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Nassau County BOCC

March 2021

# Budget Development

# Budget Calendar



# Budget Process/Focus

## **Nassau County Vision 2032**

- Quality of Life
- Infrastructure & growth
- Economic impacts & financial feasibility

## **Guiding Principles**

- Advance strategic priorities, goals and objectives
- Leverage available sources of funding
- Resource optimization
- Effective financial planning

## **Build upon successes in previous fiscal year amended budget**

- Examine fiscal strengths
- Remove one-time costs
- Identify savings where possible

## **Maintain a balanced General Fund budget**

### **Revenues**

- Regional/State economic projections
- Impacts of Economic Development
- Ad Valorem and State Shared Revenues

### **Expenditures**

- Contractual Costs
- Cost allocation to Constitutional Offices
- Capital projects
- Continue to examine new costs savings and potential efficiencies

# Key Budget Factors - External

Federal and State policies and/or mandates

Pandemic/COVID Impacts and recovery

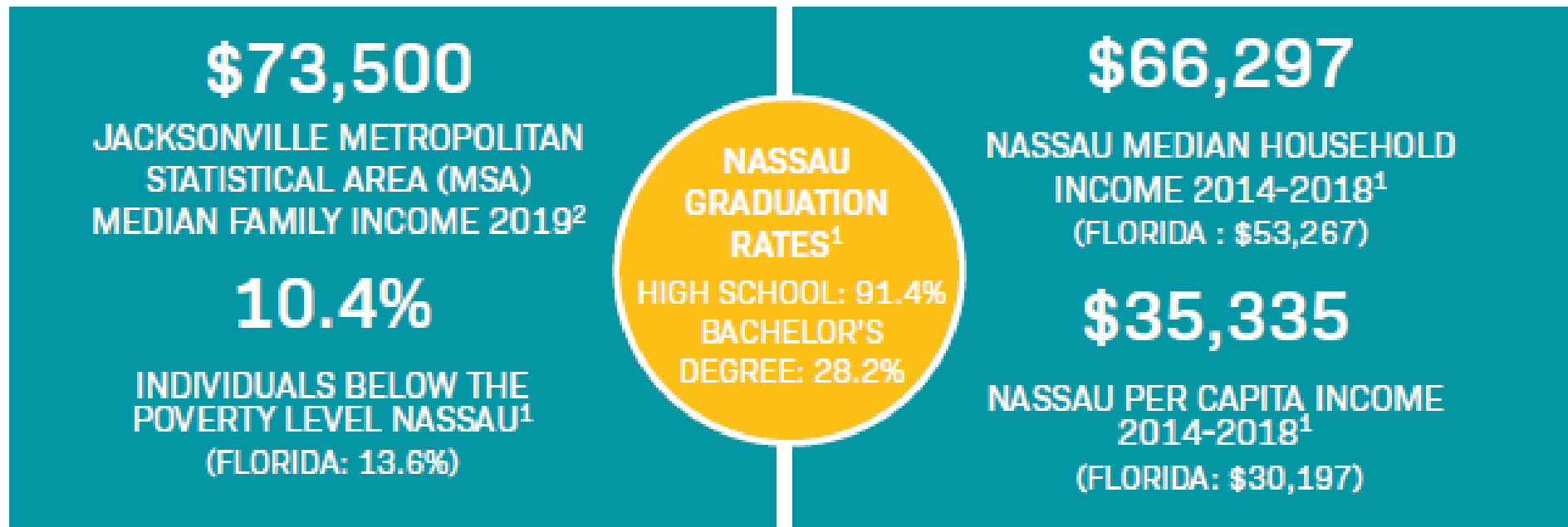
Travel restrictions and tourism recovery throughout State

Slower economic growth or recession

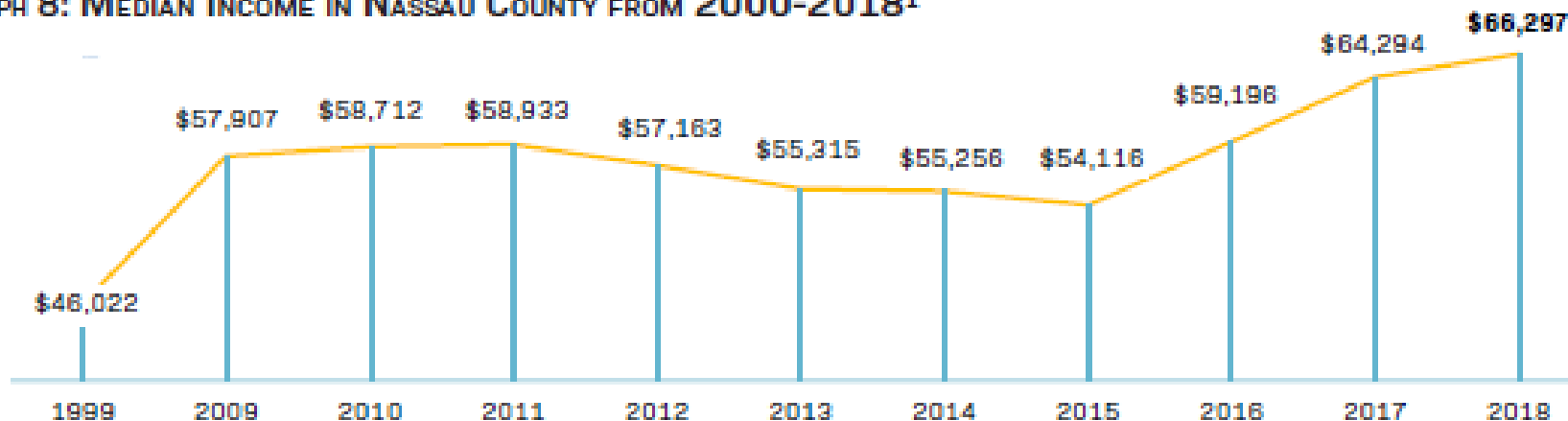
Climate/environmental changes

Interest rates / inflation

# Key Budget Factors - External



GRAPH 8: MEDIAN INCOME IN NASSAU COUNTY FROM 2000-2018<sup>1</sup>



# Key Budget Factors

- Minimum Wage Increases (State)
  - 2020 - \$8.56
  - 2021 - \$10.00 (17% increase)
  - Increases to \$15 by 2026
- Position Control
  - Northeast Florida Public Employees Local (~100 Employees) – Expires Sept 30, 2021
  - Fire (~130 Employees)
  - Non represented (~150 Employees)
  - Constitutional (~ 400 Employees)

