



BOONE COUNTY AUDITOR

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To the Citizens of Boone County:

Pursuant to the requirements of state law, I am pleased to present the Fiscal Year 2005 Budget for Boone County, Missouri. The county budget is one of the most significant documents prepared by the County Auditor each year; likewise, its adoption is one of the most significant acts of the County Commission. The annual budget contains the funding allocations necessary to provide essential and statutorily required services as well as numerous discretionary services. This budget is the result of a legislatively designed process intended to guide the rational allocation of county resources within the framework of statutory responsibilities, local needs, and local planning processes. Upon adoption, the budget provides legal spending authority for the County's elected officials and appointed department directors.

All of the budgets contained herein are balanced; i.e., total resources available to a particular fund are equal to or greater than the proposed spending plan for that fund. All funds should be solvent at the conclusion of FY 2005 if the budget is adopted and implemented as presented.

Planning Process and the Development of 2005 Budgetary Goals

Boone County's statutory elective form of government is significantly different from a charter form of government or a municipal city manager form of government. These differences greatly impact the planning and budgetary process, the resulting budgetary document, as well as operation and administration throughout the year. Independent elected officials are directly accountable to the people of the County and responsible for discharging the statutory functions of their respective offices in accordance with state laws and the resources allocated to them by the County Commission. Although the County Commission is responsible for establishing the annual appropriations for each elected official, the County Commission has no other oversight authority over the operations of each elective office nor does the County Commission directly influence the development and implementation of goals and objectives for these elective offices. This structure results in each individual elected official identifying immediate and long-range goals and objectives and then presenting funding requests in the annual budget process. The scope and content of funding requests vary greatly from office to office and from year to year. In some instances, individual elected officials have additional resources available for their operations through various special revenues funds. In most cases, these special revenue funds are under the appropriating authority of the individual elected official rather than the

County Commission. (Refer to the *Overview and Description of Special Revenue and Other Funds* presented in the *General Information* section.)

The County Auditor and the County Commission are responsible for evaluating the goals, plans, and funding requests and then establishing appropriations in accordance with available resources. The County Commission has no authority to impose its will on other elected officials, except through its exclusive control of county property and the adoption of the annual budget. As a result, individual departmental goals tend to impact the development of the budget more so than comprehensive, unified, entity-wide goals and there is an inherent tendency toward short-term planning and goal-setting as well as fragmentation of long-range planning processes. The effects of this structure are also evident in the resulting budget document which is more process and information-based than issue-based. As described above, the legal structure of the County is such that the budgetary process is not directly shaped by, nor does it result in the clear identification of unified, commonly-held, entity-wide goals that can be summarized and reported in an annual budget document.

In evaluating and prioritizing the various needs that are presented in the budget process, highest priority is given to those needs that are driven by essential statutory functions, where the County is required by state law to perform certain duties or provide specific services and has no authority to eliminate program activity or services. This is another significant difference between the County and municipal governments. Whereas most municipal governments are able to determine the scope of services to provide to their citizens, the County is required by state law to provide certain services which comprise the overwhelming majority of all services provided. These services are unique to the County: they are not provided by any local municipal government. They include such things as operation of the 13th Judicial Circuit Court (state court), operation of the Prosecuting Attorney's Office, operation of a Juvenile Office and a Juvenile Detention Center, operation of a County Jail, law enforcement services for all unincorporated areas of the County, civil process service for all of the County, maintenance and retention of property records for all of the County, assessment of all county property, collection of property taxes for all political subdivisions within the County, voter registration and election activity, and maintenance of county roads. Over the years, the County Commission has authorized and established additional services beyond those identified above; however, the overwhelming majority of county spending is directed toward statutorily required services.

Periodically, the County Commission will encounter a need to engage in a more extensive planning process that extends beyond a given budget year or cuts across several areas of elective responsibility. This process is highly informal and usually involves collaboration and cooperation of various elected officials in addition to the County Commission. The process is not intended to result in the development of a long-range entity-wide strategic plan; rather it is intended to develop goals and plans tailored to meet a specific need. Occasionally, the County Commission uses contractual services to develop planning tools for specific needs such as long-range land use plans and space need studies for county facilities.

The following budgetary goals for 2005 were identified through the process described above and account for significant county appropriations. They represent the highest budgetary priorities and primary areas of emphasis in the FY 2005 Budget.

2005 Budgetary Goal: Personnel—

Implement results of FY 2004 Salary Plan Update.

Include funding for employee merit increases.

Provide comprehensive employee benefits at a reasonable cost to taxpayers.

Budgetary Impact— The County Commission approved implementing the results of the salary plan update over a two-year period, FY 2005 and FY 2006. Accordingly, the FY 2005 appropriations reflect the range adjustments authorized for the first year implementation only. The combined two-year total cost of the Salary Plan Update is approximately \$400,000 (\$295,000 to the General Fund, with the balance spread across several other funds including the Road and Bridge Fund, the Assessment Fund, and the Law Enforcement Services Fund). By implementing the plan over a two-year period, the FY 2005 budgetary impact was reduced to approximately \$190,000 (\$125,000 to the General Fund) or approximately 1.4% of payroll.

The budget also includes appropriations for employee merit increases totaling approximately \$280,000 (\$158,000 to the General Fund), including court positions, or about 1.9% of current payroll.

Combined, the budgeted increases for FY 2005 total approximately \$470,000 (\$283,000 in the General Fund) and represent a 3.24% increase to payroll.

