Madam Chair - Members of the Board of Commissioners

Fellow residents…

Just a few weeks ago, on January 16th to be exact, the Board voted to restore the 5% employee contribution toward healthcare costs.

And, on January 24th, I vetoed that action.

The Board’s decision to eliminate the 5% employee contribution toward healthcare costs provides for approximately a $56 million increase in take home pay, $27 million of which are in tax-supported funds.

Not only does this put our approved budget out of balance --- but the Board seeks to finance paying for the increase in employee take home pay by raiding and depleting the County’s Self-Insurance Fund ---

Raiding the fund is not only financially irresponsible, but it may jeopardize the County’s ability to maintain our self-insurance program.

We’re entering this fiscal year with Self Insurance Fund reserves in excess of the 60-day requirement ---

$8 million higher than the projections used during the FY 2013-14 budget development…

We proposed to use the general fund portion of that excess to develop proposals for one-time payments for our lower paid employees – a proposal that was rejected by the unions.

You need to be aware, that if we subtract our projected total disbursements from our projected total income, we will realize a loss of $25.7 million.

If you take $25.7 million from the $81 million in reserve, the result is $55.36 million.

That number falls below the over $67 million required for the FY 2014-15 plan certification.

And let me be very clear on this point:

if we do not meet the 60-day reserve requirement, we stand a chance of putting our self-insurance designation at risk.

This is not new information; this is what we've told the Board repeatedly in our presentations regarding this fund, as well as the representatives of our labor unions and the consultants they have hired.

This information is also part of our budget development process; these projections are what we use to determine what level of contribution from dependent and retiree premiums, County department budgets and other sources required to properly fund our group health insurance activities.

In fact, in my memorandum dated September 16, 2013, pursuant to a letter received on September 9, 2013 from Kevin McCarty, Commissioner of the Office of Insurance Regulation, the Florida Administrative Code establishes a minimum surplus standard of 60 days of anticipated claims...

Should a self-funded plan not meet the 60-day surplus requirement and the Office of Insurance Regulation determine that reserves are not in accordance with sound actuarial principles, the plan may have its approval withdrawn by the Office; and without approval from the Office of Insurance Regulation, a self-funded health plan may not operate in Florida.

And why would it be bad if we lose our self-insurance program?

This program has, over the past five years, saved our employees multiple millions of dollars in premiums versus traditional insurance plans.

If the Office of Insurance Regulation's approval to be self-insured is withdrawn, the County, and our employees, their dependents and retirees, will face a grave situation.

It would necessitate the need to procure, on an emergency basis, a comparable fully insured health plan, which would undoubtedly increase our costs.

Depleting the self-insurance fund is also a short term solution because it only provides a one-time source of revenue, while eliminating the 5% contribution creates a recurring expense.

For the FY 2014-2015 budget, which will be before the Board in six months, we would need to not only replenish the Self-Insurance Fund, but also identify funding to replace the employees' 5% contribution.

This would only create an even bigger problem for next year – and it's simply not good governance.

Additionally, as I wrote in my December 16th veto message and it bears repeating, using cash reserves for recurring expenses will be viewed negatively by the credit rating agencies.

In fact, Moody's downgraded our credit outlook from "stable" to "negative," as they believe our credit is under pressure.

If our general obligation debt is downgraded just one notch, from "AA-" to "A+," we conservatively estimate that our taxpayers would be forced to pay about $148 million of additional interest cost for the $1.9 billion of Building Better Communities and $830 million of PHT/Jackson Memorial Hospital general obligation bonds that will be issued over the next 10 years.

Given these bonds mature up to 30 years, the additional interest costs will be borne by us, our children and our grandchildren.

That is not acceptable to me, especially when it isn't necessary.

I think we can all agree that while economic conditions are certainly improving, we are all continuing to work through financial challenges, especially as it relates to the unforeseen impact of the FY 2012-2013 Value Adjustment Board property tax refunds and the budgetary gaps that resulted in our tax-supported funds.

As I reported to the Board on January 21, 2014, in the FY 2013-2014 First Quarter Budget Update, we have identified the necessary $24 million to offset the losses and keep our budget in balance.

As a result, among other things, we will be eliminating 48 vacant positions and not filling other vacant positions.

We will also not be re-capturing the $2.5 million in reserve for Head Start because as a result of the lower costs due to full delegation we were able to serve almost 400 more children.

Unfortunately, we have also become aware that we will likely confront a similar VAB challenge this year.

And we're not alone in facing this VAB challenge - municipalities and the School Board have also been negatively impacted.

Let me be clear that these actions are required to keep our current budget in balance and do not take into account the budgetary gaps that will be created should the employees' 5% healthcare contribution be eliminated.

