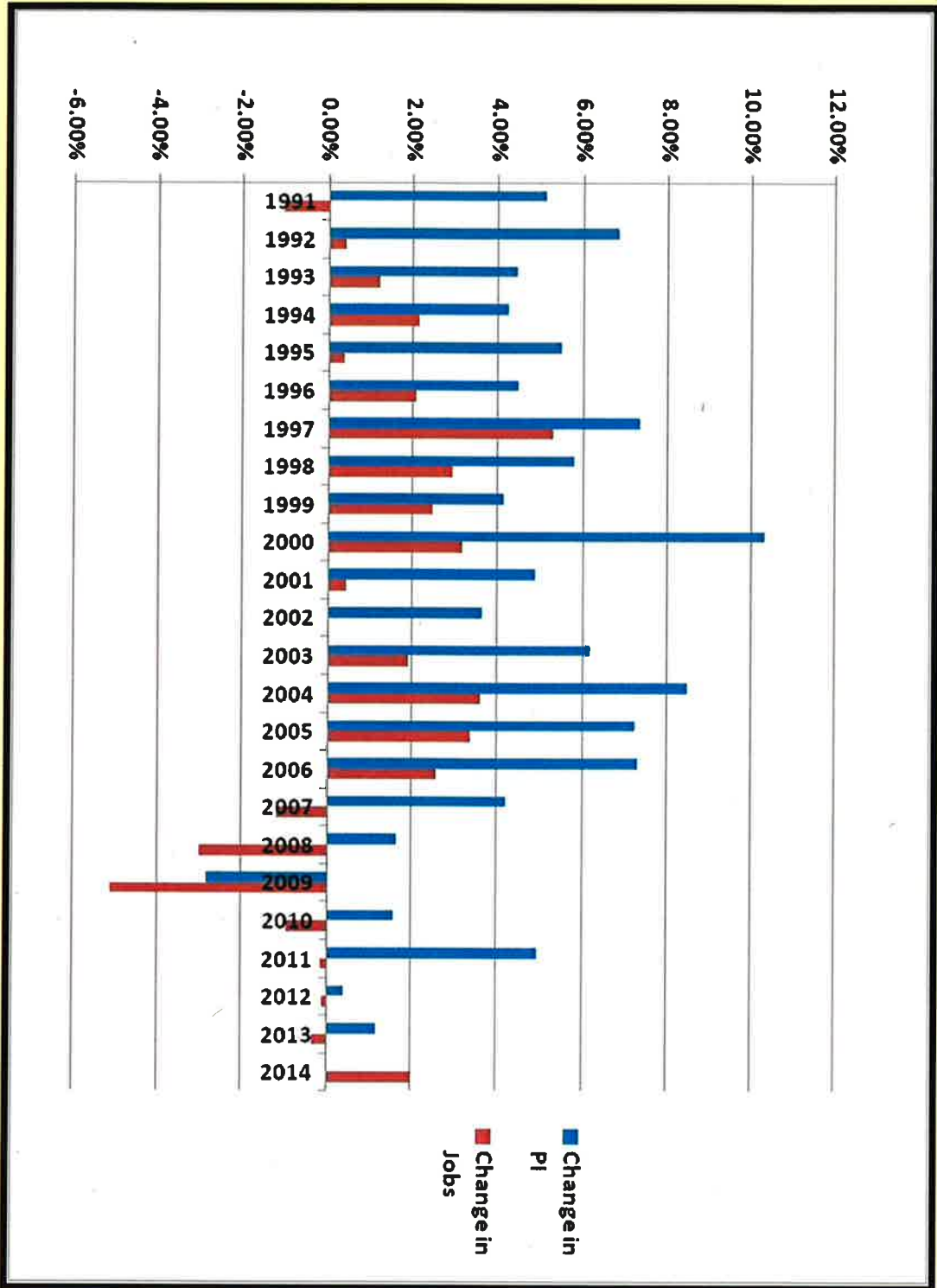
Per Capita Income



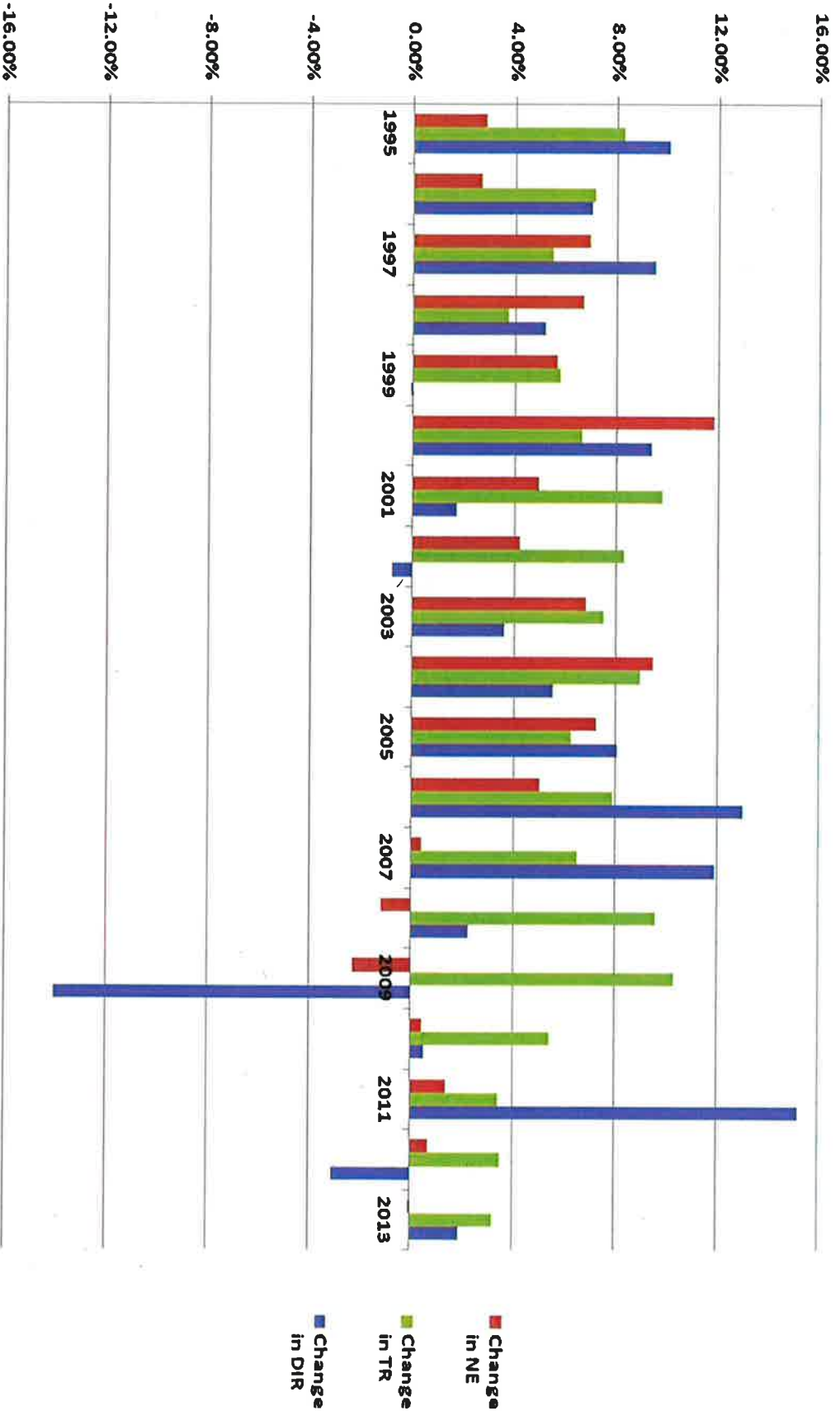
Changes in Both



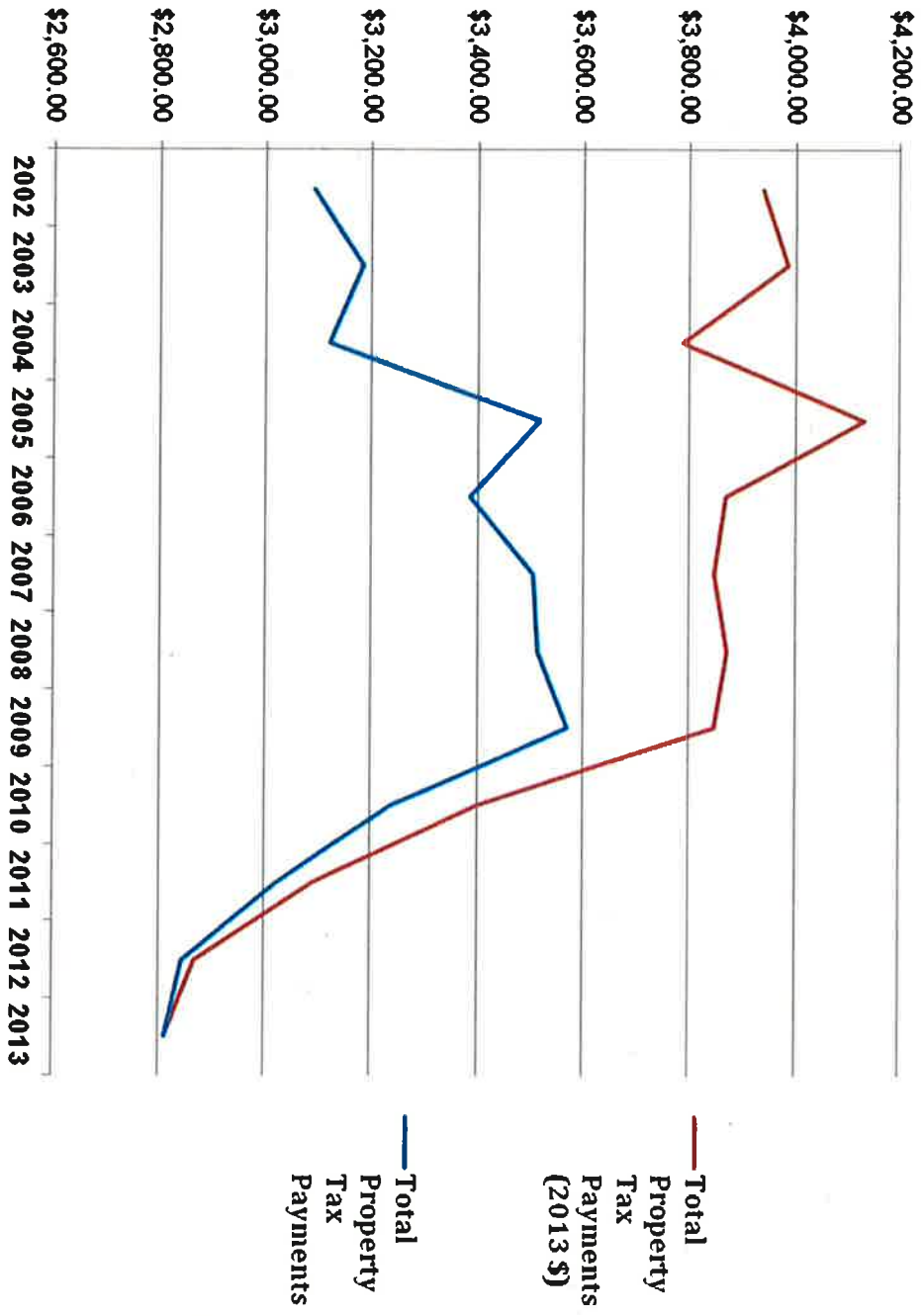
Why I'm Not Optimistic



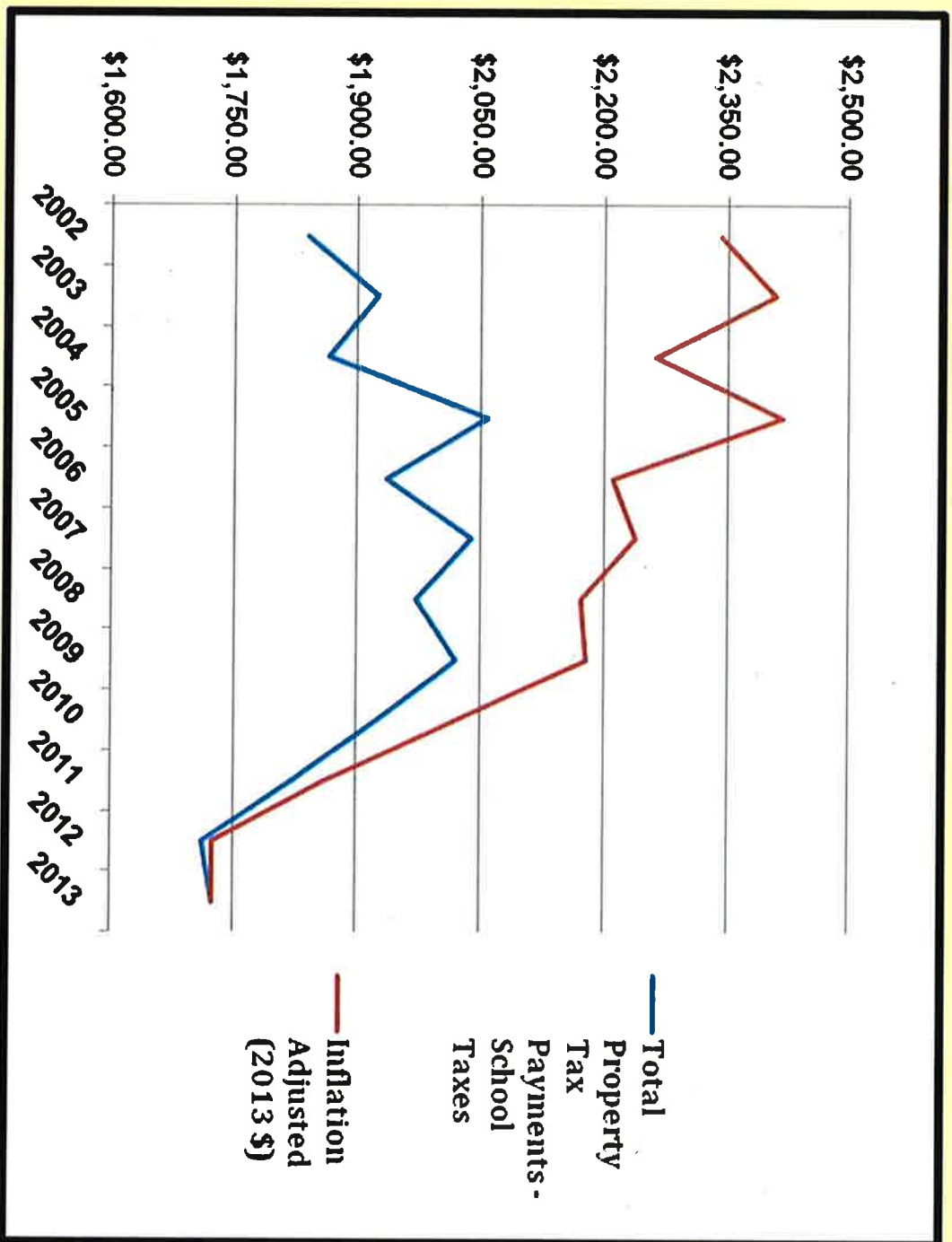
Income Drivers



Micro Perspective



Micro Perspective