The FY 2005 Budget includes a 9.8% premium increase for employee health insurance for an annual budgetary increase of approximately \$150,000. The Self-Health Trust Fund governing board proposed this increase in order to ensure continued fund solvency in the health benefits internal service fund. The board also enacted several plan adjustments designed to reduce costs to the plan. Premiums were increased 18% in FY 2004, 15% in FY 2003 and 12% in FY 2002 at a county-wide cost of approximately \$170,000, \$156,000 and \$112,000, respectively.

2005 Budgetary Goal: Public Works Road and Bridge System—

General and Routine Maintenance— Provide general road maintenance including street sweeping for curb and gutter subdivision roads; pavement marking and re-striping; snow and ice removal; routine grading; culvert pipe replacement; reclamation, re-building, and routine maintenance of chip and seal roads; pavement preservation and maintenance and repair of hard surface roads and streets; traffic sign replacement, and routine equipment replacement. (Refer to Dept. No. 2040.)

Design and Construction Activities— Provide funding for a variety of projects including arch/bridge projects, drainage improvement projects, safety and curve realignment projects, subdivision roadway projects, intersections and roadway connection projects, and bank stabilization, erosion control and storm water projects. (Refer to Dept. No. 2045.)

Budgetary Impact— the 2005 Budget includes appropriations totaling \$15.58 million for road and bridge activities, all accounted for in the Road and Bridge Fund. Of this total, \$8.77 million is allocated to the Maintenance Division (Dept. No. 2040) for maintenance activities and projects; \$4.27 million is allocated to the Design and Construction Division (Dept. No. 2045); and \$2.54 million is allocated for Revenue Replacement and Revenue Sharing payments to cities and the Centralia Special Road

District as well as a small administrative reimbursement to the General Fund (Dept. No. 2049.)

2005 Budgetary Goal: Technology—

Replace various personal computers, terminals, and printers throughout the County.

Enhance security of the County's network and main computer system.

Implement Back-up Recovery and Media Services (BRMS) for the County's main computer system.

Replace the existing imaging system and implement a Storage Area Network (SAN). This project is jointly funded between the General Fund and the Assessment Fund.

Provide on-site training for Sheriff and Corrections staff for the existing vendor-provided software and purchase several critical modifications for the software.

Enhance and strengthen the existing financial management and payroll software (originally developed in-house)

Budgetary Impact— the FY 2005 Budget includes approximately \$400,000 for the priorities identified above, in addition to the regular operating budget for personnel, supplies, and other operating costs.

2005 Budgetary Goal: Law Enforcement and Judicial—

Complete the purchase and installation of all officer equipment programmed in Proposition L. (Proposition L was a 1/8th-cent law enforcement sales tax approved by voters in 2002 and effective January 1, 2003.)

Improve system-wide efficiency and effectiveness of the Law Enforcement and Judicial System through collaborative efforts of various elected officials including the judges, the Prosecuting Attorney, the Sheriff, and the County Commission and implement recommendations received from the Law Enforcement and Judicial Task Force (report dated September 2001.)

Budgetary Impact— The FY 2005 Budget includes sufficient appropriations from the Law Enforcement Services Fund (Prop L Fund) to complete all of the equipment initiatives outlined in Prop L. In addition, all of the planned additional FTE positions have been incorporated into the budget with the exception of two positions for the Prosecuting Attorney: an Assistant Prosecuting Attorney and a Legal Secretary. These positions will be addressed in future budget years, the timing of which will be mostly dependent upon the availability of office space.

Appropriations in the Law Enforcement and Services Fund (Prop L) total \$3.04 million. This is in addition to General Fund appropriations of more than \$13.4 million for the various law enforcement and judicial functions and activities. Total FY 2005 appropriations for law enforcement and judicial activities, all funds combined, is more than \$16.5 million (excluding capital outlay). This represents approximately 40% of all operational (non-capital) spending.

Budget Process and Calendar

Boone County’s budget process is governed by the Revised Statutes of Missouri (RSMo) 50.525-50.641. Boone County is a first class non-charter county where the County Auditor serves as Budget Officer. As described at the outset of this document, the annual budget process is significantly influenced by the legal structure of the County, which creates an inherent tendency toward fragmentation and a short-term focus. Throughout the year, individual elected officials may engage in budget research and development activities, but these processes are carried out independently and are not directed by an over-arching entity-wide strategic plan. As previously noted, the County Commission has no legal authority to develop or impose such a plan on other elected officials. The annual budget process, as designed by state statute, is intended to provide a means for aggregating the official requests of various officeholders and allocating resources to the various functional areas. To the extent that elected officials collaborate on specific priorities, such as those identified earlier in this document (for instance, the salary plan update), these priorities are recognized and handled as over-arching priorities throughout the budget process.

The process and deadlines set forth by statute are primarily designed to provide a means for independent elected officials to formally communicate their budgetary needs to the County Commission and the County Auditor each year and to ensure that public hearings are held and that the public has access to all budgetary documents. As previously noted, any planning processes carried out at an entity-wide level are accomplished through cooperation and collaboration; there is no legal authority for the Commission to *require* other elected officials to participate in such processes. The following provides an overview of the key elements in the budget process as well as important dates.