To reiterate, that would create a new countywide budgetary gap of approximately $56 million for the remainder of Fiscal Year 2013-2014.

We do not need to dig ourselves a bigger hole! As was reported in the Five-Year Forecast and repeated in my December veto message, elimination of the 5% contribution and restoration of the other concessions included in the current bargaining agreements will push our gap in the tax-supported portion of our budget to well over $200 million. Eliminating the group health contribution this year adds another $27 million loss to that figure.

To close this gap, my commitment to the Board to roll up our sleeves and work with our Union partners, find responsible and realistic solutions to the impasse items and for future negotiations remains steadfast.

Let me remind you that we have presented three proposals to the Unions: 1) a one-time bonus of $1,500 for employees making less than $40,000 and $1,000 for employees earning more than $40,000, but less than $50,000; 2) a 3.5% pay plan reduction in place of eliminating the 5% healthcare contribution; and 3) a reduction of the healthcare contribution from 5% to 1.65% for those employees earning less than $52,000, none of which were accepted.

It's disappointing that for the most part, the Unions did not present any counterproposals, but chose instead to focus their energy to declare their "unity and collective solidarity" in seeking the elimination of the full 5% contribution.

Last week, GSAF who represents over 4,200 of our Professional and Supervisory employees, submitted a proposal. They sought the following:

- Restore the full 5% retroactive to January 1, 2014 for all GSAF employees working in the Aviation Department and the those employees working in Solid Waste
- Restore salaries in the same manner set forth in the JMH tentative agreement: that is 3% effective 1/1/2014 and 2% effective 9/30/2014 for all other GSAF employees. In addition, that in the event the Commission was to restore the full 5% to Water & Sewer employees, that the GSAF bargaining unit employees who are employed in the Water & Sewer be treated in the same manner.

My Administration offered a counterproposal in keeping with Commissioner Jordan's prospective approach regarding the effective date, which included a restoration of 3% of the contribution effective in the first pay period of March 2014 and a restoration of the remaining 2% on September 29, 2014 and a request that grievances and legal challenges to the veto be dropped.

This proposal is similar to the one accepted by the labor unions at the Public Health Trust.

Yet, let me emphasize that our financial situation is quite different than that of the PHT.

We explained that there would be unavoidable impacts to the workforce because we will not be dipping into the reserves to fund this proposal. While I sincerely appreciate GSAF's willingness to come to the table with a proposal, this counter proposal was rejected because of the impact it would have on our finances.

Nonetheless, although it will still impact us, we understand the need to resolve this impasse. Thus, in the spirit of true negotiations, I authorized my Administration to go back to GSAF and concede restoring the 3% retroactive to the January 1, 2014 date and the remaining 2% to be restored on September 29, 2014 uniformly to all employees covered under GSAF.

Unfortunately, we were not able to come to an agreement and hence we are still at impasse with the GSAF as well as our other five unions which to date, have not provided a single alternate proposal.

I fully understand that each of the unions represents their respective members – and they do so with great passion and vigor. I'd expect nothing less. I was a member of the firefighter's union, and I remember that labor negotiations were always tough – but there was always give and take.

And while the labor union representatives all speak for their particular constituencies/members, we as elected leaders must speak and look out for ALL our constituents - those include union members, our employees who are non-union, and the general taxpayers – we need to balance each of their needs…

Members of the Board / Commissioners…

We all face a choice here – and we have to be forward looking and responsible in how we propose solutions:

We all want this impasse resolved.

Throwing our budget into disarray is not the answer.

Raiding reserves is not the answer.

Placing the future financial stability of the County in jeopardy is not the answer.

If it's the will of the Board to return all or a portion of the contribution to our employees…then the reality is that recurring expense reductions will have to be made, including lay-offs.

It's that simple.

We have paid close attention to the comments by Commissioners, in particular Chairwoman Sosa and Commissioners Sally Heyman and Jean Monestime, and believe we can find room for compromise.

And while compromise will not be without consequences, I remain committed to continuing to prioritize public safety, and direct service functions and personnel.

Ultimately, and from the beginning, my Administration has been based on and remains committed to our guiding principles of transparency, efficiency, and fiscal responsibility.

Our residents expect, and deserve, a government that balances their needs with what they can afford to pay.

To achieve this, we must be structurally sound and fiscally sustainable.

Accomplishing this requires the cooperation and efforts of all of us – the Board of County Commissioners, the Unions, and most importantly, our employees.

Next year's budget will once again present challenges and we'll be called upon to make difficult decisions.

We can't keep going like this, so let's put this all behind us.

It's important that we all want to get back on track and move forward – and to do so, we must come together, and work together.

I stand ready to do just that.