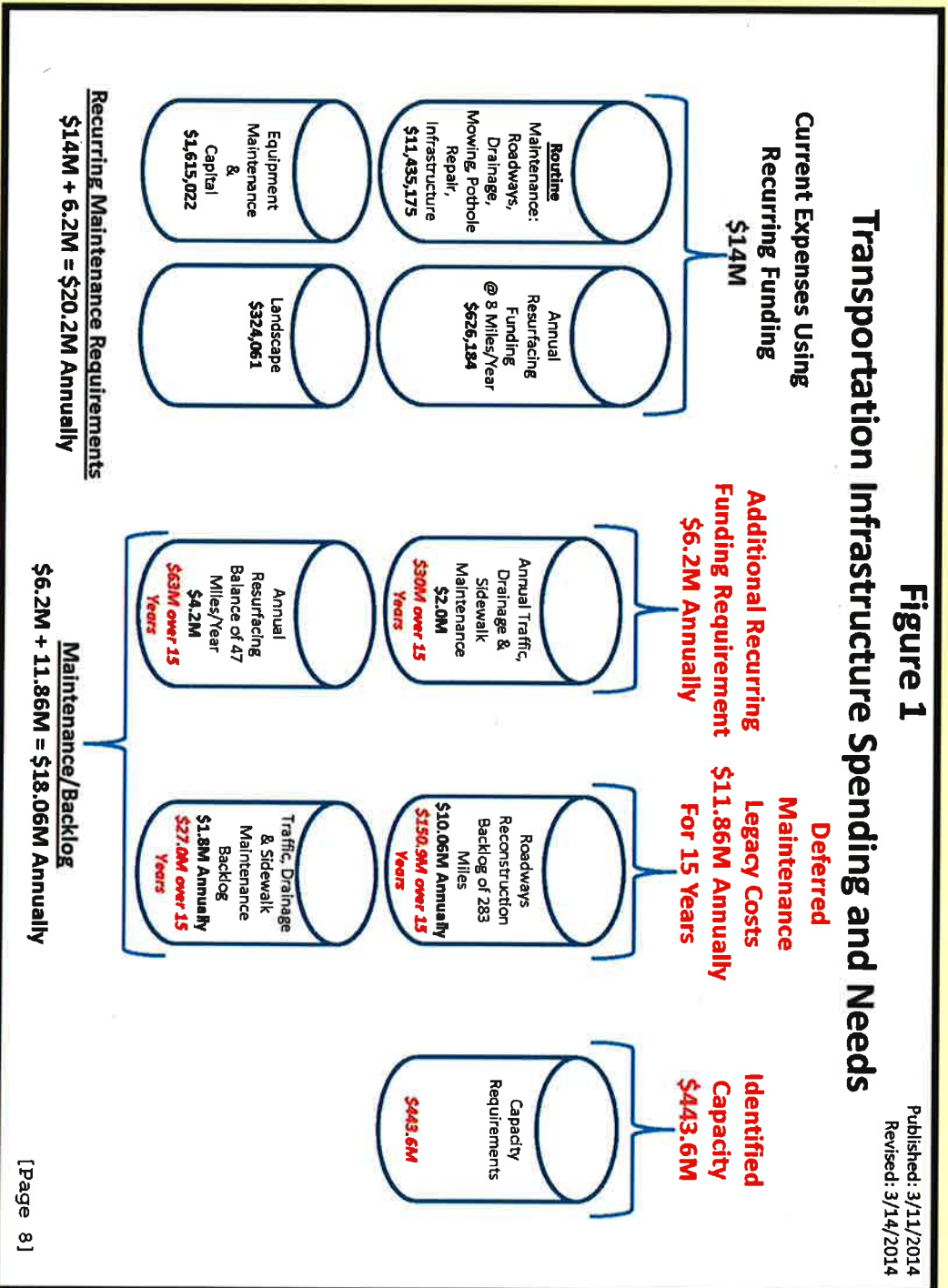


So what to do? A 1st Step

Figure 1

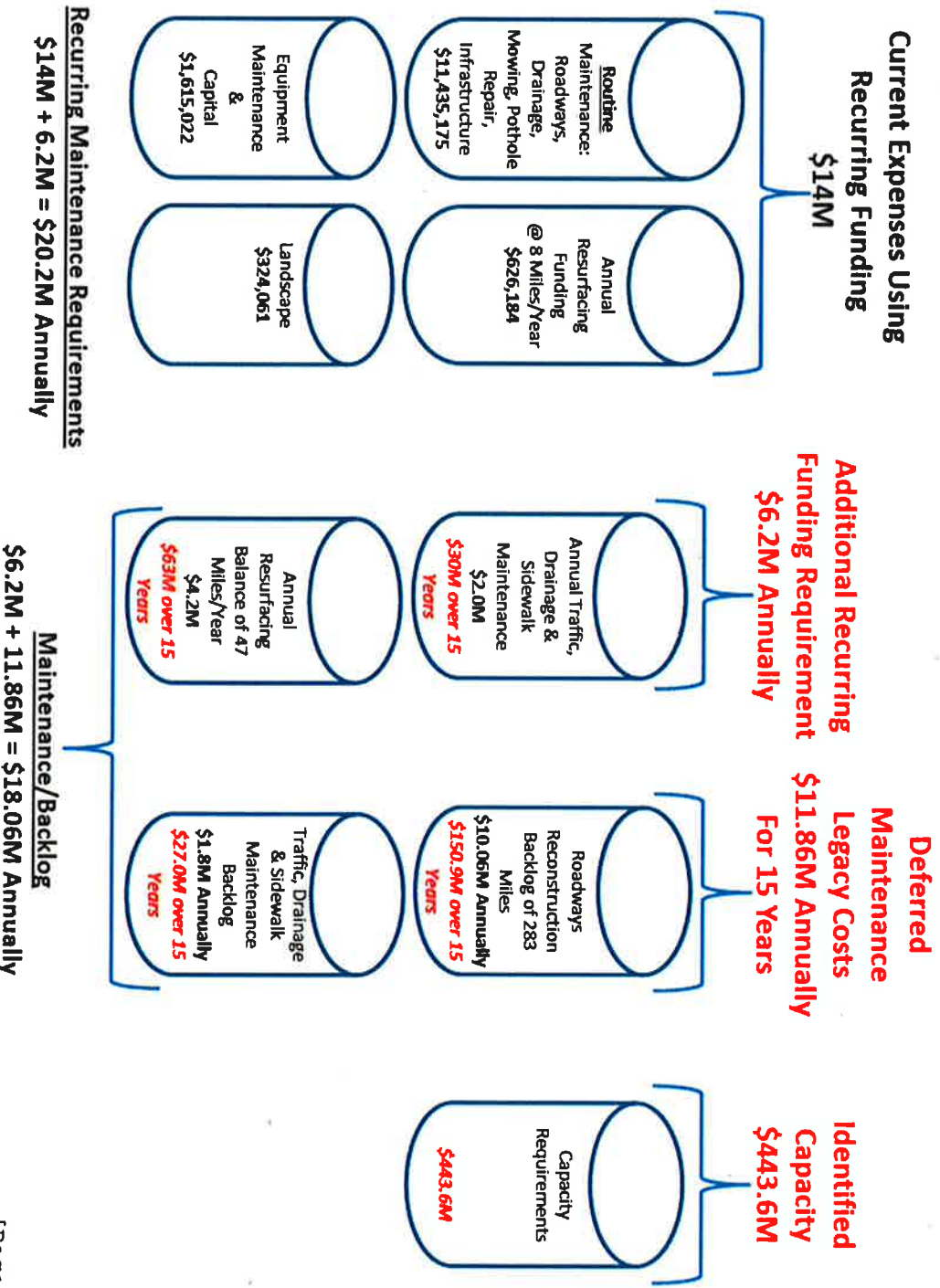
Published: 3/11/2014
Revised: 3/14/2014

Transportation Infrastructure Spending and Needs



FINAL DRAFT, 9/24/15

Figure 2



FINAL DRAFT, 9/24/15

Summary

In the context of the citizen's budget review committee (hereafter CBRC), my feedback is proffered for the purposes of commenting on the sustainability of Brevard County's service offerings. Specifically, whether the county is financially positioned to maintain its service amenity across the spectrum of activities it supports.

