



BOONE COUNTY AUDITOR

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December 29, 2009

To the Citizens of Boone County:

Pursuant to the requirements of state law, I am pleased to present the Fiscal Year 2010 Budget for Boone County, Missouri. This budget is the result of a legislatively designed process which guides the allocation of county resources within the framework of statutory requirements, local needs, and local planning processes. It provides legal spending authority for the County's elected officials and appointed department directors.

All of the budgets contained herein are balanced: total resources (i.e., current revenues plus appropriated fund balance) available to a particular fund are equal to or greater than the proposed spending plan for that fund.

Organizational Structure and It's Impact on Planning Processes and Long-term Goals

Boone County's statutory elective form of government differs significantly from a charter form of government or a municipal city manager form of government. These differences 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 are responsible for discharging their statutory functions in accordance with state laws and the resources allocated to them by the County Commission. In some instances, elected officials have additional resources available for their operations through various special revenue funds. In most cases, these special revenue funds are under the appropriating authority of an 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 Commission has no 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 elected official identifying immediate and long-range goals and then presenting funding requests in the annual budget process. Under state law, all county property is controlled and managed by the County Commission.

Despite these unique organizational features and their impact on entity-wide goal setting and planning processes, county officials share a commitment to the commonly-understood purpose of county government to provide responsive, efficient, and ethical government services for the people of Boone County. These shared commitments are reflected in the following long-term goals:

- Long-term fiscal stability for the County;
- Continuous improvement in service quality and service delivery, with an emphasis on application of new technologies; and
- Equipping county employees with adequate knowledge, skills, technology and other resources to deliver public services and providing competitive compensation and benefits for county employees.

As noted above, the County's statutory organizational structure does not provide a *formal* mechanism for the development of cohesive and coordinated entity-wide budgetary priorities. However, county officials collaboratively identify, develop, and achieve progress toward shared county-wide commitments through alternative means. For instance, the Personnel Advisory Committee (PAC) and the Information Technology Advisory Committee (ITAC) are two examples of standing committees which provide an organizational mechanism for policy review and development as well as consensus-building regarding specific goals, objectives, and budget priorities. Committee membership is comprised of elected officials and appointed department directors and committee recommendations are subject to County Commission approval.

Local Economic Conditions

For the past two decades, Boone County has enjoyed a stable economic environment with moderate growth. The County has a varied economic base and has generally experienced low unemployment and steady job growth. The local economy reflects a balanced mix of retail, education, service industry, light manufacturing, construction, insurance, and finance. The largest employers in the County include the University of Missouri, Columbia Public Schools, hospitals, insurance institutions, the City of Columbia, and several manufacturers.

Boone County's local economy has historically shown greater strength and resiliency than nearby communities or the state as a whole. While the local economy appears to be somewhat insulated from some of the most severe effects of the current economic recession, Boone County's economy has weakened and slowed over the past several years, particularly evident in its increasing unemployment rate, falling job growth rate, and declining sales tax revenue (discussed in greater detail later in this Budget Message). The significant decline observed with these indicators is unlike that of any previous episodes of economic slow-down. The weakening local economy has significantly impacted the FY 2010 budget as well as the previous two year's budgets (FY 2008 and FY 2009).

Unemployment is rising in Boone County, but it remains significantly lower than the state and national rates. The County's unemployment rate at December 2009 was just under 6%, an increase of nearly 1.5% over the previous year. By comparison, the state and federal rates at December 2009 were 9.3% and 9.7%, respectively. Boone County's population continues growing at annual rates of 1-2%, which is about twice that of the state. The County's population is estimated at 154,300, with the County seat, Columbia, having a population of approximately 100,000. The median household income in Boone County for 2008 (most recent data available) was \$47,400, which compares to the state's median household income of \$46,800. [This and other demographic information is presented in the *Appendix* section of this document.]

Inflation, as measured by the change in the Consumer Price Index (CPI)—All Urban Consumers, reflects a 1.8% increase for the 12 months ended November 2009 (most recent available). This budget assumes that low inflation will continue.

State funding reductions and legislative changes over the past decade reduced revenues to the County by nearly \$300,000. The loss in revenue resulted from state funding reductions for prisoner per diem, juvenile detention per diem, reimbursement for Public Administrator personnel, and assessment reimbursement. Mid-year 2009, the state further reduced assessment reimbursement resulting in an additional revenue loss of approximately \$150,000. This budget assumes continuation of these reductions, but it assumes no further reductions. However, the state is facing a significant budget shortfall in the upcoming legislative session which could result in further reductions in reimbursements to the county. County officials are aware of this risk and are closely monitoring the state's appropriation process.

Emerging Issues Facing the County

Erosion of the County's primary tax base. The County is significantly dependent on locally-enacted sales tax levies to finance local services, with more than 60% of county operating revenues derived from this single revenue source. In the short-term, the County is especially vulnerable to the inherent volatility of this revenue stream. Of greater concern, however, is the long-term detrimental effect of the on-going erosion of this tax base through remote retail sales (including internet sales) and the continuing shift toward a service-based economy. Since Missouri sales tax laws exempt services from sales tax, this continuing economic shift has a significant detrimental effect on this important revenue source and the County's ability to provide required services.

Increasing costs associated with unfunded mandates, inflationary pressures, and rising demand for services in the face of stagnant and declining revenues. The most recent unfunded mandate delivered to the County was HAVA election reform (Help Americans Vote Act). Not only did this result in significant permanent increases in election-related overhead costs, but it has significantly increased the costs of conducting each election. Other mandates, such as storm water management, have had an on-going budgetary impact as well. Despite relatively low inflation, the County is faced with increasing costs in several important budget categories including rock, utilities, equipment service contracts, and software service contracts.

Need for long-term infrastructure planning and improvement. The County operates a Public Works department which is financed primarily with a one-half cent sales tax, nominal property taxes, and the County's share of the state gasoline tax. These funding sources provide revenues sufficient to cover the cost of routine maintenance and small-scale improvement projects, but major improvements are too costly to finance within the annual operating budget. Therefore, in order to adequately address these infrastructure needs, the County needs to develop a long-term infrastructure capital improvement plan and obtain the additional funding necessary to implement the plan.

2010 Budgetary Issues and Solutions

As previously noted, the County's statutory structure significantly influences the annual budgetary process. Individual elected officials engage in planning activities but

these processes are generally focused on the respective responsibility areas of each office and are not formally coordinated at the entity level. Within this framework and context, the County Auditor and the County Commission evaluate funding requests and establish appropriations in accordance with available resources. As noted earlier, additional resources may be available to elected officials through special revenue funds, many of which are under the appropriating authority of an individual elected official. As a result, individual departmental goals tend to significantly impact the development of the budget.

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 to 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 exercise some degree of control regarding the scope of services provided to their citizens, the County is mandated by state law to provide certain services and these comprise the overwhelming majority of all County services provided. These services consist primarily of state responsibilities which have been delegated to local county governments and 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 the entire 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 additional services beyond those identified above; however, the overwhelming majority of county spending is directed toward statutorily required services.

In light of the on-going economic recession and its impact on operating revenues, the primary budget focus in FY 2010 is cost containment and cost reduction. This has been an on-going focus since FY 2008, but has intensified in light of further declines in revenue. However, the County has avoided making program or service cuts.

It should be noted that FY 2010 is an election year, and as such, the County's budget includes significant election costs.

2010 Budgetary Issue: Declining Revenues—

The County's most significant revenue source, sales tax, began its slide in 2007, falling significantly short of the FY 2007 estimated 4% growth; actual growth was less than 1%. The FY 2008 growth assumption was revised accordingly to 0.5%, but actual growth was negative, -1.36%. The FY 2009 sales tax revenue is projected to decline again (-3.0% growth assumption), and the FY 2010 budget assumes no growth (0% growth assumption). Real estate recording fees, which peaked in FY 2003 but have been declining since, are anticipated to grow modestly. Building permit fee revenue, which grew substantially in the second half of FY 2005 and peaked in FY 2006, has fallen sharply over the past several years to levels equal to that of nearly a decade earlier. The FY 2010 Budget assumes no improvement or growth in this revenue.

Budgetary Impact— Overall, revenues to the County's major funds (General Fund, Road and Bridge Fund, and the Law Enforcement Services Fund) have declined,

presenting significant budgetary challenges. In order to avoid staffing or service reductions, the general budgetary approach included the following:

- No new programs or expansions in existing service levels;
- Cost containment and cost-savings measures;
- Fee increases where authorized by state law (which is very limited);
- Improved cost recovery and cost allocation across funds;
- Deferral of equipment purchase and replacement; and,
- Using portions of fund balance (i.e., reducing undesignated/unreserved fund balance).

Cost containment measures include the following:

- No salary increases (FY 2009 did not include salary increases; FY 2008 included a 1% increase);
- Reduced hours and eliminated benefits for a vacant records clerk position in the Records Center (\$18,000)
- Eliminated funding for the Employee Assistance Program (\$10,000)
- Reduced employer 401(A) match, a retirement benefit (\$96,000)
- Reduced funding to various outside entities (\$62,000)
- Reduced travel and training (\$15,000)
- Reduced employment advertising, eliminating radio advertising (\$6,500)

Fee increases were approved by the County Commission for the On-Site Waste Water program (\$19,500) and a new fee, Food Inspection Fee, was implemented for restaurant food handling inspections (\$30,000).

The Assessment Fund will reimburse the General Fund for programmer services, a new cost recovery charge (\$62,000). In addition, the Road and Bridge Fund's reimbursement to the General Fund for general administrative services (legal, purchasing, payroll, etc.) was increased in an effort to align the reimbursement more closely with actual costs incurred (\$100,000 increase).

The County was able to reduce appropriations for insurance premiums and deductibles due to lower renewal pricing (\$97,000 savings). The County was also able to reduce appropriations for fuel as a result of lower market prices (\$130,000 savings).