# Key Budget Factors – Current Commitments

## Staffing – Public Safety

- Existing staffing plan – 9 new positions in FY 2021-22 (NFPA standards)
- SAFER Grant – Full cost of 9 new FY 2020-21 positions obligated in FY 2023-24
- Tributary Fire Station – 18 new positions in FY 2023-24

## Parks Operations & Maintenance

- Assumes 9% of total capital investment for ongoing O&M costs
  - West Side Regional Park
  - William Burgess Park
  - Tributary Park

## Other Operations & Maintenance

- SR 200 Rights-of-way maintenance

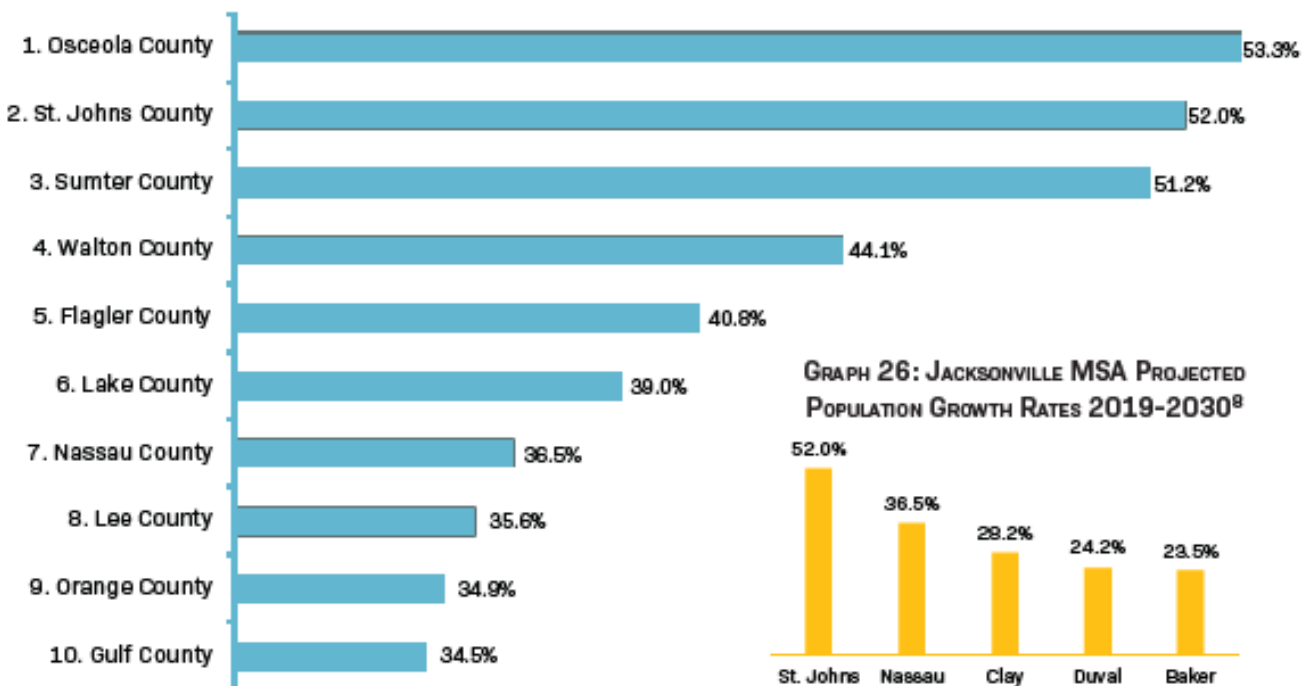
# Key Budget Factors – New Demands

## Population Growth

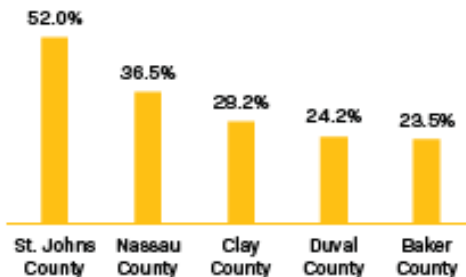
2018-2019 3.25% annually per census

2020-2025 10.10% projected \* Creates new demands on streets, parks, etc.

GRAPH 25: FLORIDA'S TOP PROJECTED POPULATION GROWTH RATES 2019-2030<sup>B</sup>



GRAPH 26: JACKSONVILLE MSA PROJECTED POPULATION GROWTH RATES 2019-2030<sup>B</sup>



Nassau County  
36.5% Growth



# Key Budget Factors

## **Economic Growth required to meet future needs:**

Strategic investments in capital/facilities

Business attraction

Support balance of homes and employment

Quality of life standards

# County Benchmarks

Comparison pool:

Flagler

Santa Rosa

Martin

Monroe

Walton

Highlands

Sumter

Citrus



Healthily Liquidity



Adequate Reserves Levels



Healthily Days Cash



Healthily Operating Margins



Below average debt levels



Below average debt burden



Investment in Capital assets needs attention



Replacement of existing assets needs attention



Capital Needs vs Pay-Go Capital \$ vs Long-term Debt needs to be evaluated

# County Benchmarks

## 3 Year Average Debt to Operating Revenues

County	Debt	Governmental Revenues	Debt to Revenues
Nassau	\$ 36,505,861	\$ 126,502,740	28.9%
Flagler	\$ 104,123,888	\$ 139,084,259	74.9%
Santa Rosa	\$ 6,738,378	\$ 152,598,394	4.4%
Martin	\$ 140,061,701	\$ 389,736,532	35.9%
Monroe	\$ 197,331,024	\$ 346,493,730	57.0%
Walton	\$ 22,285,448	\$ 168,139,884	13.3%
Highlands	\$ 22,708,745	\$ 129,616,849	17.5%
Sumter	\$ 74,810,683	\$ 130,708,586	57.2%
Citrus	\$ 95,594,401	\$ 197,733,358	48.3%

**Question:** On average, how much of the outstanding debt is covered by Governmental Revenues?

**Observation:** Rating Agencies consider a percentage of 33% to 67% to be strong. Nassau County could increase this percentage and still be considered strong.