My participation with the CBRC comes about one year after my work on the Blue Ribbon Transportation Committee ended. The conclusion that committee arrived at was that roads and other transportation infrastructure were critically under-funded (for reference purposes the order of magnitude was a revenue need in excess of \$600 million over a 15 year recovery window), and in Spring 2014 a plan to address our deteriorating infrastructure was submitted to the Brevard County Commission. No action was taken.

With respect to this committee and Brevard County's overall budget the imperative becomes to ascertain to what degree the critical imbalance between roads funding and need is reflexive of critical imbalances in other service areas, or an isolated phenomenon whereby roads funding served as the proverbial neglected step-child, deferring its share to other departments in times of declining revenues. Sadly, my conclusion, after numerous CBRC sessions during the course of the late spring and summer 2015, is that the former position holds, and pockets of stress are appearing in other functional areas, including but not limited to health insurance, employee retention, IT, parks, environmental lands, and fire/EMS.

Time did not permit a comprehensive review of all governmental functions, but it is doubtful that funds are recoverable from an aspect of government that is over-funded (if that even exists ... more likely, less under-funded) to reduce the stresses above, let alone make significant progress with respect to roads and infrastructure. In other words, in my opinion this problem won't be solved by securing greater efficiencies, which, when possible, should always be a desired goal. The order of magnitude involved in correcting the roads and infrastructure decay along with Brevard County's currently low ad valorem tax collections in relation to income (more on that next) necessitates new revenue sources.

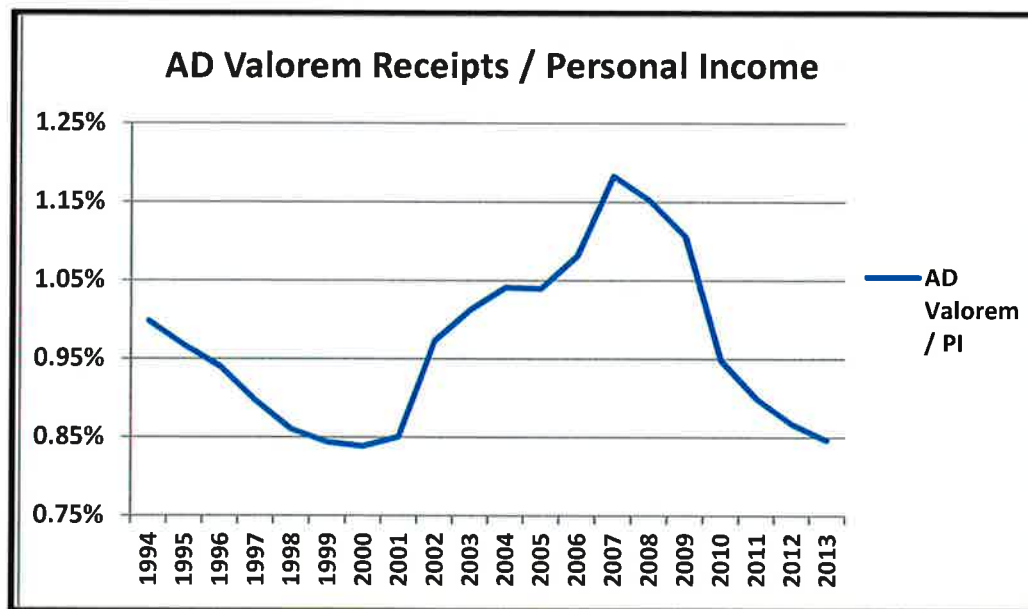
I came into this exercise with a very specific macro view that is informed by the ratio of ad valorem¹ tax receipts in relation to income. Tax receipts, the numerator in this ratio, reflect the ability of County Government to supply goods and service amenity to its constituents. Income, and more specifically, personal income, the sum of net earnings, transfer receipts, and dividends-interest-rents at the county-level, is a demand proxy which reflects greater purchasing power and population. The greater purchasing power a community has, and the more people that inhabit its sphere, the greater the amount of goods and services demanded, some of which are publically provided.

¹ This category was chosen by the CBRC as it reflects the largest pool of non-targeted discretionary funds (i.e., the General Fund).

FINAL DRAFT, 9/24/15

As is evidenced by Figure 1, this ratio, which exhibits a distinct pattern of cyclicity, was re-approaching its FY 2000 low-water mark in 2013. This is the last year for which personal income data for Brevard County exists. It is likely that the FY 2000 low-water mark was breached in FY 2014, and confirmation will occur this November with the next data release by the Census Bureau. The tanking of this ratio is representative of fiscal duress, and given the dim prospects for short-term recovery of revenues sufficient to restore this ratio to a more favorable level, in my opinion Brevard County will face increasing difficulty in maintaining service amenity.

Fig. 1 – Brevard County Ad Valorem Tax Receipts Divided by Personal Income



Sources: County Budget Manager for Tax Collections; Census Bureau for Income

The causes of this fiscal trap – a combination of factors that includes a housing bubble and bust, the particulars of our taxing/roll-back formula, etc. – are worthy of more intense scrutiny but are not the subject at hand. The ulterior question is what to do about this.

The Blue Ribbon Committee submitted a detailed plan to tackle the roads and infrastructure issue via new revenues associated with an infrastructure sales tax, expanding the existing gas tax regime, and the restoration of transportation impact fees. In my opinion this option is the only viable pathway to address the infrastructure decline which permeates Brevard County. *I would also posit that this option affords the ability to devote any future increases in ad valorem revenues to other pockets of need which are already apparent.* This constitutes my central recommendation to the Brevard County Commission, and thus, the next section serves as background for that plan, which has been extracted from the earlier Blue Ribbon Report.

FINAL DRAFT, 9/24/15

Roads & Infrastructure Background

Figure 2 (see page 6) provides a holistic view of Brevard County's current infrastructure dilemma, calibrated to a 15-year cycle. On an annual basis, approximately \$14 million (labeled Current Expenses) is presently available for the recurring funding of routine maintenance (\$11.435mi), resurfacing (\$0.626mi), equipment (\$1.615mi), and landscaping (\$0.324mi). Unfortunately, that level of funding, which derives from gas taxes, general fund revenues, and MSTU dollars, only allows for the resurfacing of about 8 miles of roads per year, far short of the 55 miles per year needed to resurface Brevard's 1,110 miles of roads on a 20 year rotation (i.e., 1,100 miles/20 years = 55). A 20-year resurfacing rotation ensures that the roads do not decay to the point of needing reconstruction, which is prohibitively more expensive.

Ensuring that all Brevard County roads are resurfaced on a 20 year rotation requires an additional \$4.2mi per year. Including traffic, drainage, and sidewalk maintenance bumps that annual figure to **\$6.2mi** (labeled Additional Recurring Funding in red); thus, the recurring maintenance requirements, all things normalized, would require \$20.2mi per year over the next 15 years, in contrast to the \$14mi currently available.