2010 Budgetary Issue: County Election Cost—

The County is required to conduct and pay for the costs of an April election (Hospital Board of Trustees), the August primary election, and the November general election. To the extent that other jurisdictions place items on any of these election ballots, they will share in the election costs, which will reduce the County's cost.

Budgetary Impact— The County Clerk estimates that the cost to the County to conduct these three elections will be more than \$700,000, with the majority of the cost attributable to the August and November elections.

2010 Budgetary Issue: Investment in Computer Technology—

The County provides desktop computer equipment and technologies for employees as well as shared system resources and technologies. The FY 2010 budget includes appropriations to replace and upgrade essential equipment and to maintain necessary disk capacity for back-up and operational needs of the County's various server-based networks and its IBM iSeries platform operations.

Budgetary Impact— Due to limited resources, the regular replacement schedule for desktop PC's was suspended in 2008 and beyond, with replacement funding based on condition assessments performed by Information Technology staff. In addition, other requests for computer technology equipment replacement and upgrades were carefully evaluated, with funding limited to those determined to be the highest priority and essential to maintaining adequate security and back-up as well as to ensure proper functioning of existing systems. FY 2010 appropriation for replacement computer equipment total \$42,700, with all of it accounted for in the General Fund. This compares to FY 2009 appropriations totaling \$124,000 (all funds combined).

Investment in new computer hardware is also very limited. The FY 2010 budget includes approximately \$150,000 (all funds combined) with most of it (\$120,000) related to laptops to be used by elections in polling places which are funded from the Election Services Fund.

FY 2010 appropriations for new computer software amount to \$39,000 (all funds combined) most of which pertains to a web query/report writer tool which was re-budgeted from FY 2009.

2010 Budgetary Issue: Law Enforcement and Judicial—

In addition to funding the Prosecuting Attorney, the Sheriff, Jail, and operations of the courthouse, the County operates several alternative sentencing programs. These programs not only reduce the jail inmate population but provide sentencing alternatives that reduce the likelihood of recidivism while allowing the individuals to continue working and living within the community.

The County desires to maintain serviceable law enforcement equipment through scheduled replacement and to implement and maintain new equipment and software technologies where appropriate. The County also recognizes the need to provide specialized training to law enforcement officers.

Budgetary Impact— County appropriations provide sole funding for the operations of the Prosecuting Attorney's Office, the Sheriff's Department, the County Jail (Corrections), and the Public Administrator's Office. For the Court-related operations, the general funding model throughout the state requires counties to pay for all non-personnel costs and the state to cover all personnel and benefit costs. However, in Boone County, significant local county appropriations provide funding for additional personnel and services beyond those provided by the state in most other circuit courts. Funding for the law enforcement and judicial operations in the County is provided primarily through General Fund appropriations, supplemented with

appropriations from the Law Enforcement Services Tax (a 1/8th cent permanent sales tax dedicated to law enforcement). Additional funding is also provided through a variety of special revenue funds, which are under the appropriating authority of the Sheriff, the Prosecuting Attorney, and the Circuit Court.

Budget Process and Calendar

Boone County is a first class non-charter county where the County Auditor serves as Budget Officer and its annual budget process is governed by the Revised Statutes of Missouri (RSMo) 50.525-50.641. 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, to ensure that public hearings are held, and to ensure that the public has access to all budgetary documents and information. A complete discussion of the budget process is provided in the *General Information* tab section of this document.

The FY 2010 Budget was adopted on December 29, 2009.

Budget Summary Schedules

The schedules and matrices presented on the following pages are intended to show the relationship between the County's various functional units and its overall financial structure.

The first schedule presents a consolidated budget overview for the government as a whole, including internal service funds and private purpose trust funds. It shows revenues by source, expenditures by object code, and 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.

The second schedule shows the relationship between functional areas and classification of expenditure.

The third schedule shows the relationship between budget amounts for each functional unit and the extent to which the budgetary resources are provided from major funds, non-major funds, or a combination of funds.

Discussion and analysis pertaining to revenue and expenditure assumptions, fluctuations, and a comparison to prior years is presented after the schedules.

2010 Budget Summary by Fund Type— All Funds Combined Excluding Capital Project Funds

	----- Major Funds -----		
	General Fund	Road & Bridge Fund	Law Enforcement Services Fund
REVENUES:			
Property Taxes	\$ 2,922,600	\$ 1,197,900	\$ -
Assessments	-	-	-
Sales Taxes	11,117,000	11,465,000	2,775,000
Franchise Taxes	159,600	-	-
Licenses and Permits	310,730	14,000	-
Intergovernmental	2,449,938	1,114,800	-
Charges for Services	3,749,040	70,825	-
Fines and Forfeitures	6,000	-	-
Interest	109,103	74,000	5,815
Hospital Lease	1,632,322	-	-
Other *	596,686	1,000	-
Total Revenues	23,053,019	13,937,525	2,780,815
EXPENDITURES:			
Personal Services	14,112,552	3,770,289	2,239,346
Materials & Supplies	1,308,945	2,994,690	72,286
Dues Travel & Training	201,846	34,750	18,684
Utilities	497,111	101,660	70,478
Vehicle Expense	377,770	665,150	625
Equip & Bldg Maintenance	207,479	394,300	70,062
Contractual Services	4,117,642	8,391,700	324,178
Debt Service (Principal and Interest)	468,115	-	-
Emergency	735,000	310,000	25,000
Other	2,964,080	20,535	22,968
Fixed Asset Additions	168,036	422,470	327,673
Total Expenditures	25,158,576	17,105,544	3,171,300
REVENUES OVER (UNDER) EXPENDITURES	(2,105,557)	(3,168,019)	(390,485)
OTHER FINANCING SOURCES (USES):			
Transfer In	-	-	-
Transfer Out	-	-	-
Proceeds of Sale of Capital Assets/Insurance Claims/Capital Lease	1,610	53,000	35,721
Proceeds of Long-Term Debt	-	-	-
Retirement of Long-Term Debt	-	-	-
Total Other Financing Sources (Uses)	1,610	53,000	35,721
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,103,947)	(3,115,019)	(354,764)
FUND BALANCE (GAAP), beginning of year	6,887,129	7,000,372	1,317,580
Less encumbrances, beginning of year	(89,009)	(1,340,571)	(22,816)
Add encumbrances, end of year	89,009	1,340,571	22,816
FUND BALANCE (GAAP), end of year	\$ 4,783,182	\$ 3,885,353	\$ 962,816
FUND BALANCE RESERVES/DESIGNATIONS, end of year	612,209	2,379,971	787,816
FUND BALANCE, end of year	4,783,182	3,885,353	962,816
FUND BALANCE RESERVES/DESIGNATIONS, end of year	(612,209)	(2,379,971)	(787,816)
UNRESERVED/UNDESIGNATED FUND BALANCE, end of year	\$ 4,170,973	\$ 1,505,382	\$ 175,000

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

(Continued on next page)

Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Private Purpose Trust Funds	Grand Total
\$ -	\$ 4,120,500	\$ -	\$ -	\$ 4,120,500
46,992	46,992	-	-	46,992
234,000	25,591,000	-	-	25,591,000
-	159,600	-	-	159,600
76,284	401,014	-	-	401,014
523,391	4,088,129	-	-	4,088,129
1,849,960	5,669,825	4,657,913	-	10,327,738
-	6,000	-	-	6,000
22,191	211,109	46,652	940	258,701
-	1,632,322	-	-	1,632,322
87,511	685,197	25,400	50	710,647
2,840,329	42,611,688	4,729,965	990	47,342,643
1,293,771	21,415,958	585,898	-	22,001,856
166,599	4,542,520	61,020	-	4,603,540
119,844	375,124	2,850	-	377,974
14,272	683,521	461,590	-	1,145,111
16,840	1,060,385	18,650	-	1,079,035
173,487	845,328	310,231	-	1,155,559
1,092,858	13,926,378	3,539,540	3,350	17,469,268
321,149	789,264	-	-	789,264
5,000	1,075,000	18,500	-	1,093,500
415,599	3,423,182	451,640	542	3,875,364
165,593	1,083,772	2,500	-	1,086,272
3,785,012	49,220,432	5,452,419	3,892	54,676,743
(944,683)	(6,608,744)	(722,454)	(2,902)	(7,334,100)
32,640	32,640	45,000	-	77,640
-	-	(45,000)	-	(45,000)
-	90,331	-	-	90,331
-	-	-	-	-
-	-	-	-	-
32,640	122,971	-	-	122,971
(912,043)	(6,485,773)	(722,454)	(2,902)	(7,211,129)
7,329,776	22,534,857	4,006,202	119,342	26,660,401
(595,776)	(2,048,172)	(22,189)	-	(2,070,361)
595,776	2,048,172	22,189	-	2,070,361
\$ 6,417,733	\$ 16,049,084	\$ 3,283,748	\$ 116,440	\$ 19,449,272
3,303,361	7,083,357	227,189	37,471	7,348,017
6,417,733	16,049,084	3,283,748	116,440	19,449,272
(3,303,361)	(7,083,357)	(227,189)	(37,471)	(7,348,017)
\$ 3,114,372	\$ 8,965,727	\$ 3,056,559	\$ 78,969	\$ 12,101,255

**Matrix of Expenditures by Function and Class—
All Governmental Funds Combined Excluding Capital Project Funds**

Function	Personal Services	Materials & Supplies	Dues, Travel & Training	Utilities*
Policy & Administration	\$ 4,722,322	\$ 608,224	\$ 168,183	\$ 84,883
Law Enforcement & Judicial - Courts	1,723,028	182,670	59,922	161,482
Law Enforcement & Judicial - Sheriff/Corrections	7,870,976	680,671	60,911	293,832
Law Enforcement & Judicial - PA	2,376,295	56,852	25,483	30,590
Law Enforcement & Judicial - Other	249,311	5,000	2,400	3,250
Environment, Buildings & Infrastructure	3,790,941	2,996,198	34,750	101,660
Community Health & Public Services	-	125	15,100	-
Other	683,085	12,780	8,375	7,824
Total	\$ 21,415,958	\$ 4,542,520	\$ 375,124	\$ 683,521

* Includes land-line phones, cell phones, and data communications; also includes building utilities for those facilities housing a single office or department. Utilities for facilities housing multiple offices are accounted for in an internal service fund with the internal service charge, "Building Use Charge", included in Contractual Services.