# County Benchmarks

3 Year Average Capital Reinvestment Rate			
County	Capital Expenditures	Depreciation Expense	Capital Asset Reinvestment
Nassau	\$ 10,490,160	\$ 23,381,473	0.45
Flagler	\$ 24,125,663	\$ 13,170,127	1.83
Santa Rosa	\$ 23,208,960	\$ 13,421,603	1.73
Martin	\$ 58,250,067	\$ 28,403,917	2.05
Monroe	\$ 44,873,051	\$ 19,403,126	2.31
Walton	\$ 37,566,297	\$ 15,997,441	2.35
Highlands	\$ 10,014,181	\$ 7,474,858	1.34
Sumter	\$ 30,627,900	\$ 12,798,393	2.39
Citrus	\$ 26,070,572	\$ 26,257,044	0.99

**Question:** Is the amount of capital expenditures keeping pace with the rate of depreciation?

**Observation:** Compared to the Peer Counties, Nassau County appears to be falling behind on investing in capital assets. At a minimum, we would expect annual capital programs to keep up with depreciation expense

# County Benchmarks

## 3 Year Average Asset Remaining Life

County	Net Fixed Assets	Depreciation Expense	Years
Nassau	\$ 435,750,220	\$ 23,381,473	18.6
Flagler	\$ 371,372,471	\$ 13,170,127	28.2
Santa Rosa	\$ 173,482,333	\$ 13,421,603	12.9
Martin	\$ 951,276,582	\$ 28,403,917	33.5
Monroe	\$ 640,418,415	\$ 19,403,126	33.0
Walton	\$ 438,940,756	\$ 15,997,441	27.4
Highlands	\$ 247,118,149	\$ 7,474,858	33.1
Sumter	\$ 324,158,118	\$ 12,798,393	25.3
Citrus	\$ 789,442,617	\$ 26,257,044	30.1

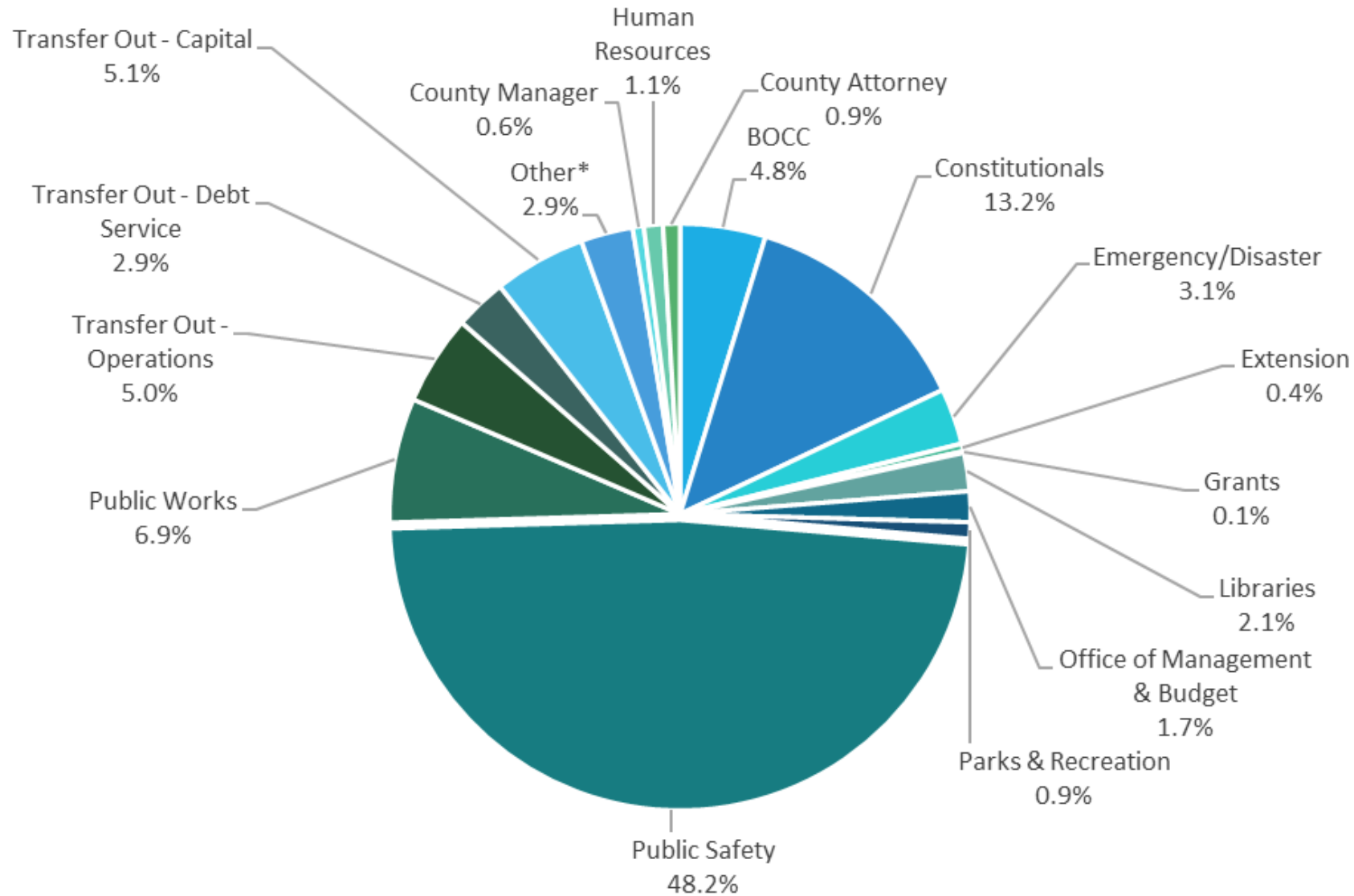
**Question:** What is the average remaining life of the County Assets?

