



UTAH COUNTY
Clerk-Auditor's Office
Phone (801) 851-8229
Fax (801) 851-8232

Bryan E. Thompson
Utah County Clerk-Auditor

100 East Center Street
Suite 3600
Provo, Utah 84606

MEMORANDUM

TO: The Honorable Board of County Commissioners and Citizens of Utah County

DATE: October 28, 2008

SUBJECT: Tentative Budget Message for Fiscal Year 2009

Pursuant to Utah Code Annotated §17-36-10, the tentative budget must be accompanied by a budget message in explanation of the budget.

Statutory References Governing the Tentative Budget

§17-36-10 Preparation of tentative budget.
§17-36-11 Tentative Budget – Public record prior to adoption.

Date Available: October 28, 2008

Budget Officer: Bryan E. Thompson, Utah County Clerk/Auditor

Commissioners: Gary J. Anderson, Commission Chair
Larry A. Ellertson, Commission Vice Chair
Steve White, Commissioner

Statutory Funds of Utah County

Utah County uses the following budgetary funds:

- General Fund
- Special Revenue Funds
 - Community Development
 - Substance Abuse
 - Health Department
 - Public Transit Tax
 - Children's Justice Center
 - Senior Services (including Foster Grandparents and Senior Companions)
 - Wildland Fire Services
 - Prisoner Benefit
 - Transient Room Tax
 - Tourism, Recreation, Cultural and Convention Taxes

- Special Revenue Funds (continued)
 - Assessing and Collecting
 - E-911 Surcharge
 - Special Service Area (6) Law Enforcement
 - Special Service Area (7) Structure Fire Support Services
 - Special Service Area (8) Planning
 - Special Service Area (9) Rural Fire Support Services
 - Special Road Funds
 - Soldier Summit Special Service District
- Debt Service Fund
 - General Obligation Bond Funding
 - Revenue Bond Funding
- Capital Projects Fund
- Internal Service Funds
 - Motor Pool Operations
 - Jail Food Services
 - Building Maintenance
 - Telephone Communications
 - Radio Communications
 - Healthy Lifestyles
 - Information Systems Support & Programming
- Enterprise Funds
 - Dispatch

Budget Message

Utah County's 2009 tentative budget is presented and accounted for in the same format as fiscal year 2008.

Estimated Revenue Calculations

Revenue from property taxes is estimated based upon the calculation used by the Utah State Tax Commission. Anticipating a projected collection rate of 87 percent, the property tax revenue is budgeted at \$27.1 million for fiscal year 2009. Of the \$27.1 million budgeted for property taxes, \$20.6 million is for general property taxes that are unrestricted in their use and \$6.5 million is for property taxes that are restricted to assessing and collecting activities.

The local sales tax, which represents sales tax collected in the unincorporated area, has been budgeted with a decrease. In July 2008, the Utah State Tax Commission notified the County of an over-distribution of sales taxes for some telecommunications providers. It is anticipated that the redistribution of the local sales tax will be completed in 2009 and, consequently, the local sales tax has been budgeted to take into account this negative adjustment.

The County option sales tax, which represents the 0.25-percent levy the County has opted to collect, is budgeted at \$18.75 million for fiscal year 2009.

Requested Appropriations

The County departments requested appropriations exceeding the estimated revenues in the general fund by about \$16 million. The Board of County Commissioners has notified department heads of the amounts needed to be cut from their budgets to balance the general fund budget. This tentative budget shows the general fund budget net of the adjustments determined by the Board of County Commissioners. The public hearing on the final budget will be held December 2, 2008.

Statutory budgetary procedures require each governmental fund to have a balanced budget. The following table identifies the funds that are out of balance:

Fund	Revenue	Expense	Out of Balance
General (100)	\$69,796,735	\$70,351,551	\$554,816
Substance Abuse (210)	\$7,133,143	\$7,691,829	\$558,686
Wildland Fire (272)	\$2,598,915	\$3,492,156	\$893,241
Service Area 7 (242)	\$550,000	\$751,701	\$201,701
Dispatch (510)	\$1,762,360	\$1,842,319	\$79,959

All other governmental funds are presented as balanced budgets.