(Continued on next page)

Vehicle Expense	Equip & Bldg Maintenance	Contractual Services **	Debt Service (Principal & Interest)	Other	Fixed Asset Additions	Total
\$ 46,643	\$ 221,590	\$ 1,981,562	\$ 468,115	\$ 1,885,675	\$ 258,280	\$ 10,445,477
23,350	63,868	1,275,127	-	292,580	35,722	3,817,749
278,899	87,067	745,338	-	388,103	338,166	10,743,963
8,649	6,392	175,807	-	41,302	-	2,721,370
15,000	44,900	854,978	-	101,050	29,134	1,305,023
665,294	397,900	8,441,166	-	332,135	422,470	17,182,514
-	-	17,750	-	1,326,520	-	1,359,495
22,550	23,611	434,650	321,149	130,817	-	1,644,841
<u>\$ 1,060,385</u>	<u>\$ 845,328</u>	<u>\$13,926,378</u>	<u>\$ 789,264</u>	<u>\$4,498,182</u>	<u>\$1,083,772</u>	<u>\$ 49,220,432</u>

** In addition to regular contractual services, this category also includes "Building Use Charge", an internal service charge consisting of facilities maintenance, housekeeping, building utilities, and capital repair and replacement.

Expenditures by Functional Unit and Funding Source— All Governmental Funds Combined Excluding Capital Project Funds

Function Name	Dept. Number	Dept. Name	Major Funds			Non-Major Funds	Total Governmental Funds
			General Fund	Road and Bridge Fund	Law Enforcement Services Fund		
	1110	Auditor	\$ 295,315	-	-	-	295,315
Policy & Administration	1115	Human Resources	161,757	-	-	-	161,757
	1118	Purchasing	160,878	-	-	-	160,878
	1121	County Commission	468,246	-	-	-	468,246
	1122	County Association Dues	34,159	-	-	-	34,159
	1123	Emergency & Contingency	770,500	-	-	-	770,500
	1125	Centralia Office	9,270	-	-	-	9,270
	1126	County Counselor Office	158,245	-	-	-	158,245
	1131	County Clerk	313,671	-	-	-	313,671
	1132	Election and Registration	1,195,052	-	-	-	1,195,052
	1140	Treasurer	290,951	-	-	-	290,951
	1150	Collector	483,945	-	-	-	483,945
	1160	Recorder	490,379	-	-	-	490,379
	1170	Information Technology	1,427,538	-	-	-	1,427,538
	1175	GIS - Consortium	9,435	-	-	-	9,435
	1176	GIS - County	157,219	-	-	-	157,219
	1190	Non-Departmental	684,804	-	-	-	684,804
	1191	Insurance & Safety	498,520	-	-	-	498,520
	1192	Employee Benefits	29,800	-	-	-	29,800
	1194	Mail Services	345,669	-	-	-	345,669
	1195	Insurance Claim Activity	27,000	-	-	-	27,000
	1196	Records Management Services	34,133	-	-	-	34,133
	2010	Assessment	-	-	-	1,429,677	1,429,677
	2110	Collector Tax Maint Activity	-	-	-	230,687	230,687
	2300	Election Services	-	-	-	210,800	210,800
	2310	HAVA Requirements Pmts Grant	-	-	-	14,620	14,620
	2311	Election Reform Payments Grant	-	-	-	57,692	57,692
	2320	Election Equip Replacement Activity	-	-	-	57,000	57,000
	2800	Record Storage & Preservation	-	-	-	398,515	398,515
		Sub-Total	<u>8,046,486</u>	<u>-</u>	<u>-</u>	<u>2,398,991</u>	<u>10,445,477</u>
Law Enforcement & Judicial- Courts	1210	Circuit Court Services	1,429,866	-	-	-	1,429,866
	1221	Circuit Clerk	510,015	-	-	-	510,015
	1230	Jury Services & Court Costs	242,760	-	-	-	242,760
	1241	Juvenile Office	408,759	-	-	-	408,759
	1242	Juvenile Justice Center	359,284	-	-	-	359,284
	1243	Juvenile Justice Grants	203,363	-	-	-	203,363
	2820	Family Service & Justice	-	-	-	150,450	150,450
	2830	Circuit Drug Court	-	-	-	129,470	129,470
	2850	Administration of Justice	-	-	-	11,500	11,500
	2904	Alternate Sentencing-Law Enf Sls Tax	-	-	335,031	-	335,031
	2905	Judicial Information System-Law Enf Sls Tax	-	-	35,151	-	35,151
	2907	Information System-Court Only	-	-	2,100	-	2,100
		Sub-Total	<u>3,154,047</u>	<u>-</u>	<u>372,282</u>	<u>291,420</u>	<u>3,817,749</u>
Law Enforcement & Judicial- Sheriff/Corrections	1251	Sheriff	3,888,326	-	-	-	3,888,326
	1255	Corrections	4,132,165	-	-	-	4,132,165
	2500	Sheriff Forfeiture Money	-	-	-	6,334	6,334
	2510	Sheriff Training	-	-	-	30,500	30,500
	2521	Community Traffic Safety	-	-	-	150	150
	2522	DARE Program	-	-	-	1,600	1,600
	2524	Internet Crimes Tsk Fce - Contributions	-	-	-	4,500	4,500
	2540	Sheriff Civil Charges	-	-	-	48,770	48,770
	2550	Sheriff Revolving Fund	-	-	-	30,012	30,012
	2900	Law Enforcement Sales Tax Revenue	-	-	25,000	-	25,000
	2901	Sheriff-Law Enf Sls Tax	-	-	1,565,187	-	1,565,187
	2902	Corrections - Law Enf Sls Tax	-	-	697,623	-	697,623
	2906	Contract Inmate Housing - LEST	-	-	228,000	-	228,000
	2972	Cyber Crimes Task Force	-	-	74,572	-	74,572
	2981	JAG - Recovery Act/Stimulus	-	-	11,224	-	11,224
		Sub-Total	<u>\$ 8,020,491</u>	<u>-</u>	<u>2,601,606</u>	<u>121,866</u>	<u>10,743,963</u>

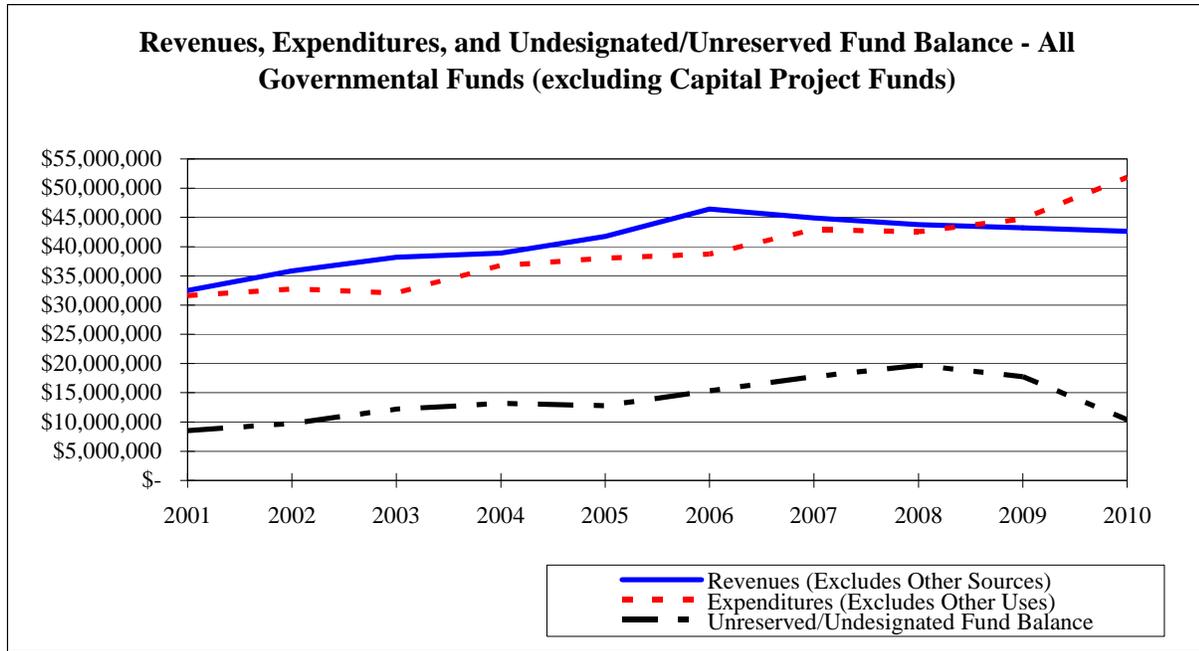
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Function Name	Dept. Number	Dept. Name	Major Funds			Non-Major Funds	Total Governmental Funds
			General Fund	Road and Bridge Fund	Law Enforcement Services Fund		
Law Enforcement & Judicial- Prosecuting Attorney	1261	Prosecuting Attorney	\$ 1,578,522	-	-	-	1,578,522
	1262	Victim Witness	138,371	-	-	-	138,371
	1263	IV-D	392,457	-	-	-	392,457
	1264	PA Retirement	7,752	-	-	-	7,752
	2600	PA Training	-	-	-	5,844	5,844
	2610	PA Tax Collections	-	-	-	49,549	49,549
	2620	PA Contingency	-	-	-	20,000	20,000
	2630	PA Bad Check Collections	-	-	-	111,599	111,599
	2640	PA Forfeiture Money	-	-	-	13,500	13,500
	2903	Prosecuting Attorney - Law Enf Sls Tax	-	-	283,208	-	283,208
	2972	PA - Violence Against Women grant	-	-	120,568	-	120,568
		Sub-Total	2,117,102	-	403,776	200,492	2,721,370
Law Enforcement & Judicial- Other	1200	Public Administrator	293,960	-	-	-	293,960
	1280	Medical Examiner	210,309	-	-	-	210,309
	1285	District Defender	30,814	-	-	-	30,814
	1287	Emergency Services & Dispatch	586,540	-	-	-	586,540
	2020	E-911 Emergency Telephone	-	-	-	183,400	183,400
		Sub-Total	1,121,623	-	-	183,400	1,305,023
Environment, Buildings & Infrastructure	1340	NID Administration	9,500	-	-	-	9,500
	1360	Solid Waste Recycling	54,139	-	-	-	54,139
	1370	BC Reg Sewer Dist Mgmt Service	4,731	-	-	-	4,731
	2040	Public Works-R&B Maintenance	-	8,055,130	-	-	8,055,130
	2041	Pavement Preservation	-	2,000,000	-	-	2,000,000
	2045	Public Works-Design & Construction	-	3,876,437	-	-	3,876,437
	2046	Stormwater Administration	-	111,827	-	-	111,827
	2048	PW - Insurance Claim Activity	-	40,000	-	-	40,000
	2049	PW - Administration	-	3,022,150	-	-	3,022,150
	2120	Fairground Maintenance	-	-	-	8,600	8,600
		Sub-Total	68,370	17,105,544	-	8,600	17,182,514
Community Health & Public Services	1410	Community Health	1,032,909	-	-	-	1,032,909
	1420	Social Services	123,596	-	-	-	123,596
	1430	Community Services	150,260	-	-	-	150,260
	2090	Hospital Profit Share	-	-	-	2,000	2,000
	2101	LEPC-CERF Grant	-	-	-	15,380	15,380
	2102	LEPC-HMEP Grant	-	-	-	-	-
	2030	Domestic Violence	-	-	-	35,350	35,350
		Sub-Total	1,306,765	-	-	52,730	1,359,495
Other	1510	Economic Support	55,000	-	-	-	55,000
	1610	Parks and Recreation	48,389	-	-	-	48,389
	1710	Planning and Zoning	362,320	-	-	-	362,320
	1720	Building Codes	384,756	-	-	-	384,756
	1730	Animal Control	166,639	-	-	-	166,639
	1740	On-Site Waste Water	75,117	-	-	-	75,117
	1751	Hinkson Creek Watershed	231,471	-	-	-	231,471
	3040	2005 Series Spec Oblg Bond - Txbl	-	-	-	167,791	167,791
	3830	2000A Series GO Bond - Sewer NID	-	-	-	36,437	36,437
	3840	2000B Series GO Bonds - Road NID	-	-	-	24,098	24,098
	3850	2001 Series GO Bonds - Road NID	-	-	-	37,112	37,112
	3860	2006A Series GO Bonds - Road NID	-	-	-	23,071	23,071
	3870	2008 Series GO Bnd Swr NID	-	-	-	32,640	32,640
		Sub-Total	\$ 1,323,692	-	-	321,149	1,644,841
		Grand Total	\$ 25,158,576	17,105,544	3,377,664	3,578,648	49,220,432