All things are not normalized, however, as Brevard County has a legacy bill. In 2014, due to the lack of fidelity to the prescribed 20 year resurfacing schedule, about 280 miles of road required either partial or full reconstruction, at an annual cost of \$10.06mi. Factoring in the annualized backlog costs for traffic, drainage, and sidewalk maintenance (i.e., \$1.8mi) yields a yearly legacy remediation bill of **\$11.86mi** (labeled Deferred Maintenance Legacy Costs in red), to be incurred over the next 15 years.

In total, *sustaining* the existing roadway infrastructure requires additional funding of **\$18.06mi** per year (i.e., \$6.2mi + 11.86mi) over the next 15 years, at which point remediation would be complete. Sustainable funding for roadway infrastructure would then fall to the aforementioned \$6.2mi (albeit adjusted for inflation) beyond what is presently available.

None of the revenues discussed up to this point are associated with infrastructure expansion. It is thought that in excess of \$440mi in new road construction projects to be completed over the next 15 years is needed for the alleviation of transportation capacity constraints. This would involve in the neighborhood of about \$30mi per year. There is currently no funding base for this.

Given this background, the following recommendations were forwarded to the Brevard County Commissioners, and for completeness are repeated here. For clarity purposes the acronym BRAC refers to the Blue Ribbon Advisory Commission.

FINAL DRAFT, 9/24/15

Recommendations

1. *Maintain current funding - \$14M annually.* The current Public Works budget is derived from multiple sources including general revenue. The BRAC recommends maintaining a combination of current revenue sources to keep this level of annual funding. New sources of revenue should not be used to supplant existing funds.
2. *Levy 6 cents per gallon of additional gas tax - \$7.8M annually.* The BRAC recommends that the Board of County Commissioners take action prior to July 1 to begin collecting new gas tax revenue on January 1, 2015. These funds should be fully committed to regularly scheduled maintenance of existing infrastructure which is the first priority. These funds should not be bonded.

Due to annexation and the significant number of county roads now within city limits, it is suggested that, in advance of this levy, a new interlocal agreement be negotiated committing 60% of new funding to county roads and 40% to city-maintained roads. With this formula, new projected County revenue would be \$2,042,900 from the 9th cent fuel tax and \$5,727,903 from the five-cent Local Option Gas Tax. The municipalities would receive an additional \$3,818,652 annually. Distribution of current gas tax revenues would continue using the existing formula (47% county/53% cities).

3. *Collect impact fees to support capacity expansion - \$3.4M annually.* The BRAC recommends that the County Commission allow the current moratorium on impact fees to sunset as scheduled on December 31, 2014. The annual revenue from impact fees will fluctuate proportionately to growth and their use will be limited to increasing capacity to support that growth. The County is conducting an analysis of the impact fee structure and should work closely with real estate and building professionals to set appropriate impact fees that will support capacity expansion.
4. *Support a one-half cent infrastructure sales tax referendum - \$17.45M annually.* The infrastructure sales tax is the only funding mechanism that provides the revenue needed to support maintenance, reconstruction, and capacity for the County and the cities. The BRAC recommends that an infrastructure sales tax referendum be placed on the November, 2014 ballot. The sales tax would be limited to 15 years with all funding dedicated to transportation infrastructure. They also recommend the development of interlocal agreements for the County and cities, prior to the referendum, that include the following commitments:
 - Limited to 15 years
 - Revenue can only be used for transportation infrastructure (as defined by the LOGT statute)
 - Funds will be distributed based on the Department of Revenue allocation formula
 - Resurfacing and maintenance of existing infrastructure will be prioritized
 - Each jurisdiction will produce and maintain a list of project priorities
 - Each jurisdiction will be required to produce an annual accountability report
 - The additional six cents gas tax would be rescinded during the years that the infrastructure sales tax is collected
 - Bonding is discouraged (may consider limited bonding)

FINAL DRAFT, 9/24/15

Discussion

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).

The search for cost savings via greater efficiencies should always be encouraged, and it should be noted and reaffirming that many of the ideas introduced by CBRC members have already been examined by County Management and Staff (i.e., IT outsourcing, health insurance for County employees Medicare eligible, etc.). The pursuit of greater efficiencies, however, should not be a coverlet designed to obscure the unpleasant reality of insufficient revenues. With respect to the roads crisis, and in my opinion, there is no solution that exists absent new revenue sources. I believe this was the reality that existed 15 months ago when the BRAC issued its report, and I think this reality is even more relevant today.

Disclaimer: I reserve the right to revise and extend my comments if and should any new relevant information be provided during the conduct of any future committee meetings.

COMMUNITY REDEVELOPMENT

Presented to the Board of
County Commissioners

By The Town of Palm Shores
"The Little Town that Cares"



INTRODUCTION

Palm Shores is one of the smallest incorporated communities in Brevard County and one of the most recent participants in redevelopment.

The Palm Shores Redevelopment Agency was established May 25, 2004 (not 2003)

BOUNDARY

The Palm Shores Redevelopment Area boundary includes the entire U.S. 1 corridor and the commercial properties extending west to the FEC railroad consisting of approximately 180 acres.

No subdivisions were included in the Redevelopment area



Redevelopment Program Design

The focus of the Palm Shores Redevelopment Program is to remove blighted conditions along U.S. 1 and enhance the image of the Town.

The Town's redevelopment program is designed to address those issues which are actual or perceived impediments to the Town's economic or social progress. In order to address these issues, Palm Shores has begun the implementation of projects that:

Program Design

Remediate the Old

- Eliminate dilapidated and unsafe structures through strong Code Enforcement
- Eliminate nonconforming uses that detract from the character of the community
- Demolition
- Façade Improvement

Program Design

Zoning

- Administratively rezone to classifications that encourage a high degree of design and development standards for new construction
- Ensure that new development consists of appropriate land use

Program Design

Improve Safety

- Public Space Lighting
- New Sheriff Sub-station
- Road Re-alignment for safer access to Town Hall from U.S. Highway 1

Improve Recreation Opportunities

- Pier and revetment repair at Shoreside Park
- New Playground Equipment

PROJECTS

The following projects which are included in the Redevelopment Plan are aimed at achieving these goals.

FAÇADE IMPROVEMENT PROGRAM

The Town has recently adopted a façade improvement grant program that will assist commercial property owners along U.S. 1 to improve the visual appearance of their buildings.

FAÇADE IMPROVEMENT PROGRAM



Before



Palm Shores
Town Hall



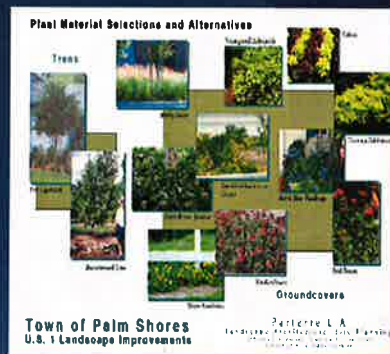
After



Sinclair Law Office



Median Landscape Plan and Highway Beautification



The Town has completed a master landscape plan for the medians and along the east and west right-of-ways of U.S. 1

Highway Beautification



The town had applied for and received an FDOT highway beautification grant in the amount of \$71,636.00 which will require a match from the Town. This grant allowed the Town to complete Phase 1 of the landscape project which will include three (3) U.S. 1 medians.

Pepper Tree Busting



Before



After



Pepper Tree Busting



Before



After



New Development Projects

The Town's desired outcome from these public expenditures are simply to remove slum and blight conditions within the town in order to create:

A place a new business or company would be proud to call home.