**Observation:** Most of the assets are considered Buildings and Infrastructure based on the dollar value of the assets and have a useful live range of 15-40 Years. Compared to most of the Peer Counties, Nassau County is falling behind in replacing aging assets.

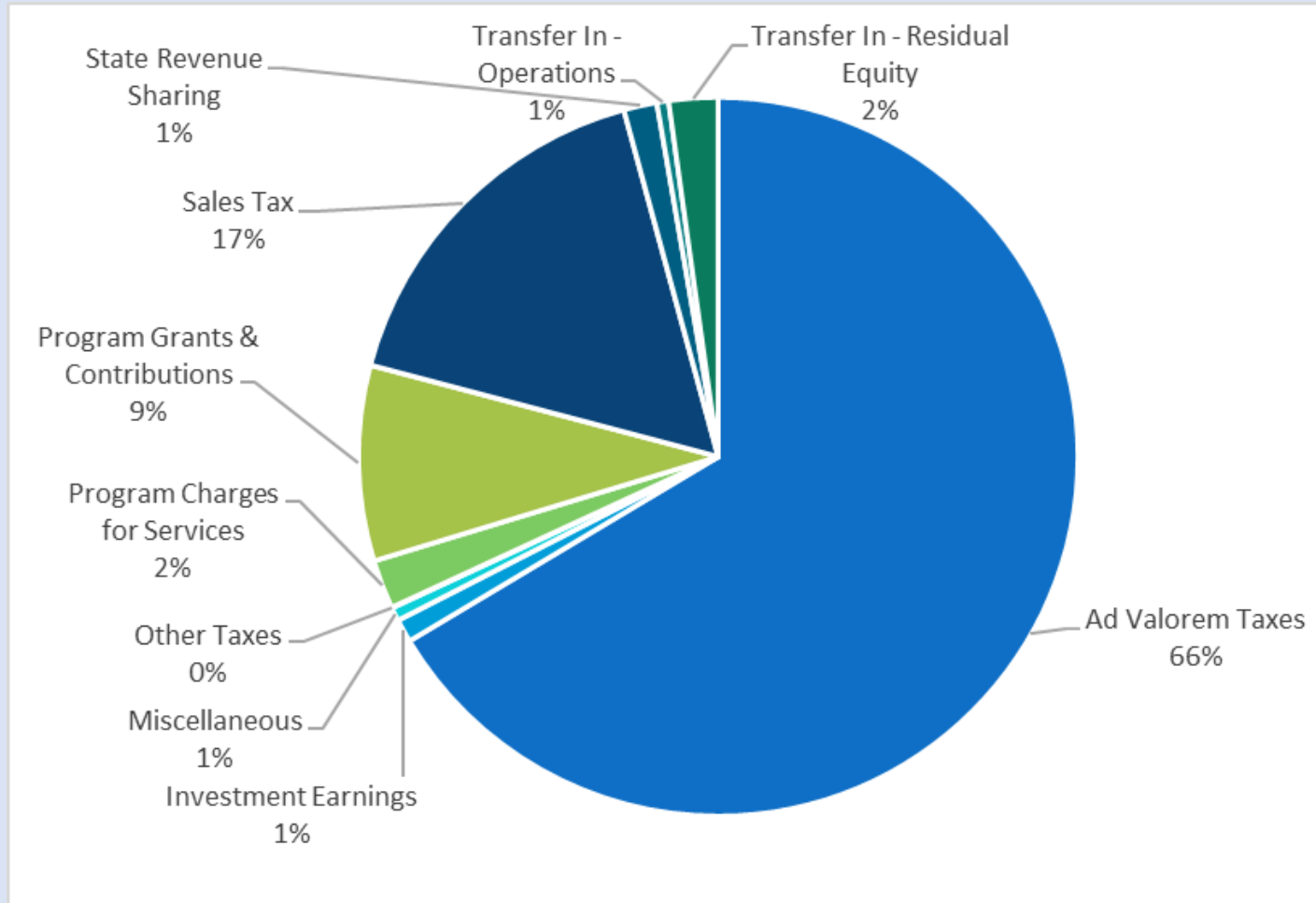
# BOCC Fund Types

- Governmental Funds
  - General Fund
  - Municipal Services Fund
  - County Transportation Fund
  - Capital Projects – Transportation Fund
  - Comprehensive Impact Fee Fund
  - Non Major Funds
    - Special Revenue Funds
    - Debt Service Funds
    - Capital Project Funds
- Business-Type Funds
  - Water and Sewer