Revenue and Expenditure Trends

The graph below illustrates the growth in revenues and expenditures as well as changes in undesignated/unreserved fund balance levels over the past 10 years. It shows the significant flattening and decline of revenues in 2007-2010, the increase in expenditures, and the use of fund balance to finance the current year's budget. Each of these elements is discussed in detail in the following sections.



Revenue Assumptions and Projections

The FY 2010 revenue projections, taken as a whole, reflect a slight decrease over the expected 2009 revenues. FY 2010 marks the third year that revenues have declined.

A multi-year comparison of revenues by source for all governmental funds is presented below. Ten-year historical financial data presented in the *Appendix* section at the end of this document 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 identifies the primary causes for fluctuations between the prior and current budget years.

Revenues by Source— All Governmental Funds Combined Excluding Capital Project Funds

Revenues by Source	2008 (Actual)	2009 (Budget)	2009 (Projected)	2010 (Budget)	% Change 10 Budget over 09 Budget	% of Total for 2010
Property Taxes	\$ 4,160,203	4,162,600	4,179,944	4,120,500	-1%	9.7%
Assessments	105,288	96,620	107,760	46,992	-51%	0.1%
Sales Taxes	26,371,448	26,727,300	25,584,000	25,591,000	-4%	60.1%
Franchise Taxes	179,159	183,000	159,600	159,600	-13%	0.4%
Licenses and Permits	360,946	337,083	344,642	401,014	19%	0.9%
Intergovernmental	4,397,128	5,412,691	5,151,892	4,088,129	-24%	9.6%
Charges for Services	5,147,827	5,449,386	5,223,281	5,669,825	4%	13.3%
Fines and Forfeitures	14,791	6,000	9,000	6,000	0%	0.0%
Interest	659,532	467,577	210,567	211,109	-55%	0.5%
Hospital Lease	1,630,692	1,679,600	1,632,322	1,632,322	-3%	3.8%
Other*	749,725	573,311	622,582	685,197	20%	1.6%
Total Revenues	\$ 43,776,739	45,095,168	43,225,590	42,611,688	-6%	100.0%

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

Property Tax (9.7% of total revenue)

Property tax comprises a relatively 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 has grown at an average annual rate between 3% and 6% and it continues to provide a stable source of revenue for the County and its political subdivisions, although annual growth is expected to slow substantially. (A ten-year history of assessed valuations is included in the *Appendix* tab section.) Total assessed value for the County currently exceeds \$2.3 billion. The FY 2010 Budget assumes a 0% growth in assessed valuation for real property and -0.5% growth in assessed valuation for personal property. The budget assumes no change in the property tax rates.

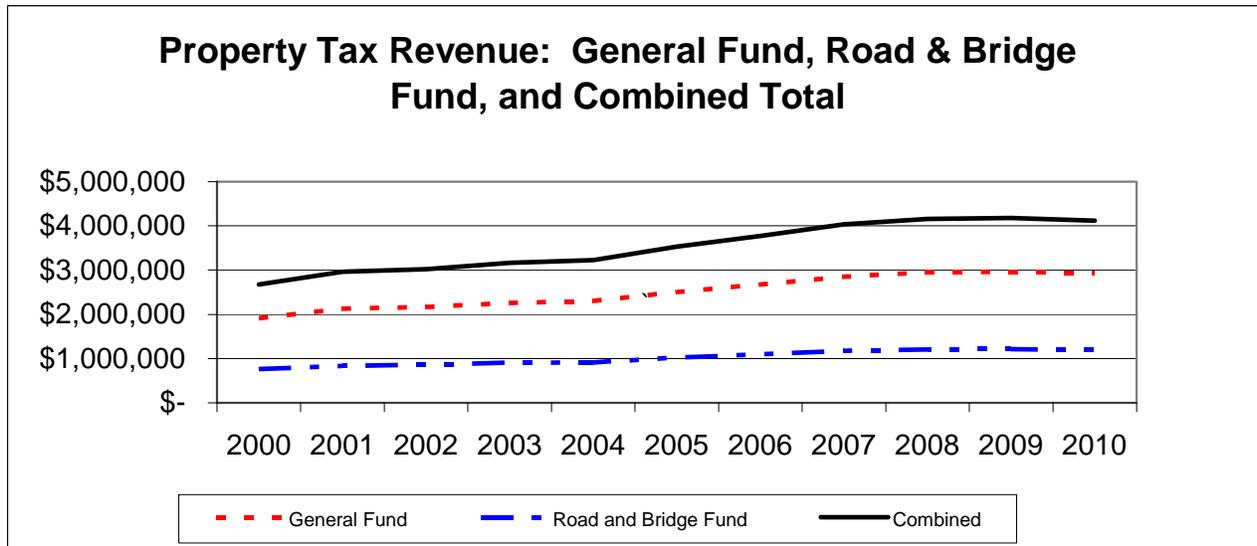
Although not required to do so, the County Commission voluntarily reduced its property tax levies for the General Fund and the Road and Bridge Fund in FY 2005 as a result of reassessment and the rates have remained unchanged.

The County's budgeted 2010 proposed operating property tax levies include the following:

General Fund Operations-- \$.12 per \$100 assessed valuation

Road and Bridge Operations-- \$.0475 per \$100 assessed valuation

The chart below illustrates the stable growth in this revenue source over the past decade.



