

# FINAL DRAFT



HART COUNTY GEORGIA FY13 BUDGET  
★ For the Period Ending 3-9/30-14

Includes General Fund and Special Revenue Funds

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E 877 83

**General Discussion :**

This is a final detailed spending plan narrative for the FY14 Hart County Government starting October 1, 2013 and ending September 30, 2014. This budget report does not include any backup information provided by the departments requesting funding however this backup information is available in the first draft budget. In addition the first draft included rolling five year capital replacement plans that are utilized to develop these budgets for capital that is replaced on a regular basis such as sheriff cars and EMS vehicles.

As projected, the general trend in the overall Hart County economic condition in FY13 had been continued stabilization (not getting worse, nor improving significantly) and is proposed for FY14. However several unique situations are occurring (or have occurred) in the current fiscal year that will require some guesswork for budgeting revenues in FY13. The largest factor is that the County was currently four years behind in finalizing tax digests (2009, 2010, 2011, 2012). In addition, the County has relied on fund balances of several accounts and those fund balances may be drawing down to minimum reserves. Additional problems have occurred in FY13 where the external auditor failed to deliver timely audits.

The focus of the budget adoption was therefore on minimizing expenses wherever possible. GF revenues have been budgeted at approximately \$9,685,500 with GF expenditures at \$9,975,318. The net result is about \$290,000 deficit in the current budget as presented.

Hart County continues to operate at an extremely efficient rate in comparison with surrounding counties and for several years has enjoyed the lowest millage rate in the State of Georgia.

**Millage Rate & Property Tax Revenues:**

The County was four years behind on tax digests. A County wide revaluation of real property took place for the 2009 tax digest and approximately 4,800 appeals cases filed on this 2009 digest in April of 2010. The County is under a consent order with the Georgia Department of Revenue (DOR) requiring several milestones be reached to bring the tax digests up to date.

With changes in State law, Hart County was required to adopt a final millage for the 2009 digest (December 2011) although there were several hundred appeal cases and numerous unknown errors (due to poor management in the past) in the "final" 2009 digest. With all the unknowns associated with the current "final" 2009 tax digest the BOC and the Board of Education (BOE) had adopted final millages for the final 2009 digest that were the same as the 2008 millage rates.

Because of the failure of the BOA to produce a timely final digest, court approved temporary collection of taxes took place for tax years 2009, 2010, 2011 and 2012. Final billing was required for 2009, 2010 and 2011 final tax digests which took place in late 2013. The temporary 2011 collection was conducted based on the 2009 "final" digest as opposed to the 2010 and 2009 temporary digests which were based on the pre-countywide revaluation 2008 digest. A final billing for the final 2012 tax digest was not required because the 2012 temporary digest was based on a 2012 digest that was reported by the BOA as accurate. For 2013 the tax bills were issued based on the final tax digest and no temporary tax collection took place.

The financial impacts of these three back tax final digests (2009, 2010, 2011) was only able to be estimated during developing the FY14 budget due to the unknown of the collection rate of back taxes in the current fiscal year as well as how much of back taxes owed will be offset by refunds and as credits towards the 2013 tax liabilities.

#### TIMELINE OF TAXES 2008-2013

##### 2008:

- Millage Adopted 10/8/08 (Normal Tax Billing)
- Millage based on 2008 DOR approved digest
- 12/20/08 Due Date for bills
- No temporary collection
- Final Millage based on 2008 Digest rollback rate

##### 2009:

- Temporary Millage approved by the Courts 11/1/09
- 1/20/10 Due Date for bills
- Temporary millage based on 2008 Digest (last DOR approved digest)
- Temporary millage based on same millage as 2008 (last DOR approved rollback millage)
- Court Order required final billing once 2009 digest approved

**2010:**

- April 2010: BOA Issues reassessment notices on 2009 final digest, 4,800 appeals filed by taxpayers (approximately 1/3 of total).

Temporary Collection:

- Temporary Millage approved by the Courts 11/15/10
- 1/20/10 Due Date for bills
- Temporary millage based on 2008 Digest (last DOR approved digest)
- Temporary millage based on same millage as 2008 (last DOR approved rollback millage)
- Court Order required final billing once 2010 digest approved

**2011:**

2009 Final Digest (BOA "final" digest produced 10/18/11-still had pending appeals):

- BOC sets final millage rate same as 2008 millage rate due to uncertainties associated with 2009 final digest (parcels still under appeal)

Temporary Collection 2011:

- 2011 Temporary Millage approved by the Courts 11/16/11
- 2011 tax bills-1/20/10 Due Date for bills
- 2011 Temporary millage based on 2009 Digest (most recent digest, not DOR approved)
- County lowered temp 2011 millage due to increased 09 digest (digest still had appeals)
- BOE lowered 11 temp millage due to increased digest value (digest still had appeals)

**2012:**

- May 2, 2012 DOR approved billing on the final tax digest and millage for 2009.

Temporary billing:

- Temporary Millage approved by the Courts 11/20/12
- 1/20/12 Due Date for bills

- Temporary millage based on 2012 Digest (not DOR Approved)
- Temporary millage based on estimated rollback rate for 2012 digest
- Court Order relieved Tax Commissioner from final billing once 2012 digest approved

**2013:**

- June 19, 2013 DOR approved billing on the final tax digest and millage for 2010 (rollback rate used)
- July 12, 2013 DOR approved billing on the final tax digest and millage for 2011 (rollback rate used)
- September 27, 2013 DOR approved billing on the final tax digest and millage for 2012 (rollback rate used)
- November 20, 2013 Final bills sent out for 9, 10 and 11 (1/20/14 due date).
- December 20, 2013 Final bills sent out for 2013 (due date 2/20/14), rollback millage used

**FY2012 (Audited Results):**

FY12 GF Expenses were originally budgeted at \$8,981,005 with budgeted GF revenues at \$8,908,045. Actual FY12 GF Expenses were \$9,029,466 and actual revenues \$9,225,102 for an accounting surplus of \$195,636 however this surplus includes \$362,195 in EMS fees receivables (revenues not yet collected) and does not include a shifting of \$648,057 in road department wages from the GF to the 203 Insurance Premium fund that took place in FY12. Overall County wide the GF “surplus” was outweighed by deficits in the 203 fund (\$230,751), 215 fund (\$91,645) and the 540 fund (\$74,755) for a County wide fund deficit of \$201,515.

For years Hart County had been retaining surpluses to build fund balances in all our accounts. These fund balances have been utilized in recent years to pay for one time capital and to balance budgets during due to declining revenues as a result of the current recession. GF Revenues had decreased 7% from FY07 (precession) to FY09 (bottom post-recession), stabilized at 5% less than FY07 for FY10 and FY11 and then increased in FY12 still 3% less than FY07. In response the slowing economy the BOC has reduced GF spending and shifted expenses to other funds for a net reduction in GF spending of 10% from FY07 to FY12.

While GF conditions are most closely monitored, it is important that the overall financial situation be evaluated. Overall major fund balances (GF, 203, E911, 540) have decreased from \$8,584,213 in 2008 to \$6,821,309 in 2012. There was an 11% reduction in net

fund balances in 2009, followed by a net reduction of 8% in 2010 but this has stabilized in 2011 and 2012 with only a net reduction of 1% and 2% respectively for those two years.