- July: County Auditor develops and distributes budget guidelines and instructions to each elected official and department head
- August 15th: Statutory deadline for the Circuit Court to present its budget request to the County Commission and Budget Officer
- September 1st: Statutory deadline for submitting budget requests to Auditor
- September 10th: County Auditor prepares budget requests for offices and agencies not submitting requests by this date
- September and October: County Auditor reviews budget requests and meets with elected officials, department directors, and the County Commission as necessary
- November 15th: County Auditor delivers Proposed Budget to County Commission
- November 15th: through December 15th (or later, if necessary): County Commission holds public hearings on the Proposed Budget
- January 10th: Statutory deadline for adoption of budget by the County Commission (The statutory deadline is January 10th except in a year in which any Commissioner’s new term of office begins; in those years, the deadline is January 31st .)

Local Economic Indicators

For the past decade, the County has enjoyed a stable economic environment with moderate to accelerated growth. However, the County has experienced a distinct slowing in local economic growth the last few years and this has been incorporated into the budget estimates. The County has a varied economic base combined with a low unemployment rate. The local economy reflects a balanced mix of retail, education, service, light manufacturing, construction, and finance. The largest employers in the County include the University of Missouri, Columbia Board of Education, hospitals, insurance institutions, the City of Columbia, and several manufacturers. The County's current unemployment rate is just below 2.5%, up slightly from previous years but still one of the lowest rates in the state. This has resulted in a very competitive labor market.

The Missouri state budget crisis has affected the County's budget over the last three fiscal years and it is expected to continue to do so into the foreseeable future. State funding reductions and legislative changes have reduced revenues to the County by more than \$250,000. The loss in revenue is the result of state funding reductions for prisoner per diem, juvenile per diem, and assessment reimbursement as well as legislative changes that reduced revenues collected by the County (such as Sheriff's fees and the ability to charge for copies of public records). This budget assumes continuation of these reductions, but it assumes no further reductions.

Annual population growth rates for the past decade have varied between one and two percent, which is nearly twice the state's growth rate. Of the County's current population of approximately 142,000, 68% (96,500) reside in incorporated areas while 32 percent (45,500) reside in unincorporated areas. This ratio has remained fairly constant over the last decade. Average household income for the County compares favorably with that of the state. This and other demographic information is available in the General Information section of this document.

Inflation, as measured by the Consumer Price Index (CPI)—All Urban Consumers, remains low at an annual rate of approximately 2% to 3%. This budget assumes that low inflation will continue.

Budget Summary by Fund Type

The schedule on the following page shows the FY 2005 Budget for the government as a whole, including governmental funds (major and non major), internal service funds, and private purpose trust funds. This consolidated budget overview presents revenues by source, expenditures by object code, as well as projected fund balances at the end of the year.

Similar information is provided on an individual fund basis in the Fund Statements tab section of this document. Discussion and analysis pertaining to revenue and expenditure assumptions, fluctuations, and comparison to prior years is presented in the sections following the summary schedule.

Budget Summary by Fund Type—All Funds Combined

2005 Budget Summary

	-----Major Funds-----									
	General Fund	Road & Bridge Fund	Law Enforcement Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Private Purpose Trust Funds	Grand Total		
REVENUES:										
Property Taxes and Assessments	\$ 2,424,000	\$ 990,000	\$ -	\$ 139,371	\$ 3,553,371	\$ -	\$ -	\$ 3,553,371		
Sales Taxes	10,585,000	11,057,000	2,640,000	262,000	24,544,000	-	-	24,544,000		
Franchise Taxes	135,900	-	-	-	135,900	-	-	135,900		
Licenses and Permits	384,380	21,000	-	18,600	423,980	-	-	423,980		
Intergovernmental	2,789,555	1,313,000	-	375,929	4,478,484	-	-	4,478,484		
Charges for Services	3,079,383	487,720	-	1,309,457	4,876,560	3,691,098	-	8,567,658		
Fines and Forfeitures	-	-	-	-	-	-	-	-		
Interest	105,007	20,015	7,125	25,264	157,411	24,115	300	181,826		
Hospital Lease	1,452,000	-	-	-	1,452,000	-	-	1,452,000		
Other*	549,209	500	-	9,625	559,334	-	-	559,334		
Total Revenues	21,504,434	13,889,235	2,647,125	2,140,246	40,181,040	3,715,213	300	\$ 43,896,553		
EXPENDITURES:										
Personal Services	13,054,537	3,492,353	1,865,170	889,631	19,301,691	555,936	-	19,857,627		
Materials & Supplies	1,226,000	2,366,840	30,765	104,921	3,728,526	53,275	-	3,781,801		
Dues Travel & Training	236,228	49,640	3,500	106,939	396,307	3,300	-	399,607		
Utilities	424,032	131,857	71,802	16,770	644,461	317,595	-	962,056		
Vehicle Expense	272,515	286,911	725	12,672	572,823	12,962	-	585,785		
Equip & Bldg Maintenance	200,931	346,573	64,463	74,696	686,663	236,870	-	923,533		
Contractual Services	3,634,332	7,183,422	219,230	937,752	11,974,736	2,290,619	-	14,265,355		
Debt Service (Principal and Interest)	420,315	-	-	190,818	611,133	-	-	611,133		
Other	3,057,318	185,350	199,500	342,264	3,784,432	18,500	300	3,803,232		
Fixed Asset Additions	738,344	1,538,910	589,839	171,100	3,038,193	26,151	-	3,064,344		
Total Expenditures	23,264,552	15,581,856	3,044,994	2,847,563	44,738,965	3,515,208	300	48,254,473		
REVENUES OVER (UNDER) EXPENDITURES	(1,760,118)	(1,692,621)	(397,869)	(707,317)	(4,557,925)	200,005	-	(4,357,920)		
OTHER FINANCING SOURCES (USES):										
Operating Transfer In	-	-	-	1,037	1,037	-	-	1,037		
Operating Transfer Out	-	-	-	(1,037)	(1,037)	-	-	(1,037)		
Proceeds of Capital Leases	-	-	-	-	-	-	-	-		
Proceeds of Long-Term Debt	-	-	-	-	-	-	-	-		
Premium on Long-Term Debt	-	-	-	-	-	-	-	-		
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-		
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,760,118)	(1,692,621)	(397,869)	(707,317)	(4,557,925)	200,005	-	(4,357,920)		
FUND BALANCE (GAAP), beginning of year	9,042,947	4,849,242	979,281	4,575,163	19,446,633	1,387,263	39,191	20,873,087		
Equity Transfer In	-	-	-	-	-	-	-	-		
Equity Transfer Out	(400,000)	(2,500,000)	(30,255)	(90,803)	(3,021,058)	(21,444)	-	(3,042,502)		
Less encumbrances, beginning of year	400,000	2,500,000	30,255	90,803	3,021,058	21,444	-	3,042,502		
Add encumbrances, end of year	-	-	-	-	-	-	-	-		
FUND BALANCE (GAAP), end of year	\$ 7,282,829	\$ 3,156,621	\$ 581,412	\$ 3,867,846	\$ 14,888,708	\$ 1,587,268	\$ 39,191	\$ 16,515,167		
FUND BALANCE RESERVES/DESIGNATIONS, end of year	3,181,605	2,500,000	280,255	952,869	6,914,729	20,194	37,170	6,972,093		
FUND BALANCE, end of year	7,282,829	3,156,621	581,412	3,867,846	14,888,708	1,587,268	39,191	16,515,167		
FUND BALANCE RESERVES/DESIGNATIONS, end of year	(3,181,605)	(2,500,000)	(280,255)	(952,869)	(6,914,729)	(20,194)	(37,170)	(6,972,093)		
UNRESERVED/UNDESIGNATED FUND BALANCE, end of year	\$ 4,101,224	\$ 656,621	\$ 301,157	\$ 2,914,977	\$ 7,973,979	\$ 1,567,074	\$ 2,021	\$ 9,543,074		