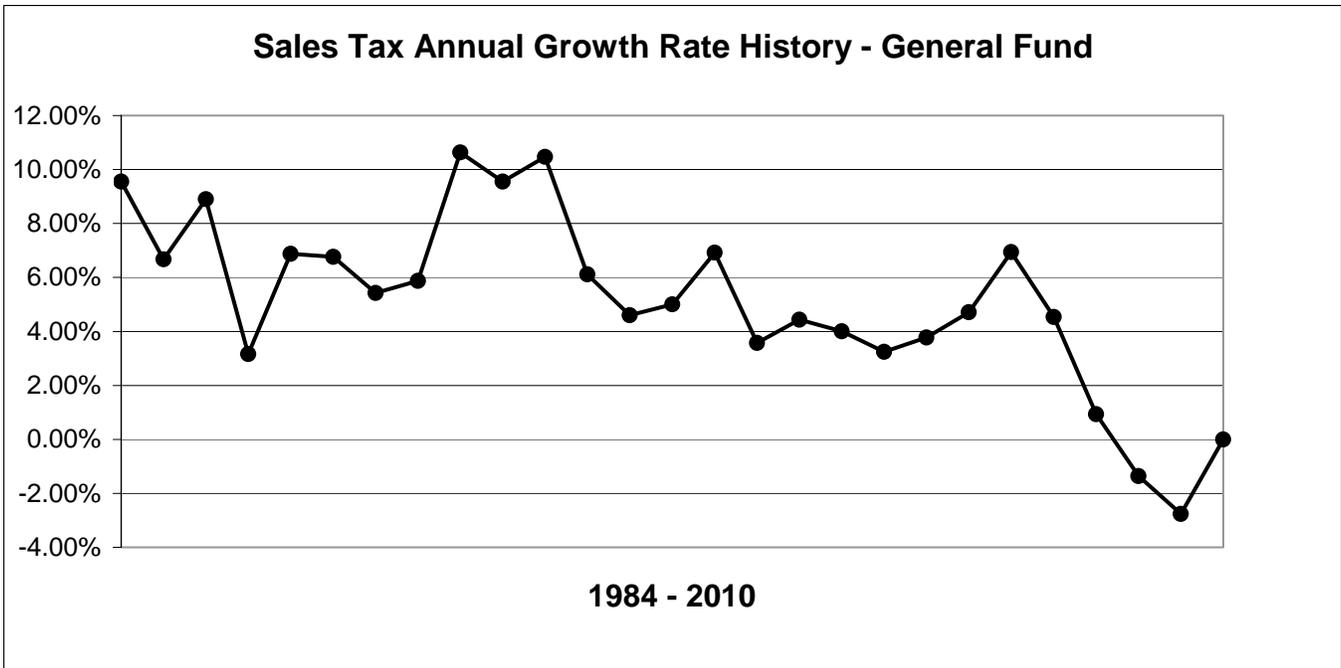
Debt service tax levies will not be required since all existing debt is being retired through annual appropriations in the General Fund, lease rentals, or special assessments. For further information on the County’s debt, please refer to the Summary of Long-Term Debt presented later in the Budget Message 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 *Appendix*.]

Assessments (0.1% of total revenue)

Special assessment revenue is received from property owners pursuant to the Neighborhood Improvement District (NID) program and is accounted for as revenue to the applicable debt service funds and used to meet scheduled principal and interest payments for county-issued general obligation debt. The special assessment revenue provides 100% of the debt service requirements for the bonds issued in conjunction with the NID program. The amount of Assessment revenue in any given year is influenced by such things as number of pay-offs in full, number of annual assessments levied, and the number of NID projects completed and assessments ordered.

Sales Tax (60.1% of total revenues)

The County is highly dependent on sales tax revenue to finance the majority of county services. It is the single largest source of revenue for the County and accounts for more than 60% of all regular operating revenues in the County’s governmental funds. Compared to other revenue sources, sales tax is inherently and exceptionally volatile, readily impacted by changing economic conditions. Because Boone County is primarily dependent on sales tax to finance on-going operations, the County is especially vulnerable to this inherent volatility. This is a primary reason for maintaining higher fund balances during periods of economic growth. The annual sales tax growth rate table presented below illustrates this inherent volatility.



Annual growth rates have typically ranged between 3% and 5%, but have been as high as 11% and have fallen as low as -3.0%, as in the present economic situation. As illustrated above, the current decline in sales tax growth rate is one of the sharpest ever experienced by the County and the first time ever to experience negative growth: the County has had two consecutive years of negative growth (2008, -1.36%; 2009, -3.0%). The impact of the current economic recession is expected to continue into the foreseeable future. Therefore, the FY 2010 budget assumes a flat, or 0%, annual growth rate.

The County receives the following sales tax revenue:

One-half cent permanent sales tax in the General Fund. This sales tax is expected to generate \$11.1 million in 2010, which represents approximately 50% of the total revenue in the General Fund. The governing statute for this sales tax authorization mandates a property tax roll-back.

One-half cent sales tax in the Road and Bridge Fund. This sales tax is expected to generate \$11.1 million in 2010, which represents approximately 80% of regular, on-going revenue to Road and Bridge operations. The sales tax was originally approved by voters in 1993 for an initial 5-year period. It was renewed for 10 years (through 2008) and was recently renewed by voters for another 10-year period (expiring in 2018). The governing statute for this sales tax does not require a property tax roll-back; however, the County Commission has pledged and implemented a voluntary property tax roll-back.

Constitutionally determined portion of the state’s sales tax for motor vehicles. This sales tax is expected to generate \$348,000 in 2010, net of a special 32-month withholding imposed by the Department of Revenue intended to recover retroactive collection costs. The withholding is estimated to be approximately \$36,000 for the year. At the conclusion of the 32-month recovery period, which will end May 2010, the on-going cost of collection is expected to be approximately \$24,000 per year. This revenue source declined significantly in 2008 and has been relatively flat since then.

Two percent tax applied to local land line phone tariffs. This tax is expected to generate \$234,000 in 2010, which represents the sole source of revenue for the Enhanced 911 Fund, except for investment income. This revenue has been declining since 2003 largely because the 2% sales tax does not apply to cellular lines and the FY 2010 revenue estimate is consistent with revenue levels received in 1999. 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. This sales tax is expected to generate \$2.775 million in 2010, which represents the sole source of revenue for the Law Enforcement Services Fund. The fund is used to provide supplemental funding for law enforcement and judicial operations which are primarily financed through General Fund appropriations.

One-fifth cent three-year capital improvement tax. This tax became effective October 1, 2006 and was projected to generate \$14.0 million over the 3-year life of the sales tax. The tax authorization ended September 2009. As a result of the economic recession, the actual revenue received will be less than the original estimate (by about \$500,000), but investment income (about \$335,000) off-set much of the shortage. Please refer to the *Capital Projects* tab section for complete information regarding this capital improvement sales tax and the projects it will finance.

Franchise Taxes and Licenses/Permit Revenue (1.3% of total revenue)

The decrease in Franchise Taxes appears to be the result of changes in gross revenues subject to the franchise tax.

The increase in Licenses and Permit Revenue is primarily due to an increase in On-Site Waste Water permit fees and implementation of a new food inspection fee for restaurant inspections.

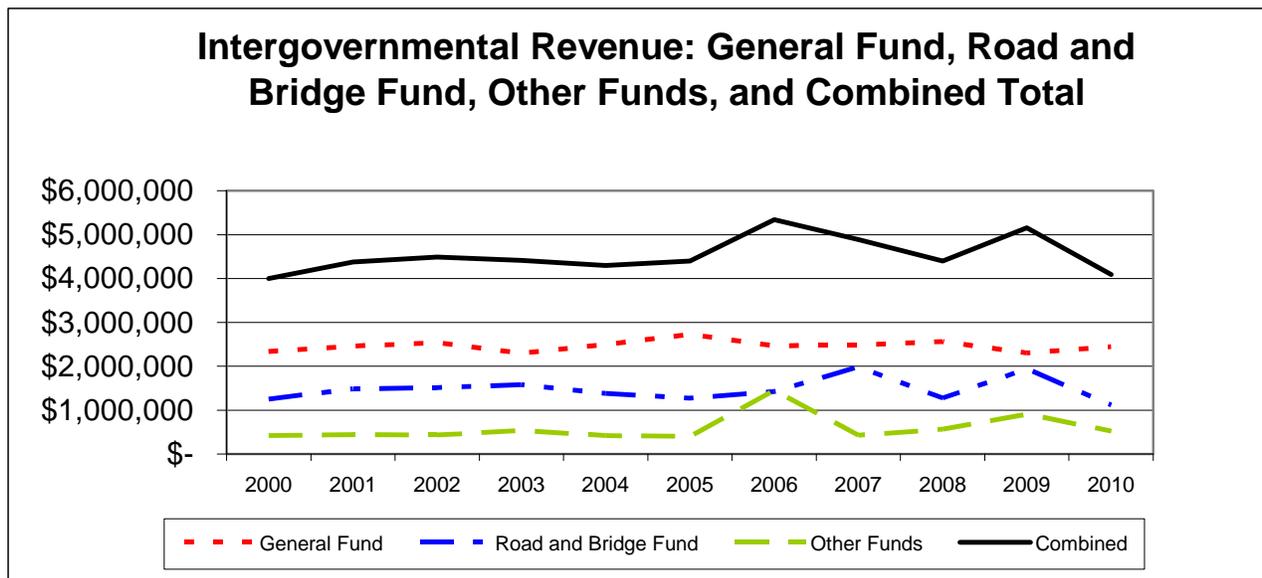
Intergovernmental Revenues (9.6% of total revenue)

The County receives substantial revenues from federal and state grants and from annual state appropriations. The FY 2010 Budget includes amounts for grants that have been awarded to the County, but only for the current award period; the budget does not assume renewal or extension. *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 budget includes estimated amounts for state reimbursements which 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. The state reduced the reimbursement for property assessment mid-year 2009, resulting in \$115,000 revenue reduction. Further reductions of approximately of \$67,000 have been included in the FY 2010 budget. In addition, the state reduced funding for the Child Support Enforcement Program by approximately \$60,000 which required staffing reductions. The other revenue sources are expected to remain flat.

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 pursuant to a constitutional formula. The revenues are derived from a per-gallon tax that does not change with fuel prices. Instead, revenues to the County increase only as consumption increases. Higher fuel prices reduce consumption thereby reducing this revenue. The FY 2010 revenue estimate has been reduced by approximately \$78,000.

The chart below reflects a ten-year history of intergovernmental revenues. The significant increase in 2006 is the result of HAVA election equipment funds; the increase in 2009 is the result of federal funds received for a bridge replacement project.