**FY2013 (Projected Results):**

FY13 GF Expenses were originally budgeted at \$9,425,592 with budgeted GF revenues at \$9,408,340. Actual FY13 GF Expenses are estimated to be \$9,600,823 and actual revenues estimated to be \$9,700,889 for a potential surplus GF of \$100,066 however this surplus does not include the shifting of \$617,110 in road department wages from the GF to the 203 Insurance Premium fund that took place in FY13. Overall County wide the GF "surplus" was outweighed by deficits in the 203 fund (\$170,900), 215 fund (\$25,748) and the 540 fund (\$92,495) for an estimated County wide fund deficit of approximately \$190,000.

**FY14 DISCUSSION:**

Budget requests for the FY14 GF expenses were \$11,289,378 and the final GF expense budget was approved at \$9,973,746. The final budget GF revenues are approximately \$9,685,500 for a net GF \$290,000 deficit. Due to the unknown revenues associated with the final billing of 09, 10 and 11 taxes the BOC decided to not increase the millage rate above the calculated rollback rate.

Due to the call volume in EMS the County has reached a critical point whereby a fourth full time crew is needed. Rather than add the entire 6 new full time employees needed the BOC chose to implement this addition over two fiscal years by adding 3 new EMS employees in FY14 and 3 more in FY15.

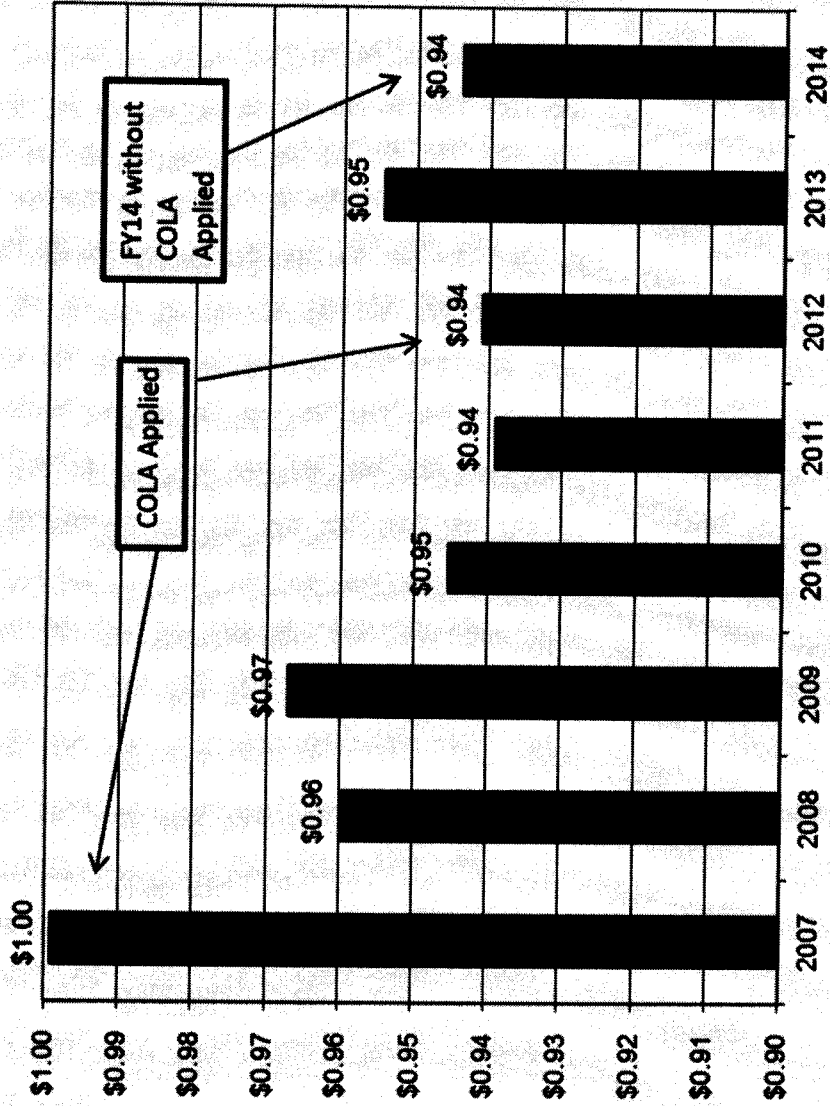
When the recession began the BOC took midyear actions to mitigate the financial impacts which included a freeze on all new hires (not replacing existing vacant positions). Over the years since then the BOC has released the freeze on all positions except 3 full time road department positions. The workload at the road department is getting further behind schedule so the BOC agreed to eliminate one of the frozen positions and lift the freeze on the remaining two positions.

The Affordable Care Act (ACA) added five additional fees to the Counties employee health insurance cost amounting to 4% increase in the cost to provide health insurance to our employees.

For FY14 the current projection is that LOST sales taxes (significant variable revenue source) will be the same as FY13 (FY12 was the same as FY13). Overall economic conditions indicate that the overall economy has stabilized. The largest impact to GF revenues appears to be a continual decline in EMS fees primarily due to the failure of Medicaid to fully reimburse costs.

- GF Major Capital:
  1. 33000 Sheriff Vehicles \$87,000
  2. 36000 EMS vehicles, equipment \$125,000
- Shift Road Wages to 203 Insurance Premium Fund (see 203 Fund discussion below). A shift of \$596,000 is budgeted again this year as we continue to sort through the tax digest issues and weather a tough overall economy. This would mark the sixth year in a row we have relied on this fund to supplement GF expenditures. This is an equivalent 0.670 mills in property taxes in FY14. The transfer of expenses to the 203 fund has drawn down the reserves of this fund from a peak of \$1,300,000 (FY09) to a potential of \$450,000 at the end of FY14. There is no need for a set fund balance minimum in this account other than to keep the 540 fund balance healthy (see 540 account discussion below) however continual deficit spending from this account will eventual lead to a shifting of expenses back to general fund which may result in a substantial increase in property taxes.
- Personnel Expenses: The current budget does include additional personnel in roads and EMS as described above. The current budget includes a 2.5% COLA in the wage figures (other than the State wages Judges, Sheriff etc, where the State will mandate a COLA if they do). Inflation was 1.1% since April 2012 however as shown in the chart below wage deflation since the recession has resulted in resulted in a 5% cut in wages (purchasing power). Therefore \$1 in wages in 2007 is similar to \$0.95 in wages today (a decrease in wages). If a COLA is not applied to wages in FY13 wages will decrease an additional 1% to \$0.94. It is important to note that a COLA is not a "raise" but rather an increase in wages to keep pace with inflation. A chart is included below that illustrates the decrease in wages due to inflation since FY07.

Salary Deflation Since 2007 (April CPI)





**GF Fund Balance (FB):**

Our undesignated, unreserved fund balance for the end of FY03 (start of FY04) was \$4,491,100. That fund balance grew 46% and was \$6,344,120 (end of FY06 start of FY07). At the peak in FY06 the GF FB was 70% of that year's GF expenses which could be deemed excessive reserves. Therefore, as planned, the GF FB retracted in FY07, FY08 and FY09 to pay for one time capital for the Sheriff's Office and Library (FY07). Planned utilization of GF FB for one time capital needs when excess reserves exist is sound financial management.

GF FB was also utilized in FY08 for a potential O&M deficit that was not expected to materialize when the budget was put together in 2007, however the downturn of the overall US economy in 2008 resulted in a significant decline in revenues (first decline in a decade) resulting in a utilization of GF FB for O&M. Planned utilization of GF FB for O&M when excess reserves exist is sound financial management in the short term however the utilization of GF FB (one time money) for O&M (ongoing expenses) is unsound financial management in the long term. The utilization of GF FB for O&M only occurred in FY08 and only occurred due to the recession of 2008.