# General Fund Expenses



# General Fund Revenues



## Major Revenue Sources

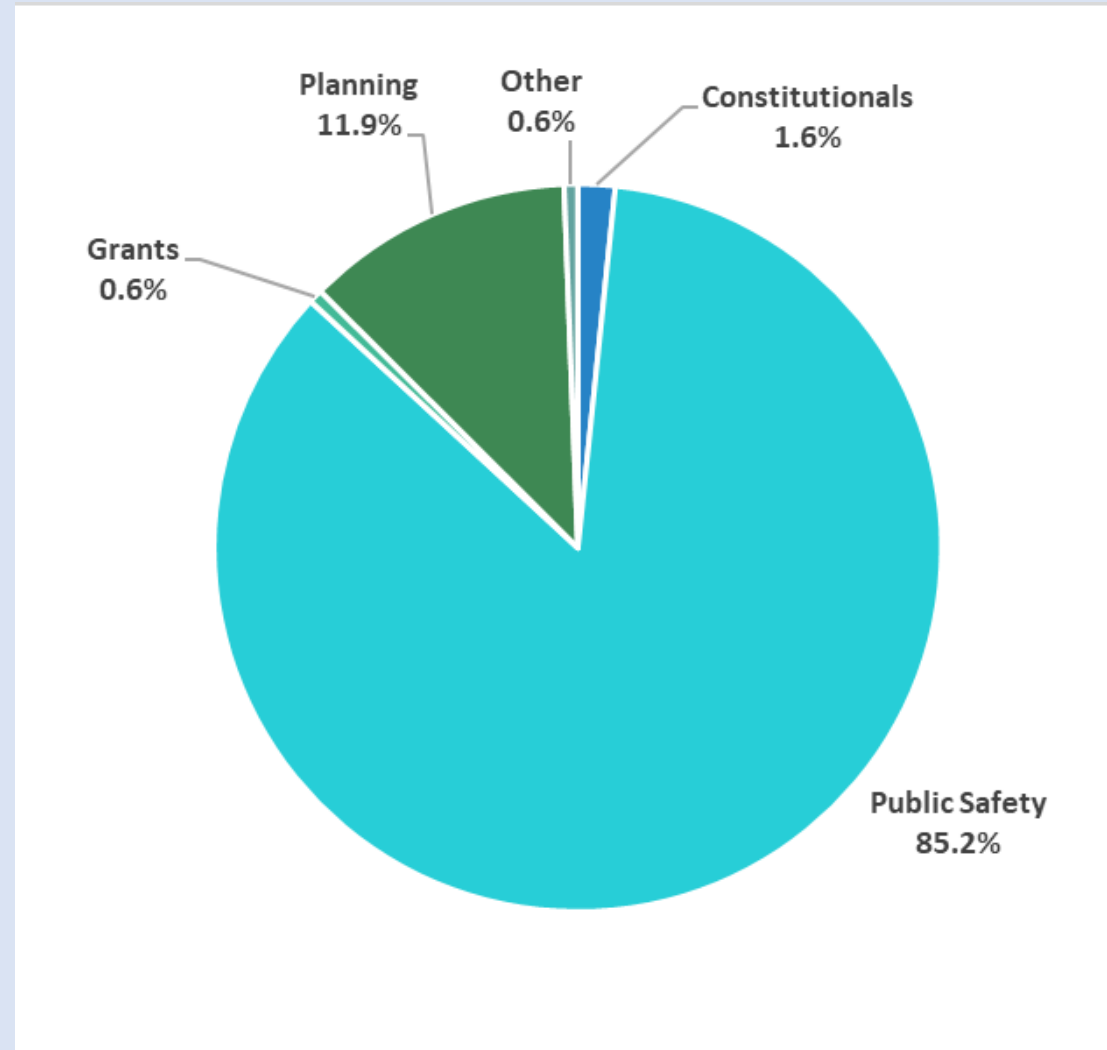
66% Property Taxes (Ad Valorem)

17% Sales Tax (State Pool/surtax)