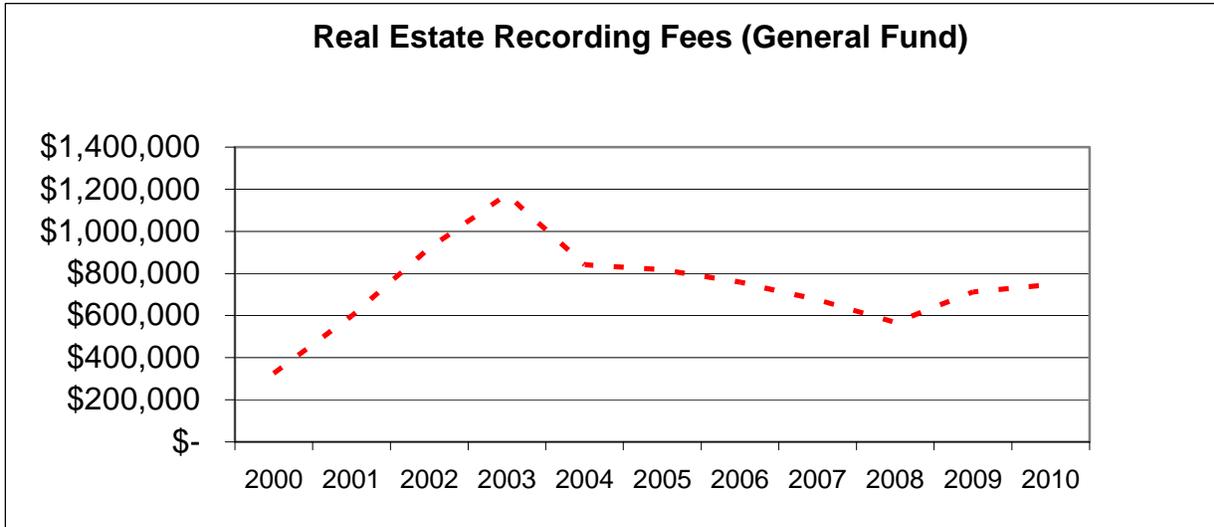
The overall FY 2010 decrease in this category is due to the following factors:

- 1) Partial-year appropriations for those grants where the grant year crosses two County fiscal years. The FY 2010 budget includes only those grant revenues and related expenditures for the portion of the grant year that falls within the County's fiscal year. As previously noted, the budget does not assume renewal or extension of grants.
- 2) Reductions in state-funded services (Child Support Enforcement, 100% reimbursed by the state), reductions in state reimbursements for property tax assessment, or conclusion of a specific project (McBaine Bridge Project) where there is no on-going revenue.

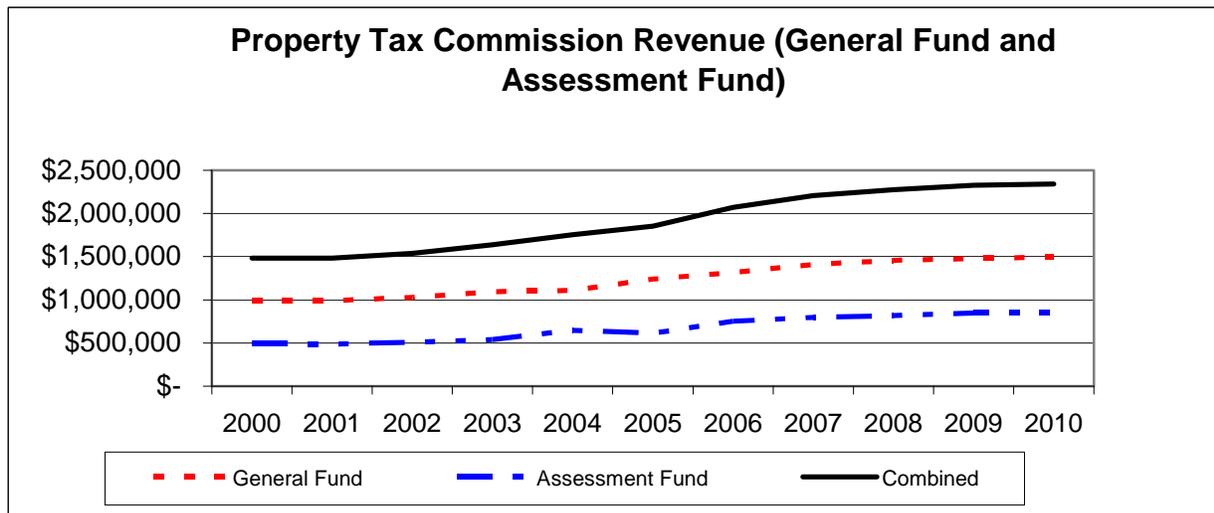
Charges for Services (13.3% of total revenue)

Current year revenues for Charges for Services (fees, commissions, and other charges for services) reflect a net 4% increase for FY 2010, or approximately \$200,000. The increase is primarily attributable to increased revenues expected in the Record Preservation Fund and the General Fund for real estate recording fees and increased participant fees to the Circuit Drug Court Fund associated with a new DWI program.

As illustrated in the chart below, real estate recording fees hit record highs in FY 2003 with annual revenue of nearly \$1.2 million, but they have steadily declined since. The FY 2010 budget includes estimated revenue of \$747,000, which reflects a slight increase over the prior year and a return to 2001-2002 revenue levels.



Property tax commissions generate revenue for the Assessment Fund and the General Fund. It continues to provide a stable source of growing revenue, as shown in the chart below. In the past, this revenue source grew at an average annual rate of 3-5%; however, it has leveled off since 2008 and the FY 2010 budget assumes near zero growth.



Fines and Forfeitures, Interest, and Other Revenues (2.1% of total revenue)

The County’s General Fund receives a portion of bond forfeiture revenue. This is a nominal revenue source to the County.

Interest revenue has declined significantly since 2007, with 2009 revenues projected to fall well below budget. As a result, the FY 2010 revenue estimate has been reduced to \$211,000 (for all county funds). This compares to interest revenue of more than \$1.0 million earned in 2007.

The increase in Other Revenue is accounted for in the Fairground Maintenance Fund. The County has received one-time contribution from the Columbia Convention and Visitor's Bureau (CVB) for use on the covered arena at the Fairgrounds.

Hospital Lease Revenue (3.8% of total 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. During 2006, the Hospital Board of Trustees successfully negotiated an amendment to the lease which accomplished several things including a revised expiration date of December 31, 2015, a significant reduction in lease compensation paid to CHAS, and a significant increase in reinvestment in hospital assets.

In addition to the lease payments to the Boone Hospital Board of Trustees, the current 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 2010 Budget includes estimated lease revenue of \$1.63 million. The Hospital lease revenue accounts for 3.8% of revenue for all governmental funds and 7% of revenue to the General Fund. Under the terms of the 2006 amendment and beginning in 2010, the County may receive an additional \$500,000 each year, dependent upon the availability of "cash-split" funds for distribution. The lease agreement specifies that the additional funds are to be used for community medical or health needs. Due to the uncertainty of receiving this additional lease compensation, this revenue has not been included in the budget.

Expenditure Assumptions and Projections

The FY 2010 Budget for all governmental funds (excluding capital project funds) reflects total expenditures of \$49.2 million, which represents a 7% decrease over the prior year's budget of \$52.9 M.

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

Expenditures by Function— All Governmental Funds Combined

Expenditures by Function	2008 (Actual)	2009 (Budget)	2009 (Projected)	2010 (Budget)	% Change 10 Budget over 09 Budget	% of Total for 2010
Policy & Administration*	\$ 8,218,749	8,784,531	6,952,347	9,719,082	11%	19.7%
Law Enforcement & Judicial	17,334,021	18,985,219	18,005,533	18,185,083	-4%	36.9%
Environment, Buildings & Infrastructure	14,559,888	19,651,289	16,239,583	16,760,044	-15%	34.1%
Community Health & Public Services	1,238,888	1,406,112	1,308,381	1,359,495	-3%	2.8%
Capital Outlay	1,028,043	2,086,322	1,755,407	1,083,772	-48%	2.2%
Debt Service	739,757	703,864	728,061	789,264	12%	1.6%
Other**	1,120,844	1,288,661	1,226,223	1,323,692	3%	2.7%
Total Expenditures	44,240,190	52,905,998	46,215,535	49,220,432	-7%	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 Hinkson Watershed Project)

Some of the funds, such as the Road and Bridge Fund, have significant unspent resources carried forward from FY 2009 into FY 2010, which are then budgeted for expenditure in addition to the current period revenues, and this accounts for FY 2010 expenditures exceeding expected revenues.

Historically, the County spends approximately 92% to 97% of its total annual appropriations. As shown in the table above, expenditures for FY 2009 are projected at approximately 87% of budget. In developing the FY 2010 Budget, this trend is expected to continue, however, the budget reflects an expected reduction in overall fund balance levels. All funds are budgeted to be solvent at the conclusion of FY 2010 and the County will maintain minimum fund balance targets in the major operating funds. The County's fund balances are discussed in greater detail later in this Budget Message.

The County monitors the spending ratio and adjusts appropriation methodologies in light of significant changes or emerging trends. If the spending ratio increases such that county appropriations are fully expended each year, the County will need 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 County has three (3) major operating funds: the General Fund, the Road and Bridge Fund, and the Law Enforcement Services Fund. The FY 2010 General Fund Budget includes expenditures of \$25.1 million compared to estimated revenue of \$23.0 million. This suggests a spend-down of fund balance in the amount of \$2.1 million for operations. It is very unlikely that a spend-down of this magnitude will actually occur if the emergency appropriation, \$735,000, is not needed and the spending ratio is consistent with that of prior years. These assumptions appear to be valid and reasonable. Locally-enacted budget revision policies require Commission approval on all but the most insignificant budget revisions, which serves

to deter spend-down of appropriations and helps ensure a spending ratio of less than 100%. Undesignated and unreserved fund balance for the General Fund at the end of FY 2010 is expected to be \$4.1 million, based on budgeted expenditures, which represents 17% of total budget or 2.0 months' expenditures. The minimum fund balance target is 15-20%.