Not anticipated in the original plans for the GF FB was the utilization of GF FB for the tax assessor project. From FY08 to FY10 almost \$900,000 (60%) of the GF FB utilized was for the BOA project. In FY08 the BOA project accounted for 19% of the GF FB reserves utilized that fiscal year. That percentage increased to 83% of the GF FB utilized in FY09 and accounts for 100% of the GF FB utilized in FY10. Rather than raise the revenue needed for funding the BOA project through an increase in property taxes, the Hart County BOC decided to further draw down the GF FB which has resulted in a decrease of the GF FB cash reserves to the lower threshold of the target 25-50%.

It is important to note that the GF FB listed in the audits is not entirely cash. The actual fund balance available will depend on our cash flow therefore the important component of the GF FB is the item listed as "cash". Items listed as "receivables" are expected to be turned into cash at some point in the future but are not available as cash now and not available for operations. A minimum cash fund balance of 25% is recommended for short term cash flow needs and for emergencies.

Target GF FB should be maintained at 25-50% of expenses. While we have remained stable during the recent GF FB drawdowns and the recent downturn in the economy it is important to note that we have relied on special revenue funds fund balances also. A shifting of some of the GF expenses to the SR funds during this recent tough economic conditions will result in a lower expense ratio.

Audit FY06 (peak GF FB): GF FB: \$6,344,120 (not cash), % of GF Expenses Total: 70%, % of GF Expenses (Cash): 35%  
Audit FY07: GF FB: \$5,830,089 (not cash) % of GF Expenses Total: 62%, % of GF Expenses (Cash): 28%  
Audit FY08: GF FB: \$5,092,451 (not cash), % of GF Expenses Total: 54%, % of GF Expenses (Cash): 31%  
Audit FY09: GF FB: \$4,414,929 (not cash) % of GF Expenses Total: 50%, % of GF Expenses (Cash): 25%  
Audit FY10: GF FB: \$4,202,130 (not cash), % of GF Expenses Total: 45%, % of GF Expenses (Cash): 29%  
Audit FY11: GF FB: \$4,705,478 (not cash) % of GF Expenses Total: 55%, % of GF Expenses (Cash): 27%  
Audit FY12: GF FB: \$4,901,114 (not cash) % of GF Expenses Total: 54%, % of GF Expenses (Cash): 31%

General Fund Balance uses:

FY07 (\$514,031): BOA Tax Project, library (expenses above grant revenues), and the new governmental office campus  
FY08 (\$600,000): BOA (\$115,000), O&M (\$265,000), new governmental office campus (\$220,000)  
FY09 (\$660,000): BOA Tax Project (\$550,000), (balance for SO office completion)  
FY10 (\$200,000): BOA Tax Project

Special Revenue Funds:

SPLOST (322, 323, 324):

SPIII (323) ended in FY12 (May 2012) at which time SPIV began. One of the biggest concerns has been funding for roads which has been cut drastically in SPIII and IV to allocate more funds for the Cities of Hartwell, Royston, Canon, and Bowersville. With the decline in sales tax revenues from the recent recession, we have scaled back dramatically on road spending. In response the County has drastically reduced the funding of road work however additional spending had to take place in SP3. Current estimates are that approximately \$300,000 in SP4 road funds will be required to be paid back to SP3. The final amount owed from SP4 to SP3 will depend on the FY13 audit results. The payback from SP4 to SP3 road funds will take place over the next few fiscal years as the funds allow and as the cash is needed in SP3 to repay other SP3 obligations.

SPII 322 still has funds remaining for the City of Hartwell for water projects with any excess funds being allocated to roads (minimal amount available). The FY13 budget for SPIII (other than roads) will depend on actual amounts spent in FY12 and the remaining obligations for SP3 as set out in the original referendum.

FUND 203 (Insurance Premium Fund): Solid waste expenses had been transferred to the Solid Waste Enterprise fund in prior fiscal years and are proposed to continue funding solid waste operations for FY12. However the 540 account needs to maintain a reserve (see 540 account for more discussion on this matter). Future reversal of the shift from 203 to 540 for some solid waste operations may potentially be required. There is no advisable fund balance minimum for the 203 account.

For FY09, 10, 11, 12, 13 and 14 the budget postponed a millage increase for GF O&M by drawing on the insurance premium funds to fund \$540,000-640,000 in road department expenses that were formerly funded from the GF. For FY14 the 203 account will fund \$600,000 in road department wages.

FUND 204 Jail Operations Fund: This account is from court generated revenues to help offset the cost of operating our Jail. Depending on the FB remaining in this account shifting of some of these expenses to/from the GF has taken place in prior fiscal years. No fund balance is required for this account.

FUND 215 E911:

This fund has been drawn down to a minimum fund balance. Transfer of expenses to the GF or another fund may be required in FY15 in order to maintain a FB in this account.

FUND 540 (Solid Waste Enterprise Fund): This fund is generated through fees charged for waste disposal and from revenues generated from the sale of recyclable materials. A reserve is needed for continued funding of liabilities associated with the closed landfill although there is no way to adequately assess what the long term liabilities will be. Projects required to be funded in FY14 will depend on the mandates of the GA EPD.

Solid Waste had been subsidized through the 203 fund (insurance premium) although expenses had been completely transferred to the 540 account for FY08-FY14. Subsidization of the 540 account through the 203 account has allowed a fund balance to accumulate in the 540 account to cover future potential liabilities. The fund balance has dropped significantly since 2007 due to investments in the old landfill and the shifting of all solid waste expenses from the 203 account to this solid waste fund.

A long range plan has been implemented to take care of legacy issues with this landfill. There are three main parts to this. The first is the cap on the landfill. A very large investment in the cap took place in 2008 and should take care of most of this problem for the duration of the landfill's remaining required monitoring life (approximately 2025). The second issue is long term care for the

groundwater under the landfill. At this point the groundwater conditions appear to be contained. This issue is monitored regularly. Unless conditions change or the State requires additional actions the groundwater will require about \$15,000 annually for reporting and about \$30,000 annually for testing.

The final issue is methane migration from the landfill. The methane issue has been addressed in a phased approach with each phase building on the prior phase. The cost for each additional phase increases dramatically. The last phase cost approximately \$250,000 and appears to be working well. Hopefully this will be the final phase required for this issue. There is one more phase to this issue that if required may cost about \$400,000 to implement and add an annual O&M cost to the landfill.

Current estimates are that the fund balance may be at \$500,000 at the end of FY14. Assuming the three issues above have been satisfied and only the monitoring events are required, the cost to maintain the landfill should stabilize at approximately \$50,000 per year. Therefore the fund balance of \$500,000 may be adequate to maintain the needs of the landfill.

#### **Budget Charts:**

Several charts are included in this budget for visual representation of the key data:

##### General Fund Expense Breakdown Pie Chart:

This chart graphically shows where the general fund expenses are categorically. It is clear from this chart that most of the GF spending is in the category of public safety (Sheriff, Jail, EMS etc..) at 52% of the total expenditures. Shifting of some Road Department wages to the 203 special revenue fund falsely shows the true impact of "Public Works" on the GF spending.

##### GF Expenditures Per Capita Chart:

This bar chart shows the comparison of General Fund expenditures per person of the surrounding counties. This chart shows that Hart County continues to have one of the lowest GF expenditures per person (capita) in the area indicating that we are operating at the most efficient use of GF revenues compared to surrounding counties.