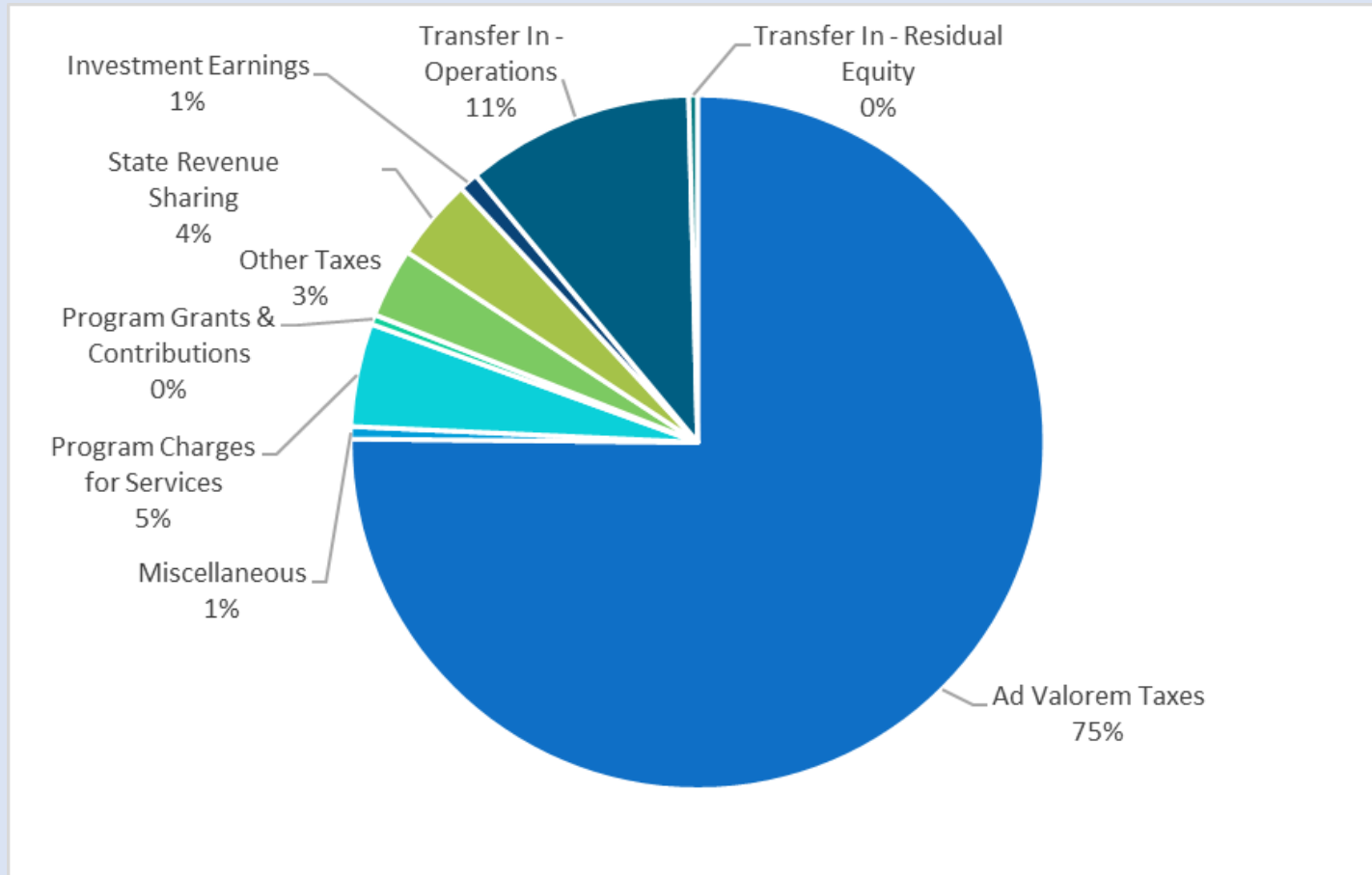
9% Program Grants & Contributions



# Municipal Services Expenses



# Municipal Services Revenues



## Major Revenue Sources

75% Property Taxes (Ad Valorem)

11% Transfers from General Fund (Surtax)

5% Program Charges for Services

4% State Shared Revenue

# Ad Valorem Taxes

## Gen Fund vs Municipal (add millage rate)

Start January 1 each year, due in Nov/April – County Appraiser

New develop growth lags approx. 2 years, but service demands occur year 1

Non Residential approx.  $\frac{1}{4}$  of value

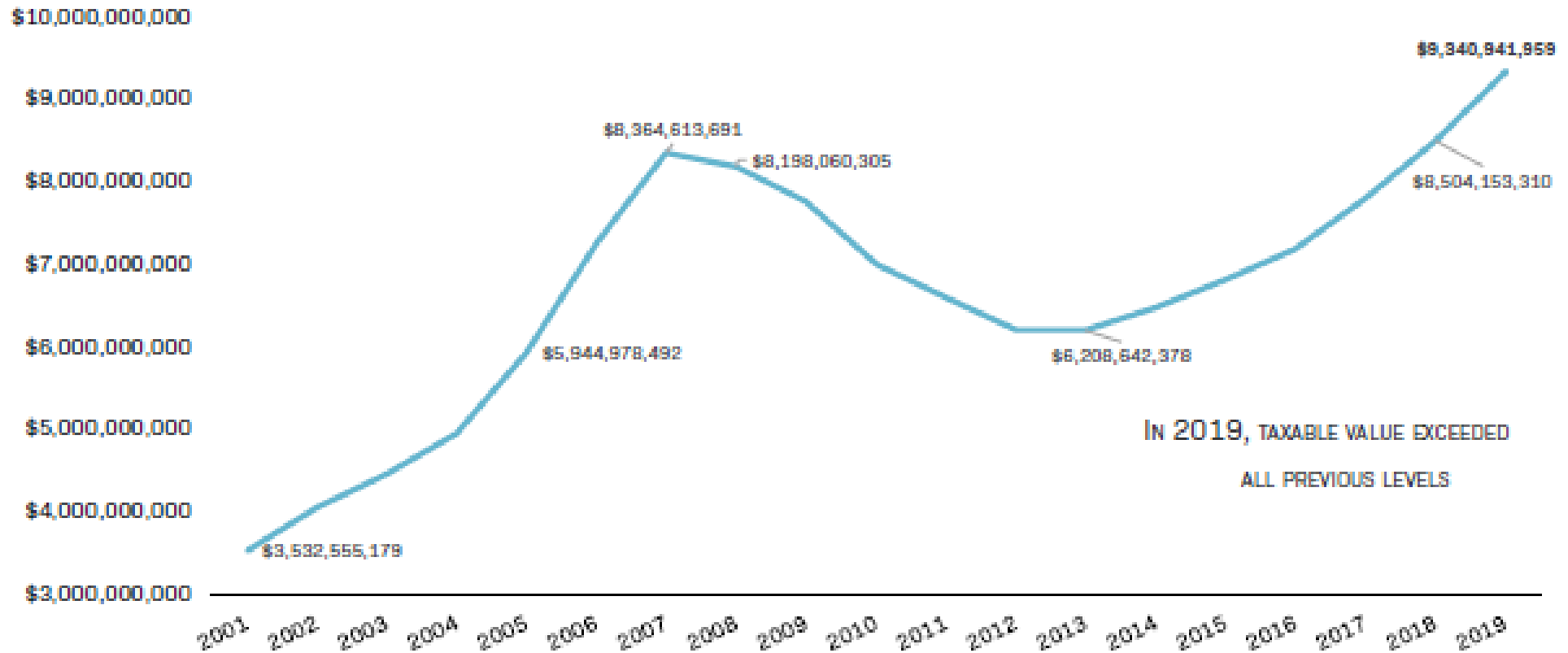
    Volatile due to income approach valuation. Slow recovery

