

# Memorandum



**Date:** March 13, 2014

**To:** Honorable Chairwoman Rebeca Sosa  
and Members, Board of County Commissioners

**From:** Carlos A. Gimenez  
Mayor 

**Subject:** FY 2013-14 General Fund Budget Update- March

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Since the adoption of the FY 2013-14 budget, several challenges have emerged that are limiting available revenues and increasing required expenditures in the general fund, and have thrown the budget out of balance.

As promised, members of my staff and I are providing monthly updates regarding actions we are taking to balance the current year budget and in preparation for FY 2014-15. While minor budgetary adjustments throughout the year are common and lead to a mid-year and/or end-of-year budget supplemental each fiscal year, the changes for FY 2013-14 are very significant.

These changes include:

- the impact of the FY 2012-13 Value Adjustment Board (VAB)-related property tax refunds that reduced the carryover revenue into FY 2013-14 by \$24 million;
- the estimated impact of the VAB-related refunds to be processed in FY 2013-14 (approximately \$20 million in the General Fund); and,
- the elimination of the 5% group healthcare contribution which may ultimately necessitate additional support from the general fund, as well as proprietary funds, in order to meet the State's required reserve level in the self-insurance fund.

To date, a total of \$10.9 million of additional revenue, representing unbudgeted carryover from a number of departments (e.g. Finance, Regulatory and Economic Resources, Clerk of Courts), have been used to supplant General Fund disbursements and updated projections based on first quarter actual results. Expenditure reductions in the amount of \$27.7 million have been identified and implemented as a result of the actions described below.

As further opportunities are identified and approved by the Administration, they will be implemented in order to address the looming \$200+ million gap estimated for the tax-supported portion of our budget for FY 2014-15. This gap includes the assumption that none of the current concessions from our bargaining units will be continued into the next three-year contract to be negotiated in the coming months.

Again, we have already begun to take significant steps toward overcoming these fiscal challenges.

We have implemented \$24 million in FY 2012-13 VAB refund revenue losses after a first round of expense reductions and improved revenue projections was implemented on January 21, 2014. This was detailed in my memo to you dated October 21, 2013 (attached). A second round of expense reductions has been implemented to begin to address the estimated revenue loss from FY 2013-14 VAB refunds.

The actions we are taking include the following:

### **Vacant Positions and Personnel Reductions**

Since the beginning of the fiscal year, vacant positions have not been filled unless critical to the safety of the public or if it is more costly for those positions to remain vacant (e.g., they must be backfilled with another employee on overtime or lead to reduced revenue collection).

This aggressive action has given us the flexibility to eliminate 68 vacant positions in departments including Audit and Management Services, Community Action and Human Services, Community Information and Outreach, Finance, Human Resources, Internal Services, Office of Management and Budget, and Public Works and Waste Management, which otherwise would have impacted 68 current County employees.

So far, in total, we have eliminated 21 filled positions in Audit and Management Services, Community Information and Outreach, Internal Services, Office of Management and Budget, and Police (non-sworn).

The impacts of these reductions will result in a reduced number of audits, affect internal controls, and lessen maintenance and support of personnel and facility resources. Existing staff will be absorbing more work.

One hour of 311 service during the week will be eliminated. Effective April 7, 2014, the 311 Answer Center will be open from 7 a.m. – 7 p.m. on Monday through Friday, and from 8 a.m. – 5 p.m. on Saturday. TV production positions in Police will be cut. Also, the two remaining classes of new police officers for this year have been canceled. This will have minimal impact on our police coverage, however, as we are actively moving police personal into assignments on the street.

### **Spending Controls**

We are also looking at service deployment options for Fire Rescue. Grounds and landscape maintenance cycles are being reduced in varying amounts for all green spaces (parks, medians, and rights-of-way) during the dry season.

We continue to control spending and have projected savings as a result of personnel attrition and hiring delays, delays in contractual purchases and improvements, and reduced spending on capital projects.

The current federal budget proposal provides sufficient funding to release the \$2.5 million held in reserve in the event of sequestration-related cuts to the Head Start program. As end-of-year audit adjustments are made, we are projecting improved revenue collection and have identified unbudgeted carryover.

### **Top-Down Restructuring**

Further expenditure reductions will be identified through the restructuring process led by my office and the budget development process. Options for transforming our service delivery strategies (top-down restructuring) are being studied including application of part-time and temporary resources and analysis of centralization, decentralization, insourcing and outsourcing opportunities.

### **Legislative Changes**

We will also be developing recommendations for legislative and process changes, including those governing procurement of goods and services and public private partnerships, to be considered by the Board. We will be working with our labor representatives on these, as well as on strategies for reducing healthcare costs.

### **Self-Insurance Fund Adjustments**

I did not recommend using the self-insurance fund reserve for purposes of covering budgetary gaps, given that fiscal responsibility dictates that adequate reserves remain on hand to ensure the County's ability to maintain a self-insurance program which is less expensive than commercially available insurance.

Since the Board provided no other recourse by directing the use of reserves, a reimbursement totaling \$18.6 million will be processed from the self-insurance fund to use all available cash carryover in excess of the state required 60-day reserve. For the general fund, this amount will be \$6.46 million.