##### GF Revenue History Bar Chart:

This shows the recent historical GF total revenues. From this chart it can be seen that historically the GF revenues appear to have stabilized after the recent recession.

### Revenue Sources

The pie chart is a breakdown of where the revenues are coming from for all funds. SPLOST sales taxes and LOST sales taxes account for 30% of total revenues. These sales taxes are a very significant portion of the revenue sources for Hart County and unfortunately have a direct correlation with the overall economy.

This chart also shows that Hart County has a healthy mix of revenue sources. If one section of the pie chart (or one revenue source) was the source of an overly large percentage of the revenue, that may indicate an over-reliance on a particular revenue source. If that revenue source was to have problems then the cash flow of the General Fund could have problems.

In addition, this pie chart shows that we do not rely heavily on property taxes as our sole means of revenue. This proves that the burden of funding the local governmental operations and projects is not solely on the revenue from property taxes and is more evenly spread among other users.

### Millage Equivalent

This bar chart further emphasizes the importance of the local sales taxes and other special revenue funds. Property tax revenues are generated from a 5.29 mill assessment on property values. The equivalent millage associated with the revenues from the SPLOST sales taxes is 3.09 (an increase from 2.38 mills equivalent in the prior FY). Therefore to have the same amount of revenue as the revenue to be spent in the current FY budget from the SPLOST sales taxes the Hart County Board of Commissioners would have to raise the millage by 3.09 mills, or 58%. In addition, the LOST sales tax is a direct offset to the property tax millage. This sales tax is used solely to fund general fund operations and directly offsets the property tax millage. The equivalent millage from LOST revenues is 2.35. If the LOST sales tax was not in place in Hart County, our property tax millage would increase by approximately 44%.

Similar figures are illustrated in this chart to show the equivalent millage that would be required if the other non-property tax revenues were not available as revenue sources. One unique significant source of funding this fiscal year is a substantial amount of capital grants including \$500,000 LMIG Road Grant, \$250,000 Road Paint Grant, \$500,000 Water Grant, and \$500,000 Road Widening Grant. These capital project grants alone account for 1.87 mill equivalents (11%) of the current fiscal year revenue.

### Value Equivalents \$100,000 House

This bar chart is third way to show the value (equivalent to a property tax bill) of the various revenues sources. For example property taxes generate \$212 per \$100,000 in property value. If the LOST sales tax were not in place the owner of the same \$100,000 would

have to pay \$94 additional dollars in property taxes. Similar values are given for the other non-property tax revenue sources. For this fiscal year the one time capital grants will save tax payers \$75 per \$100,000 property value.

#### 10 Millage Rate- Local Comparison:

This bar chart shows the local comparison of 10 adjacent counties shows that in the Hart County's unincorporated millage rate was significantly lower than our surrounding counties. Hart County has one of the lowest unincorporated millage rate in the State of Georgia.

#### GF FB as a % of GF Expenses:

This chart shows the total GF FB as a percentage of O&M (no large capital) expenses for that fiscal year. A target range of 25-50% reserves is the goal. It is important to note that this is not just cash and includes non-liquid, non-cash items.

#### GF FB Cash as a % of GF Expenses:

This chart shows the available cash from our GF FB as a percentage of expenses for that fiscal year. A target minimum of 25% cash reserves is highly recommended to ensure a positive cash flow and to account for unforeseen emergencies that may arise during the fiscal year. A 25% cash reserve would indicate that we could operate our government for 3 months at full spending without a single revenue.

#### SR FB History:

This chart shows the large Special Revenue funds fund balance. Since the recession began the County has utilized the fund balance of all accounts to cover decreased revenues and avoid tax increases. With healthy fund balances it is sound financial management to draw down excess fund balances to cover short term shortfalls such as the conditions of the current Great Recession. This allows the community to be stable with continued necessary service while avoiding tax increases when the community can least afford such increases.

The 911 fund balance is at a point where it is at a minimum recommended fund balance. Continued deficit spending from the account will result in shifting of expenses to another account in near future fiscal years. The 540 solid waste fund is probably nearing the minimum recommended fund balance also. Remaining liabilities for the landfill are not completely quantified but for the most part have been adequately addressed in the past decade. This fund should not have extensive deficit spending in the near future fiscal years.

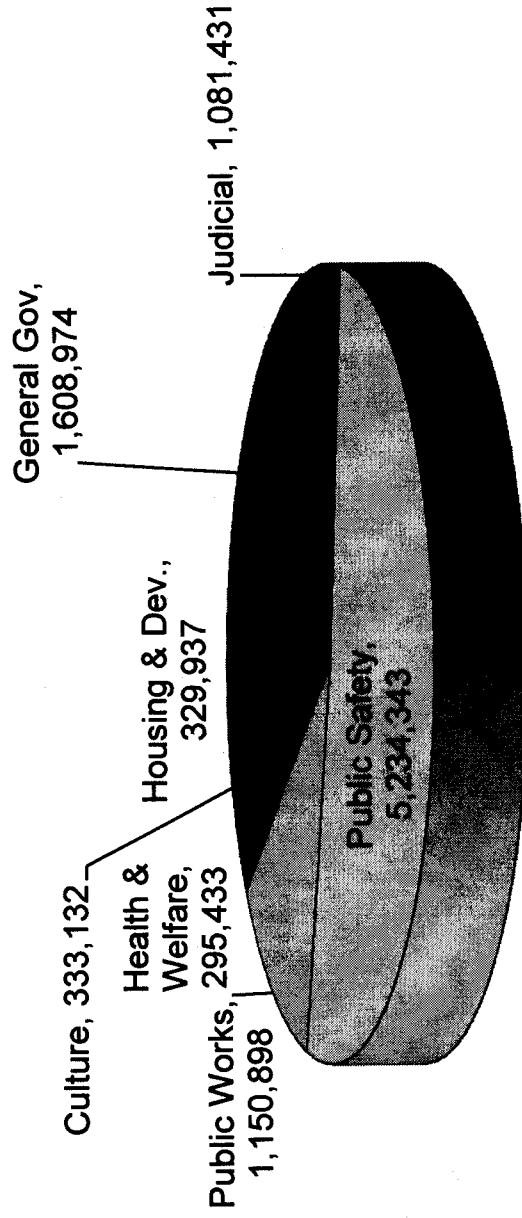
Overall FB:

This chart shows all the fund balances of all accounts for each fiscal year. Since the recession began the County has utilized the fund balance of all accounts to cover decreased revenues and avoid tax increases. There was a large decrease in fund balances from 2008 to 2009 but the fund balances have remained relatively stable for the past few years.