This tentative budget includes market study adjustments implemented during Pay Period 14 of 2008. The tentative 2009 salary budget over all governmental funds is \$5.1 million higher than the 2008 adopted budget while the tentative 2009 benefits budget over all governmental funds is \$5.0 million higher than the 2008 adjusted budget.

Tax Increase Projections

This tentative budget does not present an increase in the property tax rate. However, the general fund budget is not balanced and a budgetary procedure allowed to the Utah County Commission is the adoption of a property tax budget that would generate a tax increase in fiscal year 2009. Utah County's budget has not included a property tax increase for at least ten years.

Budget Integrity

The basic concept of Utah County's fiscal year 2009 budget process for departments funded either in the general fund or with funds transferred from the general fund is to balance the expenses to the 2009 projected revenue without using fund balance to bridge

the gap between revenue and expenses. Budgetary requests from department heads with budgets not funded by the general fund were limited to revenue generated by their departments. Department heads made an extra effort to maintain services within the limitation given. However, since the general fund budget was not balanced, department heads have been asked to make cuts to their budgets.

This tentative budget includes no new staffing positions and no extraordinary budget increases.

The following information was included in the County's 2008 tentative budget message:

The County's 2008 tentative budget represents a departure from budgetary procedures utilized in the past. First, this tentative budget includes less conservative revenue estimates. Second, personnel expenditures have not been estimated as high as in prior years due to (1) budgeting salaries according to the positions actually filled rather than at the positions shown in the staffing plan and (2) calculating benefits at the actual benefits received rather than utilizing a standard percentage. Finally, some departments have expenditures that cannot be estimated but are necessary to operate. In the past, these items have been restricted from transfer meaning the department could make expenditures according to the line item description, but could not transfer the funding for other purposes. In 2007, the County Attorney wrote a memo indicating that this type of restriction could not be made. All of these factors increase the likelihood that the County will have to rely heavily on its general fund balance during 2008—especially if an unanticipated event negatively impacts property tax and/or sales tax collections. Because fund balance is a one-time revenue source, the level of budgetary expenditures in the 2008 tentative budget will not be sustainable in subsequent years without either new revenue sources or increased revenue from existing sources.

As predicted, the County will be relying heavily on fund balance to balance the 2008 budget (the amount of fund balance needed to balance the general fund budget has grown from \$7.2 million to \$8.4 million). Based upon the fund balance expected to be utilized during 2008 and taking into account the statutory minimum fund balance requirement, the County only has \$2.8 million left in fund balance to balance the budgets for 2009 and subsequent years. It is recommended that the Board of County Commissioners refrain from draining the fund balances of other funds to balance the general fund. Due to the County's fiscal conservatism, the County has been able to set aside fund balances to capitalize large equipment purchases and building construction projects. Bond rating agencies look favorably on these fund balances and diminishing them in any manner may negatively affect the County's bond rating. In addition, draining fund balances also affects the County's cash reserves. Over the past several years, the County has had sufficient cash to operate without using tax anticipation notes, which is extremely helpful as tax anticipation notes are expensive to issue due to issuance costs and interest expenses.

Workload Increase Requests

Although departments have requested staffing plan changes, the tentative budget does not include funding for those requests.

Three-year Capital Projects Plan

Capital Project Funding:

Funding from Prior Years	\$ 13,478,296
Additional Funding during Fiscal Year 2008	\$ 3,467,000
Funding Budgeted for Fiscal Year 2008 Projects	\$ (10,974,250)
Funding from Other Sources for 2009 Projects	\$ 950,000
Funding from Other Sources for 2010 Projects	\$ 600,000
Funding from Other Sources for 2011 Projects	\$ 600,000
Funding from Other Sources for 2012 Projects	\$ <u>600,000</u>
Total Long Term Capital Funding	\$ <u>8,721,046</u>

Planned Capital Project Expenditures:

2009 Building Improvements	\$ 1,800,000
2009 Elections Equipment Replacement	\$ 104,000
2010 Building Improvements	\$ 600,000
2010 Elections Equipment Replacement	\$ 104,000
2011 Building Improvements	\$ 4,200,000
2011 Elections Equipment Replacement	\$ 104,000
2012 Building Improvements	\$ 600,000
2012 Elections Equipment Replacement	\$ <u>443,000</u>
Total Capital Projects Funding Needed	\$ <u>7,955,000</u>

Funding Excess / (Shortfall)	\$ 766,046
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