Residential approx.  $\frac{3}{4}$  of value

# Taxable Values

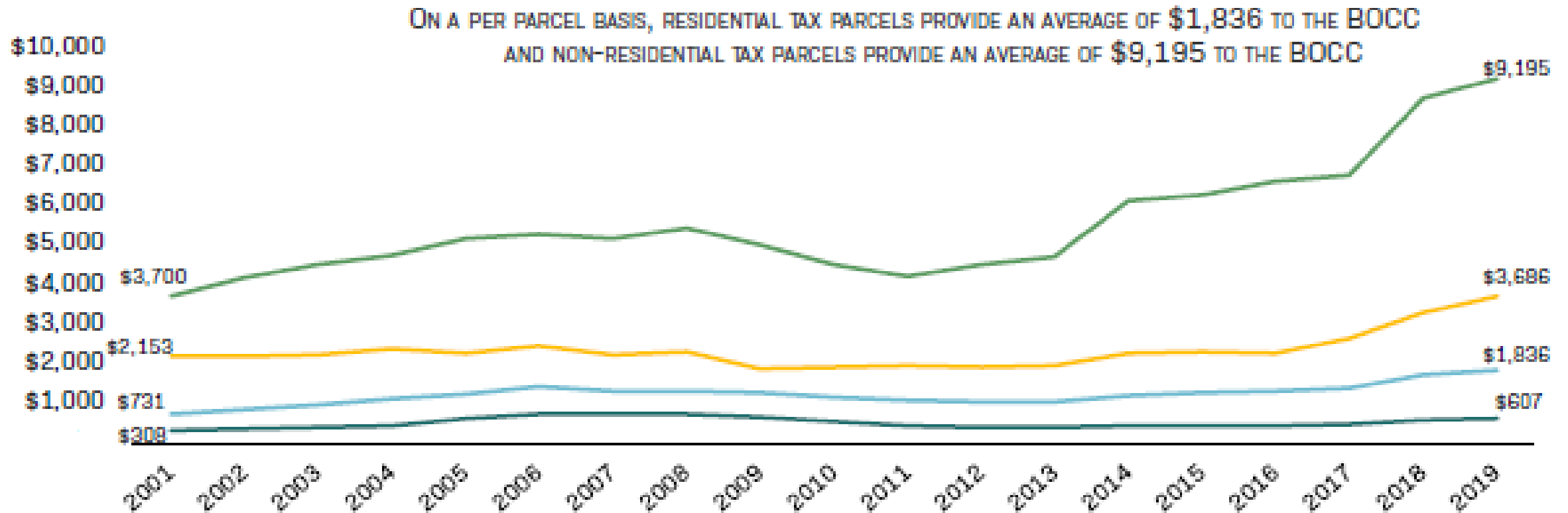
## TAXABLE VALUES

GRAPH 17: TOTAL TAXABLE VALUE ALL PROPERTIES<sup>11</sup>



# Taxable Values

GRAPH 20: AVERAGE TAXES TO THE BOCC PER PARCEL 2019<sup>11</sup>



# Long Range Projections - Revenues

Governmental Revenue calculations based on:

Actual results less restricted revenues (e.g. Grants, Impact fees, NAU)

Average of A and B

A. Exponential smoothing method (more recent years weighted higher)

B. Linear forecast based on trends

Confidence level of +/- 10% (lower and upper bounds)

Through the ongoing budget process items will be reviewed based on budget requests and additional economic updates

# Long Range Projections - Revenues

Nassau County Governmental Fund Revenue by Category							
Category	Preliminary			Forecast			2020-2025 AA Pct Chng
	2020	2021	2022	2023	2024	2025	
Charges for Services	\$ 6,311,075	\$ 6,291,853	\$ 6,310,842	\$ 6,329,831	\$ 6,348,820	\$ 6,367,809	0.2%
Intergovernmental Revenue	9,773,389	10,643,688	10,968,068	11,299,354	11,623,734	11,955,019	4.1%
Judgments, Fines, and Forfeits	691,000	637,589	627,519	617,449	607,379	597,309	-2.9%
Miscellaneous Revenues	2,695,507	3,336,279	3,529,571	3,722,862	3,916,153	4,109,444	8.8%
Permits, Fees, and Special Assessments	3,254,356	3,835,824	4,051,580	4,267,336	4,483,091	4,698,847	7.6%
Taxes	102,535,655	105,876,332	109,965,372	114,358,213	119,478,608	124,959,190	4.0%
<b>Total Governmental Fund Operating Revenues</b>	<b>\$ 125,260,982</b>	<b>\$ 130,621,566</b>	<b>\$ 135,452,952</b>	<b>\$ 140,595,043</b>	<b>\$ 146,457,785</b>	<b>\$ 152,687,617</b>	
<b>YoY % Chng</b>	2%	4%	4%	4%	4%	4%	

4% average annual growth

Nassau County Government Tax Revenue by Type							
Type	Preliminary			Forecast			2020-2025 AA Pct Chng
	2020	2021	2022	2023	2024	2025	
Ad Valorem Taxes	\$ 82,040,440	\$ 88,427,888	\$ 91,850,047	\$ 96,460,920	\$ 101,303,258	\$ 106,338,030	5.3%
Communications Services Taxes (Chapter 202, F.S.)	634,948	575,276	572,371	550,478	528,586	506,693	-4.4%
County Ninth-Cent Voted Fuel Tax	417,178	360,087	356,846	361,842	366,908	372,045	-2.3%
Discretionary Sales Surtaxes	10,381,476	8,903,537	8,369,325	8,034,552	8,195,243	8,523,053	-3.9%
First Local Option Fuel Tax (1 to 6 Cents)	3,262,300	2,859,544	2,833,808	2,873,481	2,913,710	2,954,502	-2.0%
Local Option Taxes	5,799,313	4,750,000	5,982,975	6,076,939	6,170,904	\$ 6,264,868	1.6%
<b>Total</b>	<b>\$ 102,535,655</b>	<b>\$ 105,876,332</b>	<b>\$ 109,965,372</b>	<b>\$ 114,358,213</b>	<b>\$ 119,478,608</b>	<b>\$ 124,959,190</b>	
<b>YoY % Chng</b>	5%	3%	4%	4%	4%	5%	

# Long Range Projections - Expenses

Governmental Expense calculations based on:

Actual results less restricted revenues (e.g. Grants, Impact fees, NAU)

Average of A and B

A. Exponential smoothing method (more recent years weighted higher)

B. Linear forecast based on trends

Prior BOCC commitments

Additional maintenance for Park improvements (\$3M) and SR 200  
Median (\$1M) SAFER grant positions converting to County 36 Fire  
positions (\$4.6M)