Related Long Range Plans and Studies are a Part of this Spending Plan

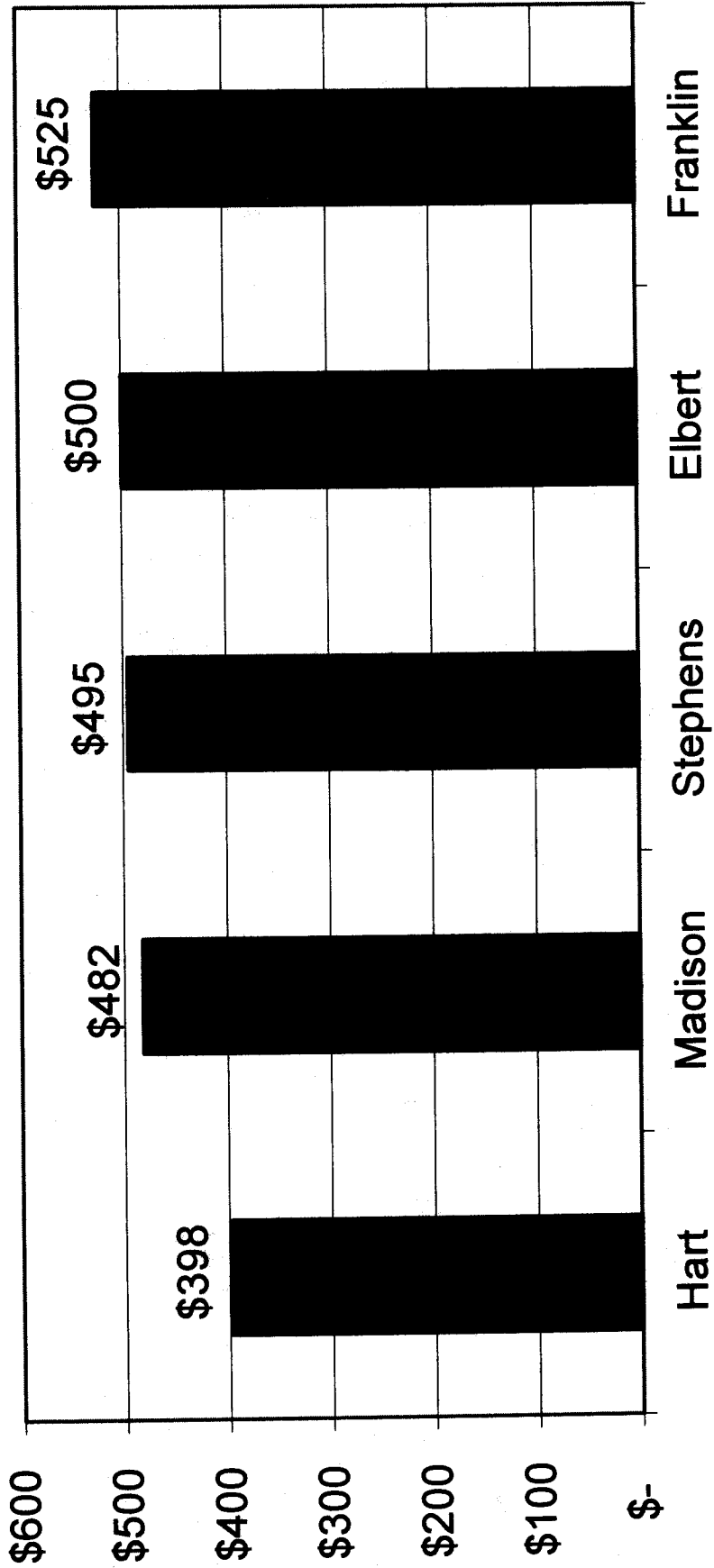
# General Fund Budget Expense Breakdown

"Where the Money Goes"