* Includes Proceeds from Sale of County Assets, Insurance Proceeds, and other miscellaneous revenue. Composition varies by fund.

Revenue Assumptions and Projections

The FY 2005 Budget for governmental funds reflects total revenues of approximately \$40.18 million, which represents a 5% increase over the FY 2004 Budget, as revised and amended to date. It reflects a 3% increase over *projected* revenue for FY 2004; the FY 2004 projected revenue is expected to exceed budget by approximately \$750,000. The overall growth in revenues is primarily attributable to growth in sales taxes, property tax, and the related property tax commission.

A multi-year comparison of revenues by source for all governmental funds is presented below. Comparative charts and schedules presented in the Appendix tab section shows how these revenue sources have varied over the last decade. The following discussion explains the major sources of revenue for the County’s combined governmental funds and accounts for fluctuations between the prior and current budget year.

Revenues by Source—All Governmental Funds Combined

Revenues by Source	2003 (Actual)	2004 (Budget)	2004 (Projected)	2005 (Budget)	% Change 05 Budget over 04 Budget	% of Total for 2005
Property Taxes	\$ 3,162,565	3,221,283	3,258,950	3,414,000	6%	9.7%
Assessments	208,564	183,910	183,910	139,371	-24%	0.3%
Sales Taxes	22,830,022	23,053,920	23,630,000	25,544,000	7%	59.9%
Franchise Taxes	137,206	140,400	135,900	135,900	-3%	0.3%
Licenses and Permits	398,227	389,914	426,243	423,980	9%	1.1%
Intergovernmental	4,430,181	4,364,172	4,624,322	4,478,484	3%	11.1%
Charges for Services	4,793,377	4,628,093	4,516,685	4,876,560	N/A	12.1%
Fines and Forfeitures	7,062	-0-	5,000	-0-	N/A	0.0%
Interest	189,516	241,179	177,093	157,411	-35%	0.4%
Hospital Lease	1,404,518	1,418,500	1,430,923	1,452,000	2%	3.6%
Other*	1,141,289	488,870	493,409	559,334	14%	1.4%
Total Revenues	\$ 38,702,527	38,130,241	38,882,435	40,181,040	5%	100.0%

* Other includes Franchise Fees, Proceeds from Sale of County Assets, Insurance Proceeds, and other miscellaneous revenue.

Property Tax

Property tax comprises a small portion of the County’s overall revenues. This is the result of a statutorily required property tax roll-back for the County’s one-half cent sales tax for the General Fund and a voluntary roll-back associated with the one-half cent sales tax for road and bridge activities. The amount shown above includes *ad valorem* property taxes levied for the General Fund and Road and Bridge Fund.