A community with a new self image and sense of pride.

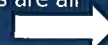
New Residential and Commercial Businesses



Prestige Office Complex (formerly the Blue Motel) houses 5 real estate related businesses including title companies, property inspectors, and mortgage company.



Ashley Oaks Subdivision was completed in 2014 and its 27 homes are all sold



Candlewood Suites Groundbreaking to Finish



New Businesses in Palm Shores

Cabana Shores Tiki Bar and Grill



CONCLUSION

The Town has made significant progress on many of the projects and programs approved within the Palm Shores Redevelopment Plan.

THANK YOU AND HAVE A PLEASANT AFTERNOON





City of West Melbourne Presentation
on Joint City-County CRA
to
Brevard County Commission

City Manager Scott Morgan
October 1, 2015

**Improving the U.S. 192 Entryway to West Melbourne,
Melbourne Airport, Melbourne and Beach Side**

One of the primary purposes of the County Commission and West Melbourne City Council in establishing the Redevelopment Trust Fund for the Joint West Melbourne-Brevard County CRA in 2013 was to provide CRA funding to enhance the U.S. 192 entry from I-95 into West Melbourne, Melbourne Airport, Melbourne, and beach side. Much of this area is within unincorporated Brevard County.



Second Improvement Will Have Some CRA Funding

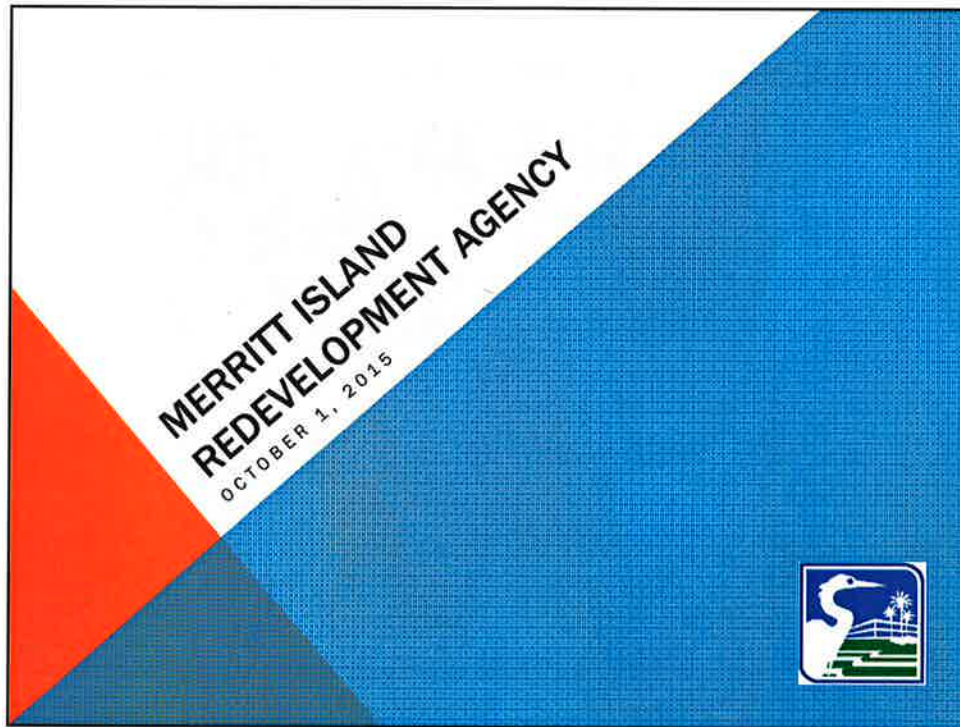
This year's adopted City budget includes a total of \$1,138,000 in a combination of State grant, City general, and CRA funding to install new decorative street lighting along the first mile of the important U.S. 192 entry to West Melbourne, Melbourne Airport, Melbourne and the beach side. The net CRA share of this budget is \$546,730, or 48% of the project total. **The City has agreed make an additional interest free loan to the CRA in order to fund the CRA's share of the new street lighting.**



County Receives Benefit of CRA Leverage

As we start just the third year of CRA operations, the City has committed to two major U.S. 192 entry improvement projects totaling \$1,933,000. The County's current aggregate tax increment contribution to the Joint CRA of \$80,327 has been leveraged twenty-four times over. Much of the benefit area is in unincorporated Brevard County.





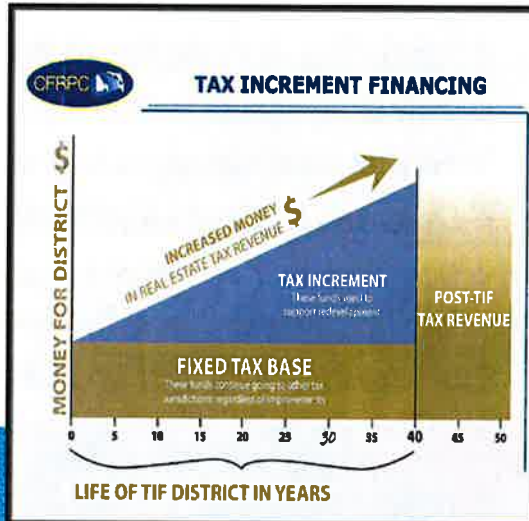
COMMUNITY REDEVELOPMENT AGENCY'S

- Community Redevelopment Agencies (CRA) were authorized by passage of the Redevelopment Act of 1969 - Chapter 163 Part III of the Florida Statutes
- CRA's are one of the tools local governments use for Economic Development in the State of Florida
- Over 180 CRA's across the State of Florida, including 15 in Brevard County, two in unincorporated areas.
- Tried and Proven Formula for Successful Revitalization of Urban Areas!!



TAX INCREMENT FINANCING (TIF)

- ❖ Funding Mechanism Used to Provide Financial Means for Redevelopment Within a Designated Area
- ❖ Property Values are "Frozen" as the Base Year
- ❖ General Fund continues to receive portion of increase
- ❖ Redevelopment Trust Fund Holds Tax Revenues Due To An Increase In Value In Excess Of The Base Year
- ❖ Redistribution Of Tax Revenues Generated From The CRA According to Master Plan

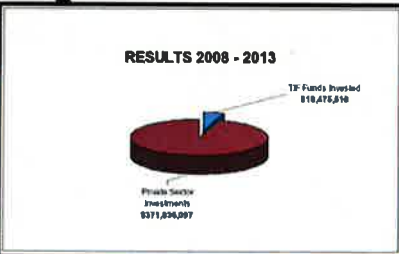
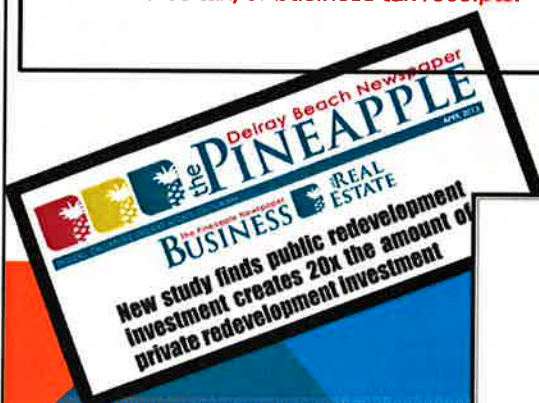


TIF funded infrastructure improvements, which occur on State/county roads, not only provide relief to the General Fund, these projects create a "spin-off" effect to the County in the form of **increased property values in surrounding "non-CRA" areas, and County collection of additional gas tax, bed tax, sales tax, or business tax receipts.**

New analysis finds it took only \$19 million public dollars to generate approximately \$371 million in private investment

A new study examining the effect of government Community Redevelopment Agency (CRA) investment in several Florida municipalities has found that for every single dollar spent by a CRA on redevelopment, that same area benefited from twenty additional dollars being invested in redevelopment by the private sector over the same period of time. The study also showed the investment created over 2,000 new temporary and permanent jobs.