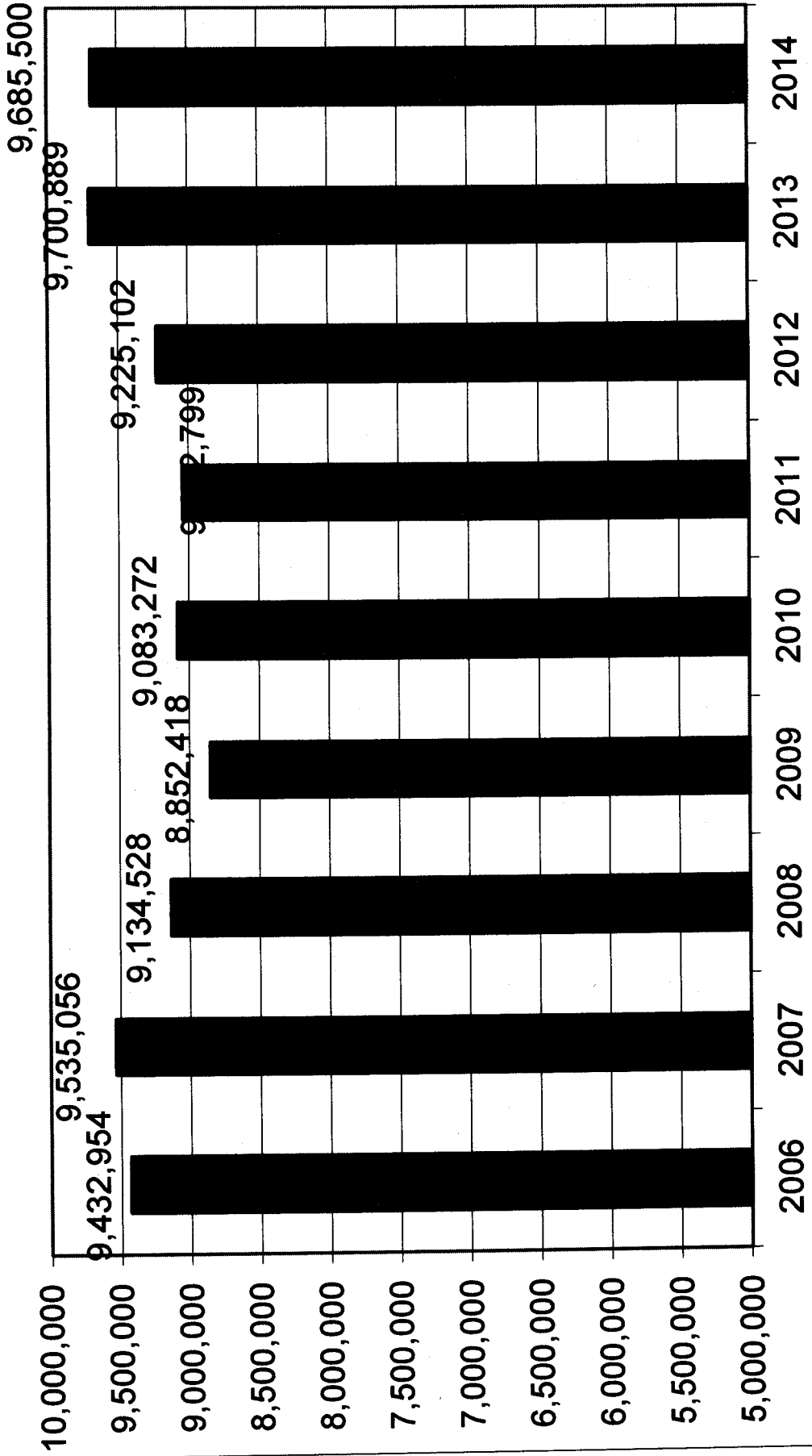




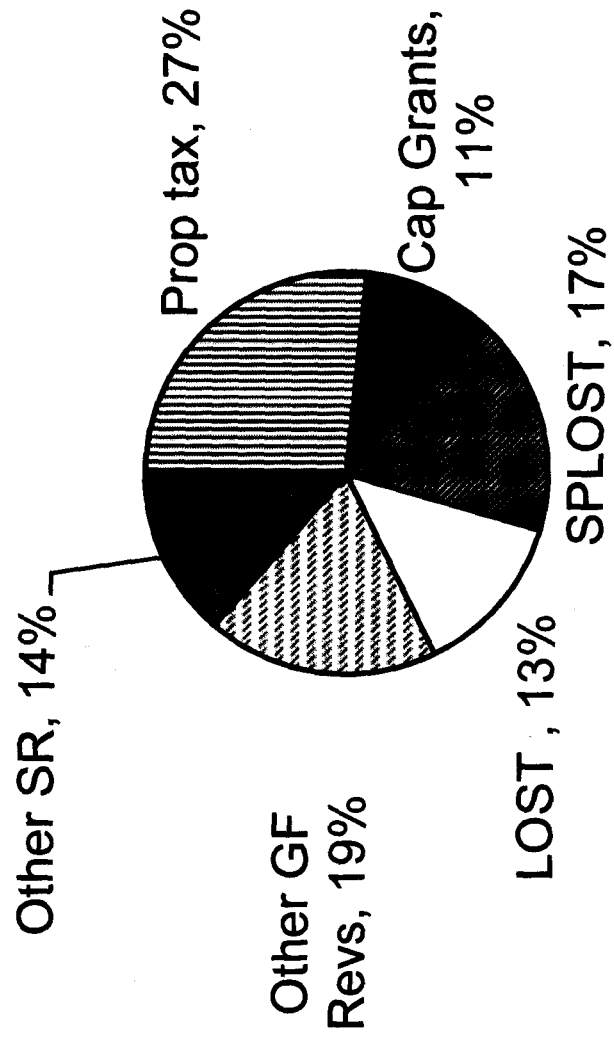
# GF Expenditures Per Capita



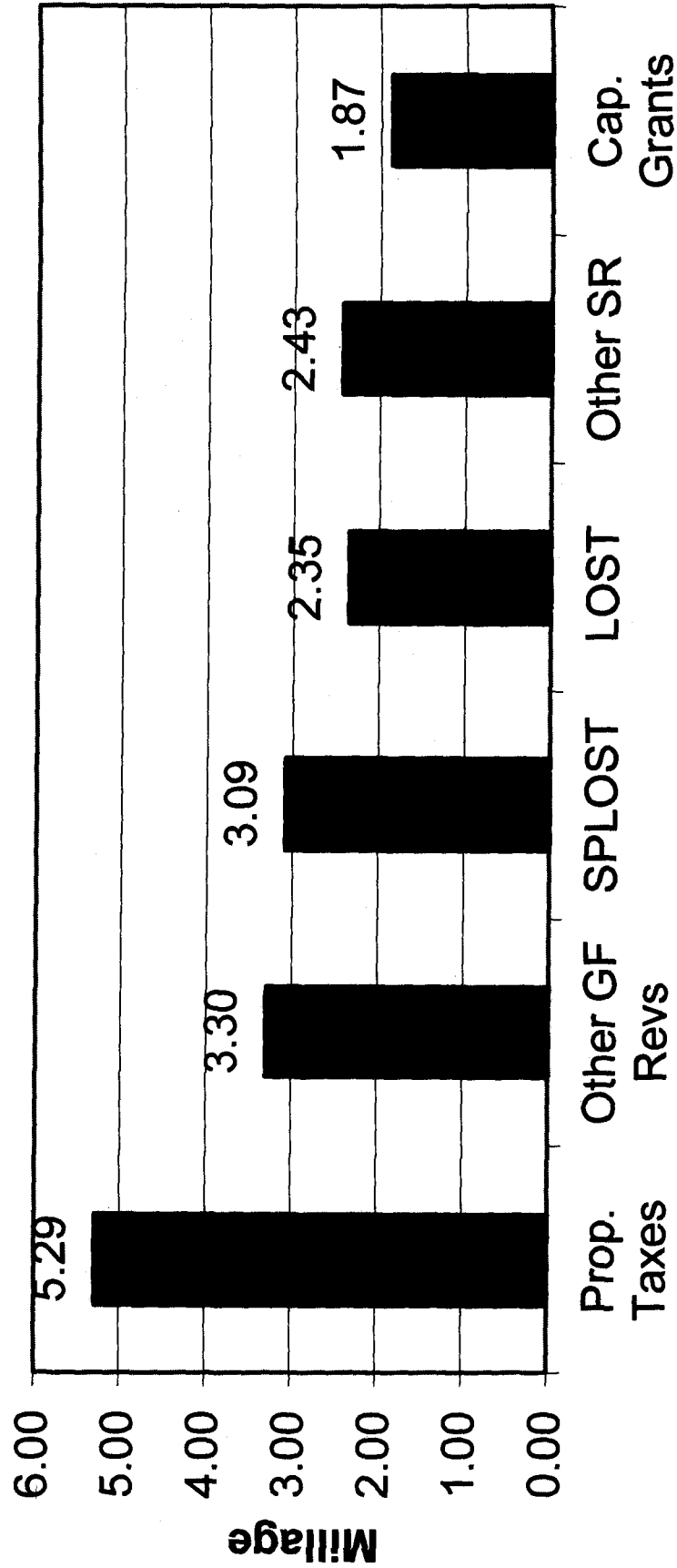
# GF Revenue History



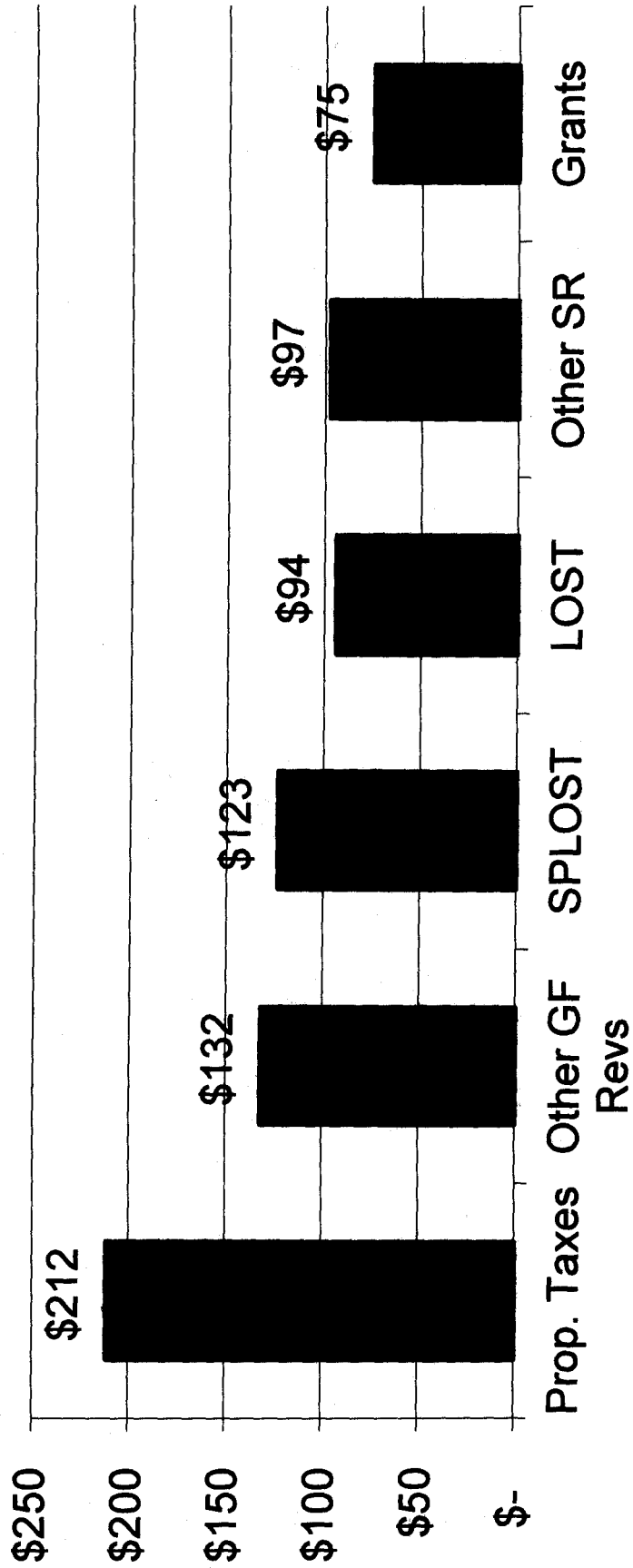