Assessed valuation grows at an average annual rate between 4% and 6% and it continues to provide a stable source of revenue for the County and its political subdivisions. The FY 2005 Budget assumes a 6.5% growth in assessed valuation and no change in the property tax levy. The assumed growth rate is higher for FY 2005 than in other years because FY 2005 is a reassessment year. The budgetary increase shown above appears larger than 6.5%. This is because the *actual* FY 2004 assessed valuation, which is the basis for the FY 2005 budgetary estimates, exceeded the

preliminary FY 2004 assessed valuation which was the basis for the FY 2004 budget. Total assessed value for the County exceeds \$1.68 billion and the estimated actual value is more than \$7 billion. Although the number of building permits issued throughout the County fluctuates from year to year, new construction continues to add to the assessed valuation every year. The estimated appraised value of new construction throughout the County for FY 2003, the most recently completed fiscal year, was approximately \$354,630,000.

The County's 2005 proposed operating tax levies are unchanged from the prior year and include the following:

General Fund Operations-- \$.13 per \$100 assessed valuation

Road and Bridge Operations-- \$.05 per \$100 assessed valuation

Debt service tax levies will not be required since all existing debt is being retired through annual appropriations in the General Fund and special assessments, which are accounted for as revenues to the debt service funds. For further information on the County's debt, please refer to the summary of Long-Term Debt presented later in the Budget Message and in the General Information tab section. A multi-year history of the tax levies for the County and its political subdivisions is also presented in the General Information tab section.

Sales Tax

Sales tax is the single largest source of revenue for the County. It accounts for over 60% of all operating revenues in the County's governmental funds. The County receives the following sales tax revenue:

One-half cent permanent sales tax in the General Fund. It is expected to generate \$10.585 million in 2005, which represents approximately 49% of the total revenue in the General Fund.

One-half cent sales tax (expiring in 2008) in the Road and Bridge Sales Tax Fund. It is expected to generate \$10.585 million in 2005, which represents 76% of the total revenue to Road and Bridge operations. The County Commission plans to seek voter approval of an extension of this tax.

Constitutionally derived portion of the state's sales tax for motor vehicles. It is expected to generate \$472,000 in 2005, which represents 3% of the total revenue to the Road and Bridge operations.

Two percent tax applied to local land line phone tariffs. It is expected to generate \$262,000 in 2005, which represents the sole source of revenue for the Enhanced 911 Fund and is reduced from the 2004 amount. The 2% sales tax does not apply to cellular lines. As citizens replace land lines with cellular lines, this revenue will continue to decline. Legislative remedies are under discussion.

One-eighth cent permanent law enforcement services tax. It is expected to generate \$2.64 million in 2005, which represents the sole source of revenue, other than interest revenue, for the Law Enforcement Services fund.

The County is highly dependent on sales tax revenue to finance the majority of county services. As a result, the County is vulnerable to the inherent volatility of this source

of revenue. This volatility is demonstrated in the annual sales tax growth rate table shown below.

Annual Growth Rates—Sales Tax

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
10%	10%	6%	5%	5%	7%	4%	5%	4%	3%	3.7%	3%*	4%**

* Projected ** Budget

Licenses and Permits

The slight increase in the budgetary estimate for this category is primarily due to gun permit fees, a new source of revenue beginning mid-year 2004 and accounted for in a special revenue fund. These revenues, and the associated special revenue fund, are the result of new state legislation.

Intergovernmental Revenues

The County receives substantial revenues from federal and state grants and from annual state appropriations. The FY 2005 Budget includes amounts for grants that have been awarded to the County. *Potential* grants are not included in the budget until final award is made to the County, at which time the County Commission amends the budget.

The increase in this category is attributable to inclusion of federal grant reimbursement monies related to election reform which will be used for equipment purchases.

Significant state reimbursements include a daily prisoner housing per diem for prisoners held in the Boone County Jail and subsequently sentenced to the Missouri Department of Corrections; daily per diem reimbursements for juveniles held in the detention center; reimbursement for prisoner extradition; state reimbursement of property assessment activities, and, federal grant monies passed through the state for the Child Support Enforcement Program.

Certain payments received from the state such as the assessment reimbursement and daily prisoner housing per diem are subject to legislative appropriation. In its FY 2002-2003 budget, the state reduced some of its appropriations for payments to counties in an effort to balance the state budget. This budget assumes that all such reductions will continue. Preliminary reports released by the state's Office of Administration indicate that the state's fiscal situation will most likely worsen in the next year or two; this could result in further reductions in the payments to counties. It is not possible at this time to predict or estimate any such budgetary action of this nature; therefore, no further deductions have been incorporated into the budget.

The County also receives County Aid Road Trust (CART) revenues that represent Boone County's proportionate share of the statewide gasoline tax. The tax is earmarked for road maintenance and is shared by the state, cities, and counties with the amounts determined pursuant to a constitutional formula. Revenues for FY 2004 are projected to exceed budget by approximately \$40,000 and the FY 2005 Budget assumes 2% growth over projected FY 2004 revenue.

The County received new state revenue in 1998 and thereafter for the Community Corrections Program and the Child Advocacy Program; both programs are fully funded by the state. The County contracts with local service providers and receives full

reimbursement from the state. The FY 2005 Budget includes the estimated program revenues and expenditures for the upcoming year for the Alternative Corrections program; the budget includes only the remaining 5-month portion of the Child Advocacy Program grant. The budget will be amended, as necessary, if and when a new Child Advocacy grant is awarded to the County.

Charges for Services, Interest, Fines and Forfeitures, and Other Revenues

Charges for Services (fees and commissions) are expected to fall short of budget for FY 2004 and the FY 2005 estimated revenue has been revised downward accordingly. This is largely due to the fall-off in real estate recording volume in the Recorder of Deeds office. The historically low interest rates over the past few years created the surge of new and re-financing activities, which in turn generated the record-high recording volumes. Despite continued low interest rates, the volume for the Recorders Office has fallen off substantially.