In addition, over the same period of time, the study found CRAs funded \$136.2 million in infrastructure improvements that did not have to be paid for with city general budget dollars.



THIS IS WHAT REDEVELOPMENT LOOKS LIKE!!

Elimination of Unsafe Drainage Ditches



Palmetto Avenue Drainage and Street Improvements



S.R. 3 Median Streetscape Improvements





SR 520 Mastarm Replacements

BEFORE

AFTER



Elimination of Septic Tanks



Elimination of Septic Tanks/Intersection Improvements





THIS IS WHAT REDEVELOPMENT LOOKS LIKE!!


BEFORE



AFTER




Direct Seafood




THIS IS WHAT REDEVELOPMENT LOOKS LIKE!!

After

Before



LaCasa Assisted Living



Regional Stormwater Basin



CONE ROAD SUB AREA



KIWANIS ISLAND PARK

IRA approves final design of sign and provides funding after FDOT approval/Co. to purchase RW.



Redevelopment in Downtown Titusville



Community Development Department
Brevard County Commission Meeting
October 1, 2015



Downtown CRA

- The Downtown CRA encompasses approximately 300 acres.
- Extends from the marina on the north to Grace Street.
- The CRA includes the Historic Downtown, or core area and a number of small neighborhoods.
- The CRA is bounded by the Indian River on the east and north and by the Florida East Coast Railroad on the west.
- The CRA parallels the Indian River and includes over 1.9 miles of waterfront.

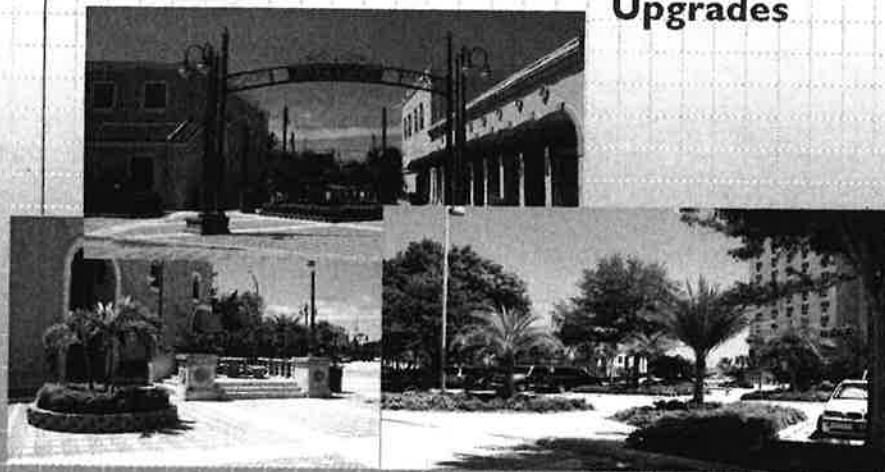


Redevelopment Goals

- Park Improvements
- Become a Trail Town
- Maintain & Improve Existing Building Stock
- Vibrant Mixed Use Downtown

Major Projects

Downtown Commons Landscaping and Upgrades



Major Projects

Space View Park West



Major Projects

US 1 Corridor Streetscaping



Current Projects

- **Julia Street Parking Lot Lighting**
- **Main Street Streetscaping**
- **Pedestrian Safety Crossings on S. Washington Street**

Private Development Harbor Point



Thank you!

**City of Titusville
Community Redevelopment Agency**



INFORMATION TECHNOLOGY

October 1, 2015



Information Technology



2

- **IT Strategic Plan 2015 Provided by Internal Auditors**
- **\$837,000 General Fund Increase in FY2015-2016 Budget**
- **Outsourced E-mail to the Cloud**
- **Outsourced SAP Support**
- **Outsourced Database Administration**
- **Outsourced Software Development for Some New Applications**

Information Technology



- **Extended Contracted Services for Systems Administration (8/04/15)**
- **Hired Critical Technical Position at a Competitive Market Rate Above Current Internal Salary Range (9/3/2015)**
- **RFP for Outsourced Senior Level Technical Personnel (9/15/15)**

INFORMATION TECHNOLOGY

Questions?



GROUP HEALTH INSURANCE

October 1, 2015



Group Health Insurance



- **EBIAC Commitment**
- **Current Program Status**
- **Presentation to the CBRC**
- **Prior Year Program Deficit**
- **Plan Modifications**
- **January 2015 Board Direction**
- **2016 Innovative Plan Initiatives**
- **2015 RFP Negotiated Administrative Cost Reductions**

EBIAC Commitment



The EBIAC has been an exceptional steward for the Group Health Insurance program to assure its financial integrity in a fiscally responsible manner by protecting both plan participant and taxpayer interests in a manner consistent with the direction provided by the BOCC.

Current Program Status



Staff endeavors to make certain

- Board is fully informed about its group health insurance program.
- Viable and reasonable options are presented.
- Board direction is carefully followed.

Presentation to the CBRC

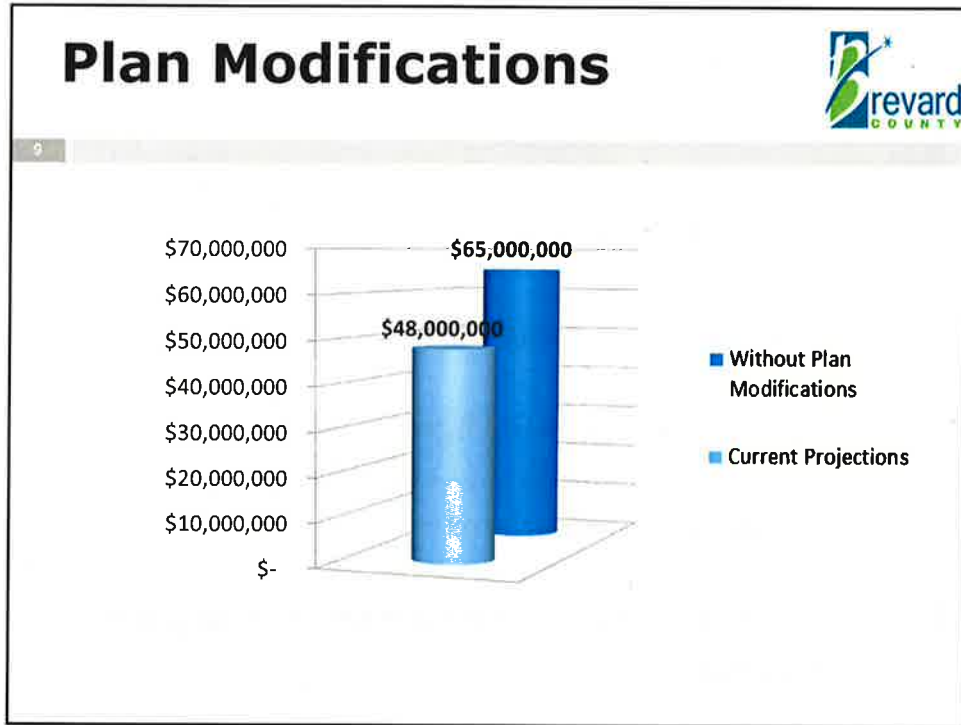


- **On May 27, 2015, Mr. Abbate and Mr. Visco made a presentation to the CBRC, and answered questions related to the program.**
- **Important information Human Resources provided was not included in the CBRC Chairman's presentation.**
- **It is critically important for the Board to have a complete and accurate record of actions taken.**

Prior Year Deficit



- **During Fiscal Year 2013-2014, the expenses for the Group Health Insurance program exceeded the revenues, resulting in a cash deficit of \$5.52 million.**
- **Because this deficit was projected early in the year, staff was able to work with the Employee Benefits Insurance Advisory Committee (EBIAC) to recommend the following program modifications to eliminate this deficit in future years.**



- ## January 2015 Group Health Insurance Workshop Board Direction
- I. Medicare Supplement Plans
 - II. Medicare Advantage Plans
 - III. Comprehensive Pharmacy Plans
 - IV. Adherence Based Incentive Model (5-Year Period)
 - V. RFP for Fully Insured, Self-funded Fully Integrated Single Vendor, Multi-Vendor Competitive Model Options, and Innovation Options
 - VI. Explore Partnership Opportunities with Brevard School Board

GROUP HEALTH INSURANCE

Questions?