The Road and Bridge Fund FY 2010 Budget includes expenditures of \$17.1 million compared to revenue of \$13.9 million. As part of the budget development process, the County Auditor and Public Works management complete an analysis of projected spending for the current year, identifying carry-over resources that will be available for appropriation in the following fiscal year. This process results in annual appropriations that exceed anticipated revenues to the extent that carry-over resources are also available for appropriation. The projected ending fund balance for the Road and Bridge Fund of 9.0 % of total budget (or 1 month's expenditures) meets the target minimum fund balance of 5-10%.

The Law Enforcement Services Fund reflects revenues of \$2.78 million and expenditures of \$3.17 million and a projected ending fund balance of approximately \$175,000, or 5.5% of total budget.

Ten-year comparative historical data for expenditures is presented in the *Appendix* section at the end of this document.

Policy and Administration (19.7 % of total expenditures)

The increase for Policy and Administration is primarily attributable to county election costs.

Law Enforcement and Judicial (36.9 % of total expenditures)

The reduction in this functional area is the result of one-time ARRA/Stimulus grant funds being received in FY 2009 and they are not anticipated to be received again in FY 2010. In addition, the County's share of the operating budget for emergency dispatching has declined FY 2010.

Environment, Buildings, and Infrastructure (34.1 % of total expenditures)

Spending in this functional area is primarily comprised of the appropriations in the Fairgrounds Maintenance Fund and the Public Works Department (county roads and bridges), *net* of any capital appropriations (i.e., new and replacement equipment) which are included in Capital Outlay. Expenditures may fluctuate from year-to-year, particularly when realized budget savings in the Road and Bridge Fund accumulate in one year and are appropriated the following year, as described above. The decrease in total appropriations is due to several items within the Road and Bridge Fund: completion of a federally-funded bridge project in FY 2009, a reduction in FY 2010 revenue sharing distributions to other political subdivisions, and a reduction in carry-forward funds from the previous year.

Community Health and Welfare (2.8 % of total expenditures)

The reduction in this area is primarily due to reductions in funding to outside entities (such as Boone Historical Society; Soil and Water Conservation; Extension Council; Columbia Special Business District).

Capital Outlay (Fixed Assets) (2.2 % of total expenditures)

Each year, the County Commission approves funding for investment in new and replacement fixed assets. This category includes appropriations for new and replacement fixed assets and consists primarily of new and replacement machinery and equipment, new and replacement vehicles, and new and replacement computer hardware and software. This type of capital expenditure is sometimes referred to as “pay-as-you-go” capital, because it is fully incorporated into the annual operating budget for a given department rather than included in a capital improvement plan or in a separate capital project budget. In the schedules above, all appropriations relating to fixed assets, across all functional areas, are combined and presented as “Capital Outlay” rather than as spending within the given functional area. A complete schedule of these appropriations for FY 2010 is presented in the *Personnel and Capital Expenditure Summaries* tab section.

Established replacement schedules have served as a general guideline in developing these appropriations in the past. However, in light of the economic recession, replacement schedules have been set aside and funding levels have been based on individual asset assessments. Where possible, assets are being re-built or repaired in lieu of replacement.

The reduction in Capital Outlay spending from FY 2009 to FY 2010 is primarily attributable to a reduction in Public Works machinery replacement (which was increased in FY 2009); a reduction in fixed asset expenditures at the Fairgrounds (the covered arena project was included in the FY 2009 budget); a reduction in fixed asset spending in the Records Preservation Fund; and a reduction in grant-funded equipment purchases for the Sheriff's department.

Debt Service (1.6 % of total expenditures)

Debt Service expenditures increased from the prior year according to scheduled principle and interest payments associated with NID-related debt. Also, an additional \$60,000 has been budgeted in the General Fund for debt retirement expected on the Sheriff/Election Warehouse facility. This debt service payment would replace lease payments for rented warehouse space. As mentioned previously, property tax levies are not required for debt service. Additional information regarding the County's long-term debt is presented later in this Budget Message and in the *General Information* tab section.

Other Expenditures (2.7 % of total expenditures)

The increase in this area is due to increased spending for the Hinkson Creek Watershed Project, a program fully reimbursed with grant revenues.

Changes in Personnel Staffing Levels

The FY 2010 budget reflects minimal changes to permanent and temporary staffing levels and they are summarized below. For complete information regarding personnel staffing for the current year and the past 10 years, please refer to the *Personnel and Capital Summaries* tab section in this document.

- Increase election worker pool hours by 1.75 FTE for County Clerk (funded from General Fund). Temporary increase due to election year activity.
- Decrease 0.51 FTE (reduce hours) for a vacant records clerk position and eliminate benefits (General Fund). Decrease is due to budgetary constraints.
- Decrease 1.67 FTE grant-funded positions in the Circuit Court (General Fund). If the grants are renewed, funding for the FTE's will be increased.
- Decrease .12 FTE Crossing Guard for Rock Bridge Elementary School (General Fund). Permanent decrease.
- Decrease 1.0 FTE Investigator grant-funded positions. The grant provides funding for 2 investigator positions (Cyber Crimes) and the current grant funding continues for only six months in FY 2010, resulting in the FTE reduction. If the grant is renewed, funding for the FTE's will be increased.
- Decrease .25 FTE Crime Victim Specialist, a grant-funded position (General Fund). The current grant funding continues for only 9 months in FY 2010, resulting in the FTE reduction. If the grant is renewed, funding for the FTE will be increased.
- Decrease 1.5 FTE in the Prosecuting Attorney's Child Support Enforcement unit (General Fund). This program is fully reimbursed by the State of Missouri; the state reduced funding for the program effective 1-1-2010, resulting in the elimination of one position and reduction of another position to part-time. Permanent change.
- Decrease .75 FTE associated with the grant-funded Hinkson Creek Watershed Project (General Fund). The reduction is due to re-structuring the grant position in an effort to share a position with the Public Works Department. Permanent change through the end of the grant period.
- Decrease .04 FTE part-time investigator position funded with Stimulus/ARRA funding. The position will only be extended if grant funding is available.

Capital Improvement Projects

The County's infrastructure-related improvement projects are small-scale and funded on a pay-as-you-go basis from the annual operating revenues in the Road and Bridge Fund. As a result, they are budgeted and accounted for within the Public Work's annual operating budget.

Large-scale capital improvement projects occur infrequently and consist primarily of facility-related projects and are budgeted and accounted for within a capital project fund. Projects of this nature typically require several years to complete and are usually financed with special revenues dedicated to the project. Because of this, it is important to present this information separate from the annual operating budget. Please refer to the *Capital Project Budgets* tab section for information regarding the County's capital projects.

Fund Balances

The County continues to meet minimum fund balance targets in its major operating funds. *Fund balance* is the difference between the assets and liabilities of a particular fund. Fund balance may be reserved, designated, or undesignated/unreserved. Undesignated/unreserved fund balance amounts represent fund resources that are available for appropriation. The schedule below shows the projected fund balance amounts at the end of FY 2010 for the County's major funds, nonmajor funds, and all governmental funds (except capital project funds) taken as a whole.

Projected Undesignated/Unreserved Fund Balances at December 31, 2010

-----Major Funds-----					
		Law Enforcement		Nonmajor	
	General Fund	Road and Bridge Fund	Services Fund	Governmental Funds	All Governmental Funds
Projected Fund Balance 12/31	\$ 4,783,182	3,885,353	962,816	6,417,733	16,049,084
Less: Reserves and Designations	(612,209)	(2,379,971)	(787,816)	(3,303,361)	(7,083,357)
Projected Available Fund Balance	\$ 4,170,973	1,505,382	175,000	3,114,372	8,965,727
As a percent of expenditures	17%	9%	6%	82%	18%
# of months expenditures	2.0	1.1	0.7	9.9	2.2

Reservations of fund balance 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. **Designations of fund balance**, on the other hand, are discretionary. The County currently designates a portion of the Law Enforcement Sales Tax Fund for design and implementation of a system-wide law enforcement and judicial information system as well as for future out-of-facility inmate housing. 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, an economic slow-down, or an unforeseeable emergency. Using fund balance in a contingency manner allows the County to continue operations without disruption, even though revenues may decline or significant unforeseen emergency costs are encountered. This use of fund balance must be monitored closely because it cannot be sustained for long. In addition, replenishing fund balance is a slow process, usually requiring several years; therefore, extreme care should be exercised in spending fund balances. Given the County's significant dependence on sales tax revenue and the increased exposure to its inherent volatility, the County desires to maintain higher fund balances in its primary operating funds, especially the General Fund. As previously noted, the fund balance in the General Fund is being depleted this year as a result of the significant economic slow-down. **Secondly**, undesignated/unreserved fund balances provide resources to meet cash flow requirements and to generate investment income. **Thirdly**, it allows for financial planning and tax rate stability. In the event the County Commission determines that fund balance levels are more than is needed and that the amounts truly are "surplus", the County's policy is to commit these funds to capital or non-recurring needs.

For additional information regarding the County’s Fund Balance Policies, please refer to the *Fiscal and Budget Policies* which are presented in the *General Information* tab section.

The table below shows the projected changes in fund balances for the coming budget year.

Projected Changes in Fund Balances at December 31, 2010

	-----Major Funds-----				
	General Fund	Road and Bridge Fund	Law Enforcement Services Fund	Nonmajor Governmental Funds	All Governmental Funds
Projected Fund Balance 12/31	4,783,182	3,885,353	962,816	6,417,733	16,049,084
Projected Fund Balance 1/1	\$ 6,887,129	7,000,372	1,317,580	7,329,776	22,534,857
Projected Change in Fund Balance	\$ (2,103,947)	(3,115,019)	(354,764)	(912,043)	(6,485,773)
Percentage Change	-31%	-44%	-27%	-12%	-29%

As previously discussed, the expected decline in fund balance in the General Fund is primarily due to sluggish and declining revenues. Also, as previously discussed, the County does not fully expend appropriations each year and this trend is expected to continue in FY 2010. As a result, although fund balance in the General Fund will be reduced, County officials expect the actual reduction to be less than the amount shown in the schedule.