Interest revenue is expected to fall short of budget for FY 2004 and the FY 2005 revenue estimate has been reduced accordingly.

Other Revenue reflects an increase due to inclusion of a full-year lease revenue from Family Health Center for lease of Unit 2 of the Health Facility. The FY 2004 budget only included a partial year of revenue. This revenue is expected to continue for the duration of the lease, or 15 years.

Hospital Lease Revenue

The County Commission and the Boone Hospital Center Board of Trustees approved a revised and amended lease agreement with CH Allied Services, Inc. (CHAS), for the lease of the Boone Hospital Center. CHAS leases the property, plant and equipment of the Hospital for the purposes of managing and operating the Hospital. Since the inception of the lease in 1988, the Trustees serve as lessor and share in certain management responsibilities pursuant to the lease agreement. The initial term of the revised and amended lease agreement extends through December 31, 2010, subject to early termination provisions. The lease provides a renewal option to CHAS for an additional five years.

In addition to the lease payments to the Boone Hospital Board of Trustees, the lease agreement calls for an annual lease payment to the County in the amount of \$1,350,000 (2001 as the base year), to be adjusted annually by the Consumer Price Index (CPI). Accordingly, the FY 2004 Budget includes estimated lease revenue of \$1.45 million. The Hospital lease revenue accounts for 3% of revenue for all governmental funds and 7% of revenue to the General Fund.

Expenditure Assumptions and Projections

The FY 2004 Budget for all governmental funds reflects total expenditures of \$41.7 million, which represents a 3.65% increase over the FY 2003 Budget. This increase is primarily attributable to final implementation of the salary plan, further implementation of Prop L initiatives (law enforcement), increased spending for inmate medical care and contract housing, and election costs.

A multi-year comparison of expenditures by functional category is presented below.

Expenditures by Function—All Governmental Funds Combined

Expenditures by Function	2003	2004	2004	2005	% Change	% of
	(Actual)	(Budget)	(Projected)	(Budget)	05 Budget over 04 Budget	Total for 2005
Policy & Administration*	\$ 5,639,499	8,041,023	6,534,958	7,961,040	-1%	17.8%
Law Enforcement & Judicial	13,903,356	15,535,343	14,942,674	16,551,361	7%	37.0%
Environment, Buildings & Infrastructure	11,295,630	15,053,757	12,507,217	14,148,739	-6%	31.6%
Community Health & Public Services	1,180,571	1,286,578	1,235,524	1,277,121	-1%	2.9%
Capital Outlay	5,851,451	3,138,679	4,595,774	3,038,193	-3%	6.8%
Debt Service	931,760	683,621	710,153	611,133	-11%	1.4%
Other**	871,549	1,093,232	1,063,384	1,151,378	5%	2.6%
Total Expenditures	\$ 39,673,816	44,832,233	41,589,684	44,738,965	0%	100.0%

Schedule includes all governmental funds: the General Fund, special revenue funds, debt service funds, and capital project funds

* Includes Auditor, Human Resources, Purchasing, Commission, County Counselor, Clerk, Election and Registration, Treasurer, Collector, Recorder, Information Services, GIS, Non-Departmental, Insurance & Safety, Employee Benefits, Mail Services, Records Management, Assessment

** Includes Economic Development, Recreation, Protective Inspection (Planning and Zoning and Building Codes, Animal Control, On-Site Waste Water, and Little Bonne Femme Watershed Project)

Historically, the County spends approximately 92% to 97% of its total annual appropriations. As shown in the table above, projected expenditures for FY 2004 is 93%. In developing the FY 2005 budget, a spending ratio of approximately 96% has been assumed. Applying this spending ratio to the FY 2005 Budget of \$44.7, results in *estimated actual spending* of \$42.9M. This still exceeds estimated revenues of \$40.2M and demonstrates that the County expects to decrease overall fund balance levels in its governmental funds during FY 2005. The County's fund balances are discussed in greater detail later in this Budget Message.

In the FY 2002, 2003, and 2004 Budgets, resources have been allocated to implement the FY 2002 Salary Plan. If implementation of the salary plan is successful in reducing turnover and improving retention, the County should expect to spend a higher percentage of its annual salary and wage appropriations than in the past, due to reduced vacancies. This will result in a higher overall spending ratio. Over time, this will require the County to limit annual appropriations to amounts equal to current period revenues; otherwise, the County may find that it is consistently reducing its reserves in order to pay for on-going expenses.

The General Fund FY 2005 Budget includes expenditures of \$23.26 million compared to estimated revenue of \$21.5 million. This suggests a spend-down of fund balance in the amount of \$1.7 million. It is very unlikely that a spend-down of this magnitude will actually occur if the emergency appropriation (\$675,000) is not needed and the spending ratio is consistent with prior years. The expected spend-down of fund balance for the General Fund is approximately \$800,000. Ten-year comparative historical data for expenditures is presented in the Appendix section of this document.

Policy and Administration

The 2005 Budget decrease for Policy and Administration is attributable to the reduced election costs from the previous year which included substantial appropriations

related to the Presidential election year (General Fund). A portion of the savings from reduced election costs is off-set by increases in Policy and Administration salaries and benefits and other increases in cost of services.