CITIZENS BUDGET REVIEW COMMITTEE RECOMMENDATIONS

October 1, 2015



ZERO BASED BUDGETING

It is not universally perceived as a cure-all



Zero Based Budgeting



AS STATED:

“A method of budgeting in which all expenses must be justified for each new period. Zero-based budgeting starts from a "zero base" and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one.”

INVESTOPEDIA EXPLAINS' Zero-Based Budgeting –

The Rest of the Investopedia Story



“Because of its detail-oriented nature, zero-based budgeting may be a rolling process done over several years, with **only a few functional areas reviewed at a time by managers or group leadership.**

Zero-based budgeting can lower costs by avoiding blanket increases or decreases to a prior period's budget. **It is, however, a time-consuming process that takes much longer than traditional, cost-based budgeting.**

The practice also favors areas that achieve direct revenues or production; their contributions are more easily justified than in departments such as client service...

Deloitte: Zero Based Budgeting: Zero or Hero? (2015)



Disadvantages in the Public Sector:

- The ZBB Process is costly, complex and time consuming
- Implementing ZBB at all can be a major challenge for public-sector organizations with limited funding, and can constitute a major risk when potential cost is high and savings are uncertain
- Government agencies may face extreme constraints relating to their ability to complete ZBB within a budget cycle
- Prioritization process may be problematic for departments with intangible outputs

The Commonwealth of Massachusetts



After reviewing current practices, research from other state's experiences:

- Comprehensive zero-based approach for budget development was not a desirable, feasible or sustainable course of action
- Adopting ZBB often proved ineffective and generally was unsustainable
- A program-based approach, combined with realistic and appropriate performance measures, has improved budget decision making, as well as transparency and public accountability

Report of the Zero Based Budget Commission – February 2013

Government Finance Officers Association



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Zero Based Budgeting (ZBB) Drawbacks & Weaknesses:

- Very rare; two governments from a sample of 413 using textbook ZBB
- More suitable for smaller governments
- Cost associated with implementing ZBB
- Driven by managers' perceptions and preferences
- Elected officials review detailed operational information as opposed to the bigger-picture strategic plan
- Doesn't directly address whether a government should be providing the service
- Doesn't address alternative service delivery options or the efficiency of services

"Zero Based Budgeting: Modern Experiences and Current Perspectives"

Brevard County: Program Based Budgeting Approach





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- Managers review approved and prioritized services/projects to determine support required in coming year
 - Staffing
 - Operating requirements
 - Capital/CIP requirements
- Limited revenue availability provides operating constraints
- Program Budgets are prioritized within Departments to most effectively utilize limited departmental resources
- Department Budgets are prioritized to most effectively utilize limited County resources

CRAs and Economic Development Zones

Observations from the Presentation





CBRC Presentation & Observations

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Statistic Presented by CBRC Chairman	Budget Office Observation
TIF revenues increased by \$242k to \$3.520mm in 2015, a 5.5% increase over two years.	Three CRAs were not eligible to collect TIF revenue in 2013. Comparable CRAs increased \$35K or 1.06% over 2 years.
In 2015 NBEDZ added \$3.231mm to special district spending.	In 2016 NBEDZ will receive \$64K.
Estimated Future Expenditures: 2015-2026 (10 years), \$81,044,899 2026-2036 (10 years), \$122,199,471 20 Year Total, \$203,244,471	2015-2026 = 12 years 2026-2036 = 11 years 23 Year Total, \$203,244,471

CBRC Presentation & Observations



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Statistic Presented by CBRC Chairman

Budget Office Observation

CRA's and EDZ's are slush funds.

Funded based on an approved plan.

Many of the Directors are also municipal office holders. There exists no arms length relationship between the municipality and the CRA creating potential conflicts of interest.

Acceptable per FS 163.357 for municipal office holders to be CRA Directors

CRA Directors are not subject to the ethics statue. FS 112.3143 (3)b.

CRA Directors are subject to all Florida ethics rules. FS 112.3143(3)b deals with voting conflicts.

BUDGET GAP



Budget Gap



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- F.S. 129.06 provides for amending budgets any time within a fiscal year, particularly for revenue from unanticipated sources.
- Expenditures cannot exceed the authorized budget

Budget Gap



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- As indicated, from FY06 - FY15, budgets increased, on average, \$106.9M per year (10.25% of adopted)
 - For FY12 through FY15 the increase is \$81.2M per year (8.4%)
- \$106.9M Increase
 - \$44.0M (41.2%) – Balances Forward
 - \$32.3M (30.2%) – Financing
 - \$22.8M (21.3%) – Grants
 - Total: \$99.1M (92.7%)

Budget Gap – Grants (\$22.8M)



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- During Budget Development Departments are instructed to budget only for those grants assured as of date of the Tentative Budget (conservative approach)
 - From FY 2006 – 2015 budgets were amended for:
 - Transportation grants
 - Housing grants
 - Public Safety grants
 - Economic and Physical Environment grants
 - Miscellaneous state and federal grants
 - Significant hurricane/fire reimbursement grants in earlier years of this 10 year period

Budget Gap – Financing (\$32.3M)



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- Departments budget only for Financing of which they are aware. From FY 2006 – 2015 budgets were amended for:
 - LOGT Bond proceeds in 2006-2007
 - Parks refinanced S. & N. Brev., MI, EELs Bonds
 - Gen Govt refinanced bond/commercial paper debt
 - Utilities defeased Series 2002 Bonds
 - Public Works refinanced LOGT Bonds
 - Financing for Utility projects, BCSO CAD, MC Helicopters, Energy Performance Contract

Budget Gap – Balances Forward (\$44.0M)



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- Departments budget for Balances Forward based on projected revenues and expenditures in the current fiscal year.
- From FY 2006 – 2015 budgets were amended for:
 - Public Works - \$12.5M
 - Parks – \$8.1M
 - HR - \$3.0M
 - Solid Waste - \$2.9M
 - Tourism - \$2.9M
 - Planning - \$2.6M
 - Housing - \$2.4M
 - Emergency Mgmt - \$2.2M
 - Gen'l Govt - \$2.2M

CBRC Presentation & Observations



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Statistic Presented by CBRC Chairman

Budget Office Observation

The implications of this budget gap should be examined closely for its effect on taxes, adopted budgets, budget comparisons, and public policy decisions

No causal relationship between budget amendments and tax rates. Tax rates are determined on the basis of Florida Statutes and Brevard County Charter.

Budgets are developed based on reasonably anticipated funding sources. Directors don't budget for "maybes".

Budget vs Actual comparisons are analyzed on the basis of the amended budget.

Budget amendments may be a result of public policy decision – changing project priorities; lower interest rates.