## Revenue Sources



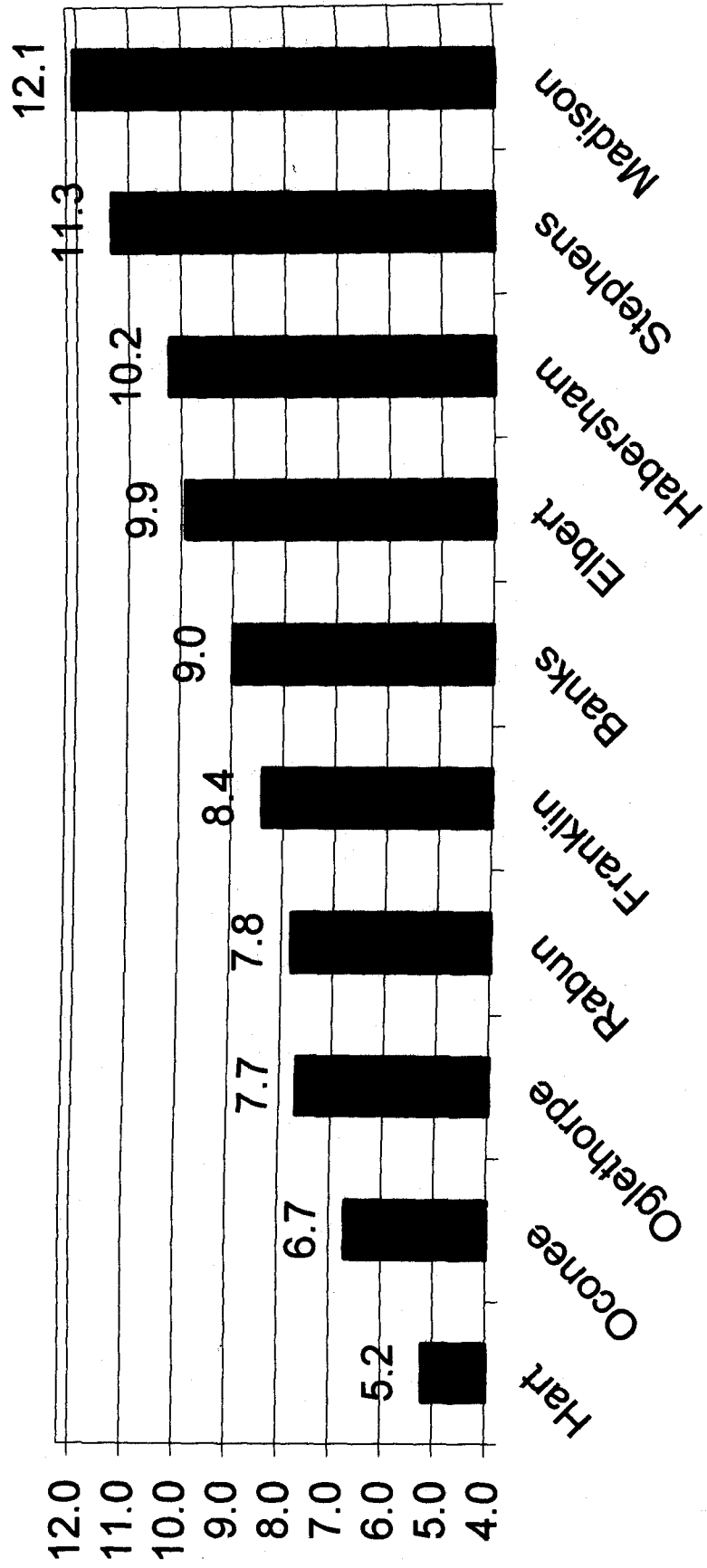
# Millage Equivalents



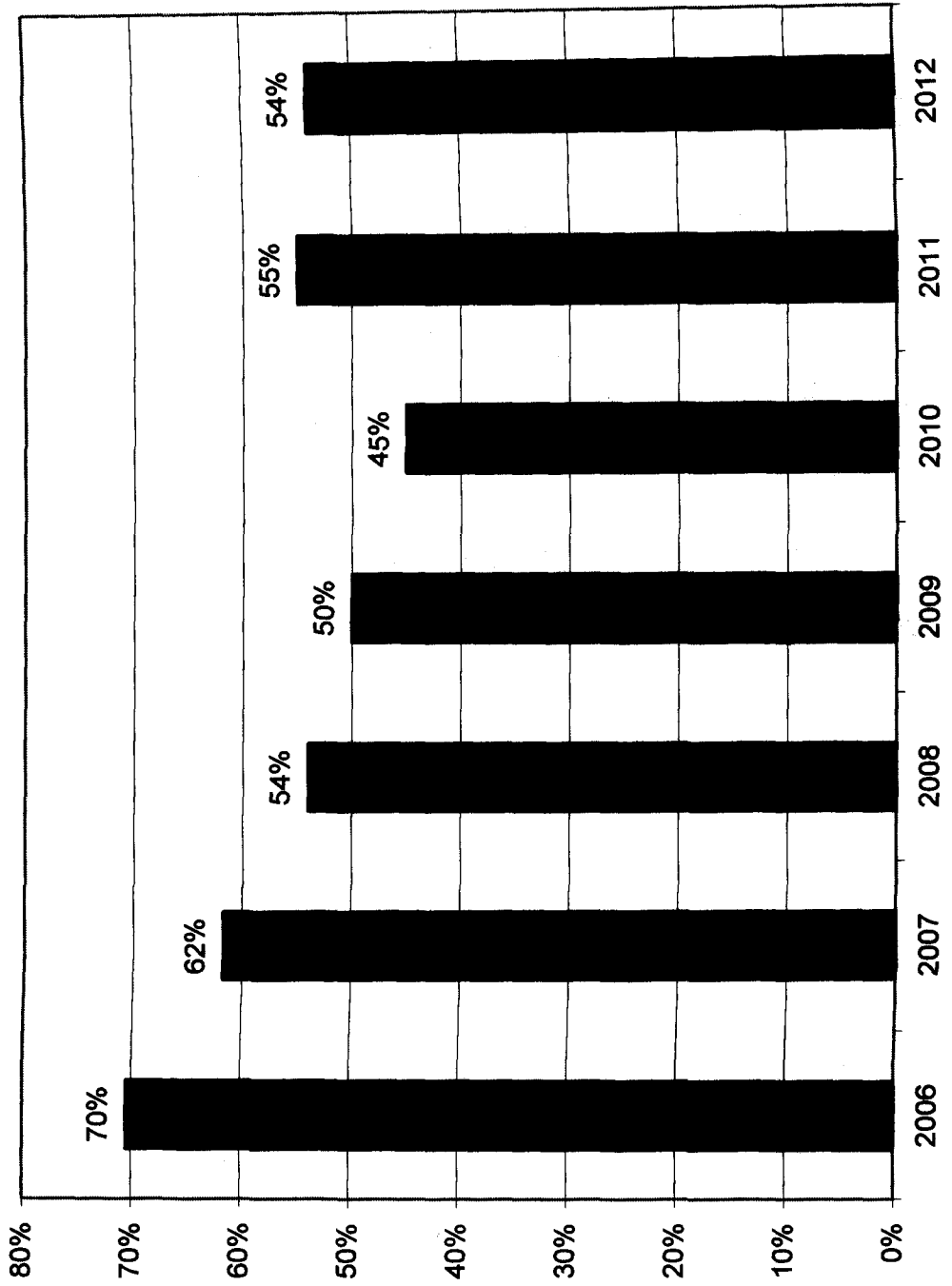
# Value Equivalents \$100,000 House



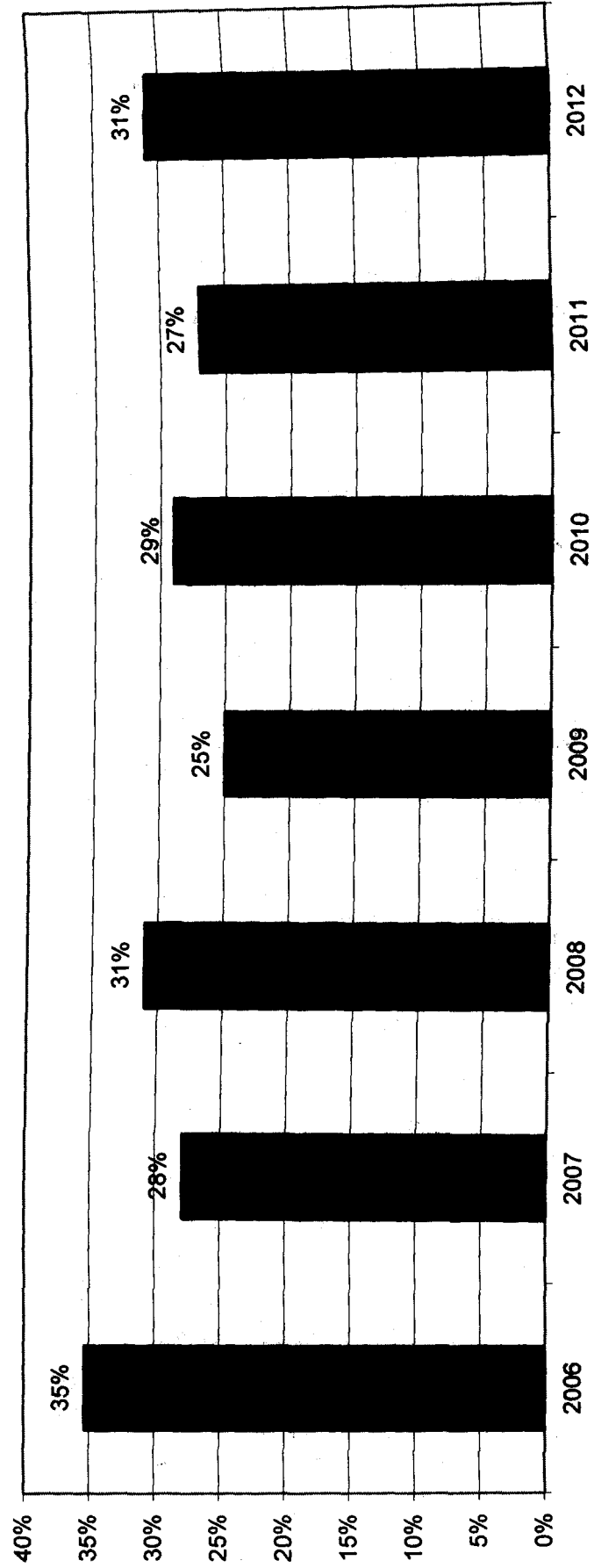