Law Enforcement and Judicial

This functional area reflects increases attributable to inmate medical costs (General Fund), an increase in the County share of operating costs for the Joint Communication Information Center (General Fund), increased salaries and benefits for law enforcement and judicial personnel (various funds), and increased expenditures covered by Homeland Security grants.

Environment, Buildings, and Infrastructure

Spending in this functional area is primarily comprised of the appropriations in the Public Works Department (county roads and bridges), *net* of any capital appropriations, which are combined with capital appropriations from all other functional areas in the schedule above. The decreased spending reflected above is primarily attributable to increased appropriations for the capital component in the Public Works Department, which resulted in a corresponding reduction to the non-capital appropriations.

Community Health and Welfare

The FY 2005 appropriation is essentially unchanged from the prior year.

Capital Outlay

The County is required by state law to maintain inventory records for all long-lived assets with a cost of \$250 or more. All assets meeting this requirement are budgeted for in the Fixed Asset, or Capital Outlay category. For depreciation and financial reporting purposes, however, the County observes a \$5,000 capitalization threshold. The FY 2004 Budget included significant capital outlay expenditures, approximately \$1.6 million, for two building projects (Juvenile Justice Center expansion and the Health Facility). The FY 2005 Budget does not include facility expansion appropriations which accounts for the reduction shown in the table above.

FY 2005 Budget includes funding to replace critical road maintenance equipment (as previously mentioned), replacement computer equipment, an upgrade to the County's main imaging and network storage systems, and other necessary items such as law enforcement vehicles and miscellaneous office equipment. The budget also includes equipment purchases to complete the initiatives outlined in Proposition L, the one-eighth-cent law enforcement sales tax. Please refer to the Capital Expenditure Summary tab section to review detailed information related to capital asset appropriations.

Debt Service

Debt Service expenditures are reduced from the prior year due to lower scheduled principle and interest for the County's NID-related debt which is being retired through special assessments. Of the \$611,000 debt service appropriation for FY 2005, \$420,000 of it is required for the special obligation bonds being retired with appropriations from the General Fund. The remaining \$191,000 is required for various general obligation debt series being retired with special assessments. No property tax

levies are required for debt service. Additional information regarding the County's long-term debt is presented below and in the General Information tab section.

Other Expenditures

The increase in this category is due to an additional Planner position added to the Planning and Zoning office.

Capital Planning and Budgeting

Each year, the County Commission approves funding for investment in new and replacement fixed assets. Established replacement schedules serve as a general guide in developing these appropriations. In addition, appropriations for new fixed assets are evaluated and ranked each year during the budget process. Unfunded requests of a given year are considered again the following year; however, they are not necessarily given preferential ranking. Appropriations for new and replacement fixed assets are included in each departmental budget. A complete schedule of capital appropriations for FY 2005 is presented in the Capital Expenditure Summaries section. Historical data by department, fund, and functional area is also included.

The County does not prepare a separate comprehensive capital improvement budget for county buildings, properties, and infrastructure. The County Commission uses long-range plans, task force reports, and space needs studies to guide planning and budget development in this area. Once determined, a capital improvement project is fully incorporated in the County's annual budget.

During FY 2003, the County Commission identified several areas of need requiring further study, review, and planning. The areas include overcrowding and a shortage of courtroom and office space in the courthouse, development of a records center and possible conversion of the existing records storage site to office space, and possible completion of the shell space in the Government Center. The FY 2003 Budget included funding for architectural services to study these needs. This planning process is still underway and will most likely continue throughout 2005. At such time that the County Commission determines the nature of scope of projects to be pursued, the operational impact and financing alternatives will be evaluated.

With voter passage of the 5-year one-half cent sales tax for county roads and bridges in 1993 and voter approval of a 10-year extension in November 1997, the Public Works Department developed a long-range capital improvement plan for road and bridge maintenance and improvement. The plan is incorporated into the annual operating budget and progress under the capital improvement plan is documented in the Public Works Department's Annual Report. (Refer to Dept. No. 2040 through 2049 for detailed budgetary information.)

Impact of Capital Expenditures on the Annual Operating Budget

As explained above, the FY 2005 Budget capital asset appropriations consist primarily of routine *replacement* equipment with nominal new equipment. These acquisitions have minimal impact on the annual operating budget and will be fully incorporated into the regular replacement cycle in future years. The operational impact associated with the last year's facility expansion projects was identified and fully incorporated

into the operating budget at that time and are again included in the FY 2005 budget on an on-going basis. The County has no similar capital projects included in the FY 2005 budget which would result in an on-going operational impact.

Fund Balances

The County continues to maintain healthy balances in its major operating funds. *Fund balance* is the difference between the assets and liabilities of the various funds. Fund balance may be restricted, designated, or unreserved/undesignated. Since FY 2001, the County has worked toward improving the financial stability of the Road and Bridge Fund by creating an adequate undesignated/unreserved fund balance equal to approximately 5 to 7% of the annual budget. As demonstrated in the table below, this goal was nearly achieved and the Road and Bridge Fund which shows a fund balance slightly less than the target level. However, the expected fund balance is still considered adequate and there is no cause for concern at this time. This schedule shows the projected fund balance amounts at the end of FY 2005 for the County's major funds, nonmajor funds, and all governmental funds taken as a whole. Projected Fund Balances at December 31, 2005