Confidence level of +/- 10% (lower and upper bounds)

Through the ongoing budget process items to be reviewed based on budget requests and additional economic updates



# Long Range Projections

Items not included in the model (representative but not exhaustive list):

- Deferred maintenance (including est. 500 miles paved/400 miles unpaved roads)

- Facility replacement/repair

- CIP Projects (\$200M+/-)

- Accrued liabilities

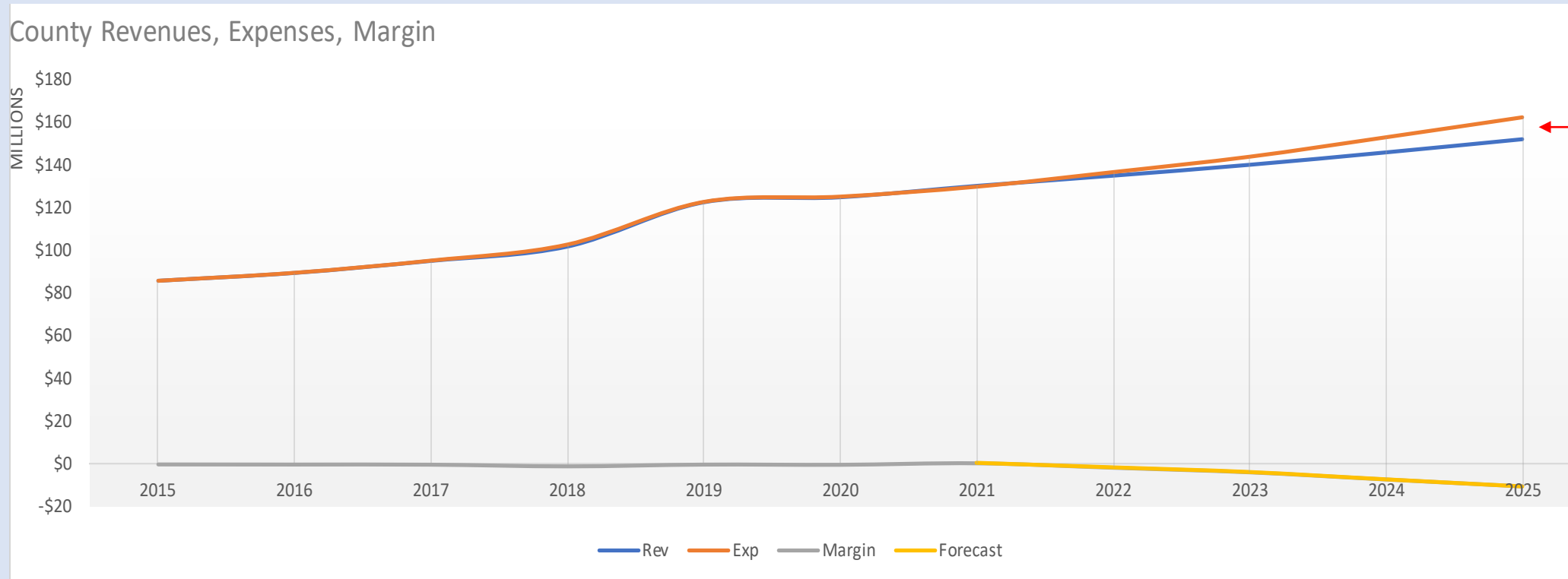
- Etc...

# Long Range Projections

Nassau County Government Expenses by Category							
Category	Preliminary		Forecast				2020 - 2025 AA Pct Chng
	2020	2021	2022	2023	2024	2025	
Court-Related Expenditures	\$ 3,841,919	\$ 3,995,870	\$ 4,036,352	\$ 4,076,833	\$ 4,117,315	\$ 4,157,796	1.6%
Culture / Recreation	2,197,305	2,147,446	2,254,818	3,159,559	4,433,537	5,810,588	21.5%
Economic Environment	5,302,292	5,503,779	5,712,923	5,930,014	6,155,354	6,389,258	3.8%
General Government Services (Not Court-Related)	25,842,187	27,316,788	29,041,222	30,831,437	32,692,325	34,629,179	6.0%
Debt Service in Gen Govt Serv	3,700,267	3,509,737	3,428,380	3,419,885	3,311,052	3,311,052	-2.2%
Human Services	3,777,717	3,842,569	3,908,533	3,975,630	4,043,878	4,113,299	1.7%
Physical Environment	2,409,490	3,235,635	3,332,704	4,332,704	4,549,339	4,776,806	14.7%
Public Safety	53,512,263	56,289,556	60,595,230	64,315,865	69,205,601	73,168,256	6.5%
Transportation	9,458,186	9,975,260	10,530,880	11,086,501	11,642,121	12,197,742	5.2%
Capital Related Additional Maintenance	2,309,724	4,157,504	3,302,378	1,645,248	784,621	1,284,520	-11.1%
<b>Total</b>	<b>\$ 112,351,349</b>	<b>\$ 119,974,144</b>	<b>\$ 126,143,420</b>	<b>\$ 132,773,676</b>	<b>\$ 140,935,143</b>	<b>\$ 149,838,496</b>	
<b>YoY % Chng</b>	9%	7%	5%	5%	6%	6%	

6% average annual growth

# Long Range Projections



Growth/Shortfall bridged with Econ Dev.

# Budget Development

## Key takeaways - Revenues

Growing at projected 4%

Long term – need to examine alternative revenue sources to minimize demands on residential properties

## Key takeaways - Expenses

Growing at projected 6% - Includes prior BOCC commitments

Long term – need to plan for aging capital and increased demands

## Key takeaways – Overall

Balanced for the short term

# Budget Development

Key takeaways – Overall (cont.)

Long term – need economic development of non residential properties and job/home balance in the community

Over next 2 years – Develop foundation for the County first 5-year strategic plan to examine service standards and align demands with BOCC vision

# Budget Calendar – Next Steps