The bi-weekly rate paid into the self-insurance fund by departments will remain at the current amount, essentially utilizing the equity in the fund to pay for healthcare costs because we will no longer be receiving the contribution from unionized employees.

An assessment will be done each month to project the amount of funding that will be required to be returned to the self-insurance fund to ensure adequate reserves necessary for state certification. When the fund dips below the required limit, the fund will have to be replenished. As this happens, additional budget reductions will be necessary during the current fiscal year which will include personnel reductions. As these actions are taken, we will provide updates to the Board.

### **Holding the Line on Taxes**

Let me be clear, my proposed FY 2014-15 Proposed Budget will hold the line on taxes. Short of any public referendum approving additional taxes, I will not recommend any tax rate increase for FY 2014-15. The FY 2014-15 Proposed Budget will focus on providing core County services and be based on fiscal responsibility and sound managerial practices. Given our current projections of revenues and expenses, the proposed budget will be balanced primarily by a combination of non-core service reductions or eliminations, which include a reduction of the workforce, fee increases where required, and savings from our efforts.

My staff and I will continue to provide updates regarding the status of the FY 2013-14 budget, as well as progress made in the budget development process for the FY 2014-15 Proposed Budget. Should you have any questions, please contact Deputy Mayor Edward Marquez at 305-375-1451, or me directly.

c: Honorable Harvey Ruvin, Clerk, Circuit and County Courts  
Honorable Bertila Soto, Chief Judge, Eleventh Judicial Circuit  
Honorable Katherine Fernandez-Rundle, State Attorney  
Honorable Carlos Martinez, Public Defender  
Lazaro Solis, Property Appraiser  
Joseph Centorino, Executive Director, Commission on Ethics and Public Trust

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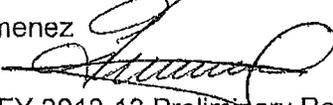
Mary Cagle, Inspector General  
Robert A. Cuevas, Jr., County Attorney  
Office of the Mayor Staff  
Department Directors  
Office of Management Budget Staff  
Charles Anderson, Commission Auditor

# Memorandum



**Date:** October 21, 2013

**To:** Honorable Chairwoman Rebeca Sosa  
and Members, Board of County Commissioners

**From:** Carlos A. Gimenez  
Mayor 

**Subject:** End-of-Year FY 2012-13 Preliminary Results

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As we discussed during the August and September Committees of the Whole regarding the budget and the public budget hearings, we were anticipating distributions of ad valorem revenue to our various property tax-supported jurisdictions to be significantly below budget due to the refunds provided to property owners who appealed to the Value Adjustment Board. As soon as we became aware of the issue, at the beginning of the fourth quarter of the fiscal year, I immediately initiated a freeze on all hiring and stopped all purchasing activities that were not critical to public safety and service delivery in order to save as much as possible to offset the losses. At the time, I promised to keep you informed as we became aware of the actual impacts. We have completed the preliminary closeout of FY 2012-13 and can now share our initial results.

As expected, the Fire District received \$6.444 million less than anticipated in ad valorem revenue. The District did not generate carryover revenue into FY 2012-13 as anticipated and absorbed higher than estimated termination pay and holiday leave payouts. As a result, the District ended with an overall preliminary fund balance deficit of \$7.897 million. It is my intention to bring for the Board's consideration as part of the FY 2012-13 End of Year Budget Supplemental item, a transfer from the Countywide Emergency Contingency Reserve to cover that gap. Even with this transfer, the Fire District will begin FY 2013-14 with \$1.289 million less in revenue than budgeted because there will be no carryover.

As well, the Library District received \$691,831 less than anticipated in ad valorem revenue. This loss was anticipated as part of the budget development process. The District did not end the year in a deficit. However, the preliminary year-end carryover is \$2.2 million less than budgeted largely because of other material purchases and facility related expenditure adjustments.

Finally, the general fund received \$23.722 million less than anticipated in ad valorem revenue and \$ 9 million less non-ad valorem revenue than budgeted for FY 2012-13. This was partially offset by savings measures, but leaves us with \$24.149 million less in carryover than originally budgeted for FY 2013-14. While this does not create a deficit in the general fund, it means that we have less revenue to cover our budgeted expenses, including appropriated reserves, for this fiscal year.

Our plan is to absorb the current year deficits as much as possible through expenditure savings this year. The Office of Management and Budget will be working closely with the Fire Rescue and Library departments as well as the County Departments subsidized by the general fund to continue our austerity practices, freezing all new hires and stopping any other expenditure unless they are critical for public safety or save money. As part of our quarterly reporting, we will continue to keep you informed as to our progress in closing these gaps.

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Within the next month, I will provide the Board with a revised Five-Year Financial Forecast that takes into account this revenue reduction and the adopted millage rates, as well as revised projections for non-ad valorem revenues.

If you have any questions, please contact Edward Marquez, Deputy Mayor, at 305-375-1451.

c: Honorable Harvey Ruvin, Clerk, Circuit and County Courts  
Honorable Bertila Soto, Chief Judge, Eleventh Judicial Circuit  
Honorable Carlos Lopez-Cantera, Property Appraiser  
Robert A. Cuevas, Jr., County Attorney  
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Joseph Centorino, Executive Director, Commission on Ethics and Public Trust  
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Charles Anderson, Commission Auditor

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