-----Major Funds-----						
			Law			
		Road and	Enforcement	Nonmajor		
		Bridge Fund	Sales Tax	Governmental		All Governmental
	General Fund	Bridge Fund	Fund	Funds		Funds
Projected Fund Balance 12/31	\$ 7,282,829	3,156,621	581,412	3,867,846		14,888,708
Less: Reserves and Designations	(3,181,605)	(2,500,000)	(280,255)	(952,869)		(6,914,729)
Projected Available Fund Balance	\$ 4,101,224	656,621	301,157	2,914,977		7,973,979
As a percent of expenditures	18%	4%	10%	102%		18%

Reservations of fund equity are required for encumbrances, restricted assets, and long-term receivables such as those associated with the Neighborhood Improvement District projects where bonds have not been issued or for long-term receivables such as the McBaine Levy District. *Designations* of fund balance, on the other hand, are discretionary. The County currently designates a portion of the General Fund's fund balance for future capital projects. The designated resources have been accumulated over the past decade from unexpected revenues of a non-recurring nature. Detailed information for each fund is available in the Fund Statements section of this document.

The undesignated and unreserved fund balance is intended to meet three primary objectives. First, it provides contingency funds in the event the County experiences a revenue shortfall or an economic slow-down. Using contingency funds allows the County to continue operations without disruption, even though revenues may not be performing as expected. Secondly, it provides a means by which to meet cash flow requirements. Thirdly, it allows for financial planning and tax stability. The County has used these excess funds to finance such things as equipment replacements, minor land acquisition, small-scale building construction and improvements, renovations or other capital expenditures, and to provide investment income. By using resources in this manner, the County has been able to finance moderately-sized projects without raising property taxes.

Long-Term Debt

A schedule of outstanding debt for Boone County as of January 1, 2005 is presented in the General Information section of this document. Long-term debt consists of the special obligation bonds for the Government Center (refinanced during 2003) and several general obligation bonds issued for Neighborhood Improvement District (NID) projects.

Debt service appropriations included in the FY 2005 Budget amount to approximately \$611,000 or 1.4% of the total budget. Tax levies will not be required for debt service in FY 2005. The special obligation bonds are being retired with annual appropriations in the General Fund. The general obligation bonds for NID projects are being retired with special assessments paid by property owners.

The County's legal debt limit is equal to ten percent of net assessed value. Total assessed valuation at December 31, 2004 is in excess of \$1.68 billion which results in a legal debt limit of more than \$168,000,000. Please refer to the debt limit calculations provided in the General Information tab section. At this time, the County plans to issue additional debt in FY 2005 in conjunction with the Neighborhood Improvement District (NID) program and will be retired through special assessments. The amount of the debt issue is expected to be less than \$500,000.

Conclusion

In closing, I wish to acknowledge the significant contribution of all those who assisted me in compiling and analyzing this data, particularly the staff of the Boone County Auditor's Office, whose tireless effort and commitment to excellence have made this document possible.

Respectfully Submitted,

s/s June Pitchford

Boone County Auditor
Budget Officer

Schedule of Commission Changes to the 2005 Proposed Budget

Description	Expenditure	Dept.	Account	Revenue	Comments
General Fund (Fund # 100)					
Information Technology-Re-budget Fiber Optics Project Costs	20,085	1170	91301		Re-budget Fiber Hardware
Information Technology- HTE programming	900	1170	71101		Locking feature for medical records entries
Non-Departmental--Condo Assessment Revenue from FHC		1190	3821	28,927	Condo assessment paid by Family Health Center to County
Non-Departmental--Payment of Condo Assessment (unit 2)	31,605	1190	71500		Condo assessment paid by County to Condo for Unit 2
Commission Revisions Added to the Proposed Budget	\$ 52,590			\$ 28,927	

Assessment (Fund # 201)

Increase appropriation for professional services	<u>40,000</u>	2010	71101	-	Increase appropriation-Rebudget from Prior Year
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Public Works (Fund # 204)

Decrease appropriation for replacement vehicle (SUV)	(9,000)	2045	92400		Revise estimate-- will use savings to offset cost of easements
Increase appropriation for new/additional pickup truck	1,500	2045	91400		Revise estimate
Increase Easement Acquisition (2 projects)	6,000	2045	71118		Easements for two projects omitted from proposed budget
Re-budget Fiber Optics Project Costs	7,000	2045	91301		Re-budet Fiber Hardware
Additional project- Schooler Road (realign "S" curve)	100,000	2045	71100		Add additional project
Re-budget sewer connection	50,000	2040	91200		Re-budget sewer connection
Commission Revisions Added to Proposed Budget	\$ 155,500			\$ -	

Fairground Maintenance Fund (Fund #212)

Add contingency for local cash match for Outdoor Recreation Grant	<u>\$ 50,000</u>	2120	86850	<u>\$ -</u>	To provide for local match at such time that the budget is amended in FY 2005 for this project.
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Law Enforcement Services Fund (Fund # 290)-- Prop L

Re-budget Fiber	<u>\$ 1,674</u>	2905	91301	<u>\$ -</u>	Re-budget Fiber Hardware
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Summary of Commission Revisions Added to the Proposed Budget:

	Expenditure	Revenue
General Fund (100)	\$ 52,590	\$ 28,927
Assessment (201)	40,000	-
Road and Bridge Fund (204)	155,500	-
Fairgrounds Maintenance Fund (212)	50,000	-
Law Enforcement Services Fund (290)	1,674	-
Total	<u>\$ 299,764</u>	<u>\$ 28,927</u>