The beginning fund balance (1/1/2010) in the Road and Bridge Fund will be much higher than originally expected due to FY 2009 appropriations not being spent. Several projects included in the FY 2009 budget did not progress as planned and are being re-budgeted again in FY 2010. In addition, several FY 2009 operating appropriations are expected to have significantly favorable variances. FY 2010 appropriations have been increased in accordance with these available resources, which accounts for the large decline shown above.

The projected decline in fund balance in the Law Enforcement Services Fund is due to flat sales tax revenue. Personnel costs comprise the majority of this fund’s expenditures and despite holding the line on salary increases and other operating costs, a spend-down of fund balance will be required in order to fund equipment acquisition and replacement and potential out-of-facility housing for inmates.

The decline in non-major governmental funds is primarily attributable to a budget practice used by appropriating authorities in several of the special revenue funds. Each fiscal year, the majority of available fund balance is budgeted in a contingency line-item appropriation. This enables the appropriating authority to authorize budget transfers as needed throughout the year without going through the budget amendment process. In many instances, the contingency funds are unused throughout the year which results in a higher opening fund balance for the following year. This use of a contingency appropriation creates the appearance of a “spend down” of fund balance within the budget.

Long-Term Debt

A schedule of outstanding debt for Boone County as of January 1, 2010 is presented in the *General Information* section of this document. Long-term debt expenditures consist of principle and interest for the Series 2003 special obligation bonds which are being retired through appropriations in the General Fund; several general obligation bond series associated with the Neighborhood Improvement District (NID) program, which are being retired through special assessments; and taxable special obligation bonds used to finance the purchase of downtown properties adjacent to existing county facilities, which are being retired through a combination of lease revenue and transfers from the General Fund.

Debt service appropriations included in the FY 2010 Budget amount to \$789,264 or 1.6% of the total budget (all governmental funds combined, excluding capital project funds). As previously noted, no tax levies will be required for debt service.

The County's legal debt limit is equal to ten percent of net assessed value. Total assessed valuation at January 1, 2010 is in excess of \$2.2 billion which results in a legal debt limit of approximately \$220,000,000. Please refer to the debt limit calculations included in the long-term debt information in the *General Information* tab section. At this time, the County intends to issue additional special obligation bonds (recovery zone bonds) in 2010 to finance the construction of a Sheriff/Election Storage and Warehouse facility. The debt service for this additional debt will be paid from the monies previously allocated for leased space plus transfers from the Sheriff Civil Charges Fund. In addition, the county expects to issue additional general obligation debt associated with the NID program and this debt will be retired through special assessments.

Awards and Acknowledgements

The County's Budget for Fiscal Year 2009 was awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). The Budget Award Program is designed to improve the quality of budget information prepared by local governments for the benefit of its citizens and decision makers. The County has received this award since 1997.

Conclusion

In closing, I wish to acknowledge the significant contribution of all those who assisted in the preparation and analysis of this data, particularly the staff of the Boone County Auditor's Office, whose 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 2010 Proposed Budget

	<u>Expenditure</u>	<u>Dept. Account</u>	<u>Revenue</u>	<u>Description</u>
General Fund (Fund #100)				
Rebudgeted Items from FY 2009:				
Computer Software	30,000	1170 91302		Web Report Writer/App Development Project - FY 09 amount plus \$9,651
Subtotal	<u>30,000</u>			
Personnel Changes:				
Child Support Technician	(37,428)	1263 1XXXX		Position eliminated due to reduction in state funding
Child Support Technician	(16,128)	1263 1XXXX		Position reduced to half-time due to reduction in state funding
Subtotal	<u>(53,556)</u>			
Changes to Various Revenue Estimates and Appropriations:				
Contingency	20,000	1123 86850		Intern Project in Public Administrator's office
Software Service Contract	400	1170 70050		Listserv Subscription
Federal Reimburse Expense		1263 3465	(66,306)	Child Support Enforcement Funding Reduction (direct & indirect)
Natural Gas	(112)	1263 48100		Child Support Enforcement Funding Reduction
Electricity	(500)	1263 48200		Child Support Enforcement Funding Reduction
Subtotal	<u>19,788</u>		<u>(66,306)</u>	
New Grant Award:				
Federal Grant Reimbursement		1243 3411	50,000	DWI Grant
Outside Services	22,000	1243 71100		DWI Grant
Testing	28,000	1243 86300		DWI Grant
Subtotal	<u>50,000</u>		<u>50,000</u>	
Revisions to the Proposed Budget	<u>46,232</u>		<u>(16,306)</u>	
Road and Bridge (Fund #204)				
<u>Maintenance</u>				
Rock	(32,000)	2040 26200		Reclassify for Wilhite & Nashville Church Road
Materials & Chemical Supplies	24,000	2040 26300		Additional amount for Wilhite Road
Materials & Chemical Supplies	8,000	2040 26300		Additional amount for Nashville Church Road
Subtotal	<u>-</u>			
<u>Design & Construction</u>				
Personnel Increases/Decreases:				
Professional Civil Engineer	2,849	2045 1XXXX		Possible upgrade of vacant position (position stacking policy)
Subtotal	<u>2,849</u>			
<u>Stormwater Administration</u>				
Registration Fee Revenue		2046 3320	2,250	Training session revenue
Stormwater Permit Revenue		2046 3519	1,000	New program for 2010
Subtotal	<u>-</u>		<u>3,250</u>	
<u>Public Works Administration</u>				
Reimburse Personnel/Projects		2049 3528	6,500	Inspection Services for Jail Parking Lot
Reimburse Personnel/Projects		2049 3528	26,845	Inspection Services for Lakewood NID
Subtotal	<u>-</u>		<u>33,345</u>	
Commission Revisions Added to the Proposed Budget	<u>2,849</u>		<u>36,595</u>	
Fairgrounds Maintenance Fund (Fund #212)				
Contributions		2120 3880	49,416	Convention & Visitor's Bureau contribution
Revisions to the Proposed Budget	<u>-</u>		<u>49,416</u>	

(Continued on next page)

Schedule of Commission Changes to the 2010 Proposed Budget cont'd

	<u>Expenditure</u>	<u>Dept. Account</u>	<u>Revenue</u>	<u>Description</u>
Circuit Drug Court Fund (Fund #283)				
Drug Court Fees - DWI Court		2830 3584	60,000	Establish budget for participant fees and associated program costs for the DWI Court.
Office Supplies	(500)	2830 23000		
Inmate (participant) Work/Incentive Supply	1,000	2830 23027		
Travel	150	2830 37220		
Meals and Lodging	100	2830 37230		
Motor Fuel/ Gasoline	750	2830 59000		
Local Mileage	200	2830 59200		
Outside Services (Substance Abuse Treatment)	58,200	2830 71100		
Outside Services (reclass Inmate Work/Incentive Supply)	(1,000)	2830 71100		
Awards	500	2830 83100		
Receptions/Meetings	500	2830 84010		
Advertising	100	2830 100		
Commission Revisions to the Proposed Budget	60,000		60,000	
2005 Special Obligation Bonds Fund (Fund #304)				
Operating Transfers In: Capital Projects Fund		3040 3915	(124,050)	Not needed, entire amount moved in 2009 with budget amendment
Commission Revisions Added to the Proposed Budget	-		(124,050)	
Self Insured Health Insurance Fund (Fund #600)				
Internal Service Charge		6000 3530	(4,750)	Elimination of Child Support Technician position
Commission Revisions Added to the Proposed Budget	-		(4,750)	
Self Insured Dental Insurance Fund (Fund #601)				
Internal Service Charge		6010 3530	(356)	Elimination of Child Support Technician position
Commission Revisions Added to the Proposed Budget	-		(356)	
Self Insured Worker's Comp Insurance Fund (Fund #602)				
Internal Service Charge		6020 3530	(52)	Elimination of Child Support Technician position
Commission Revisions Added to the Proposed Budget	-		(52)	
Facilities & Grounds (Fund #610)				
Building Repairs/Maintenance	36,500	6100 60100		Re-budget FY09 Johnson Building Parking Lot repair
Building Repairs/Maintenance	(8,900)	6100 60100		Reduced parking lot patching & sealing appropriation
Equipment Repairs/Maintenance	(5,500)	6100 60200		Walk-in Cooler replacement was bid and awarded in 2009
Commission Revisions Added to the Proposed Budget	22,100		-	
Capital Repairs & Replacement (Fund #620)				
Major Building Repairs/Replacement	30,000	6200 60110		Re-budget FY09 Government Center window caulking
Professional Services	(27,000)	6200 71101		Reduce amount-- Public Works staff will perform inspections
Replacement Grounds Improvement	(425,000)	6200 92700		Remove Jail Parking Lot project; FY09 budget amended for project
Replacement Grounds Improvement	2,500	6200 92700		Plants and labor for Jail Parking Lot Rain Garden (stormwater)
Commission Revisions Added to the Proposed Budget	(419,500)		-	

Summary of Commission Revisions Added to the Proposed Budget:

	<u>Expenditure</u>	<u>Revenue</u>
Governmental Funds:		
General Fund (100)	\$ 46,232	(16,306)
Road and Bridge Fund (204)	2,849	36,595
Fairgrounds Maintenance Fund (212)	-	49,416
Circuit Drug Court Fund (283)	60,000	60,000
2005 Special Obligation Bonds Fund (304)	-	(124,050)
Total	<u>109,081</u>	<u>5,655</u>
Internal Service Funds:		
Self Insured Health Insurance Fund (600)	-	(4,750)
Self Insured Dental Insurance Fund (601)	-	(356)
Self Insured Workers Compensation Fund (602)	-	(52)
Facilities Maintenance Fund (610)	22,100	-
Capital Repairs & Replacement Fund (620)	(419,500)	-
Total	<u>(397,400)</u>	<u>(5,158)</u>
Combined Total, all fund types (memorandum only)	<u>\$ (288,319)</u>	<u>497</u>