# County Tax Millage Rates- Local Comparisons



### GF FB % of GF Expenses- Exclusive of One Time Capital

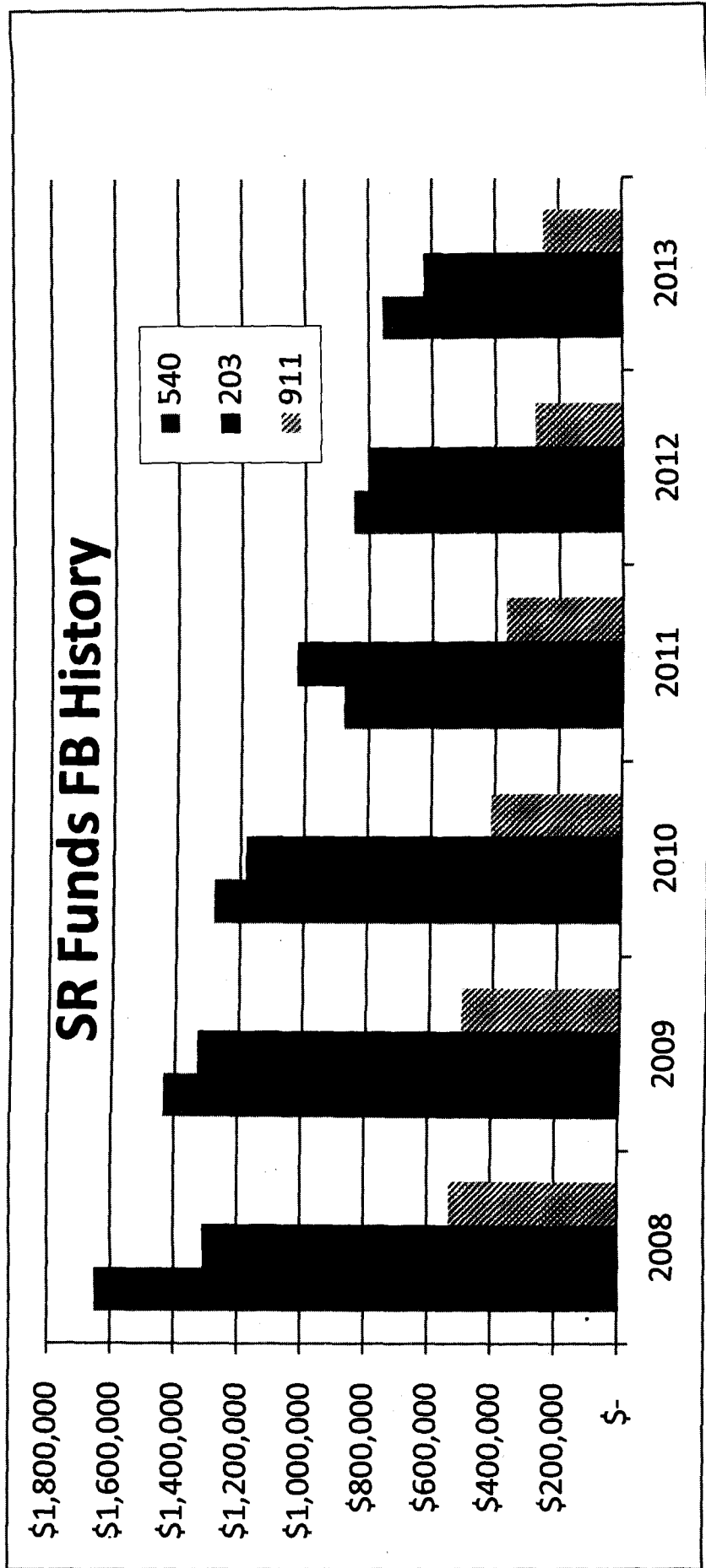


**GF FB Cash as % of GF Expenses-Exclusive of One Time Capital**





# SR Funds FB History



# Overall FB

