



Internal Audit Committee of  
Brevard County, Florida

Financial Condition Review  
of Housing and Human Services

Prepared By:



June 27, 2011

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June 27, 2011

The Audit Committee of  
Brevard County, Florida  
2700 Judge Fran Jamieson Way  
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Pursuant to the approved 2010/2011 internal audit plan, we hereby submit the Financial Condition Review of Housing and Human Services. We will be presenting this review to the Audit Committee at the July 27, 2011 meeting.

Our report is organized in the following sections:

|  |   |
|--|---|
| <b>Executive Summary</b>                             | This section provides a summary of risks and highlights of the financial condition related to Housing and Human Services.   |
| <b>Financial Overview</b>                            | This section provides an overview of the trends noted related to overall revenue, expenditures and staffing for the department.   |
| <b>Housing and Human Services General Operations</b> | This section provides a financial analysis of expenditure trends for Housing and Human Services General Operations, and includes potential cost optimization strategies.                      |
| <b>State-Mandated Expenditures</b>                   | This section describes the County's responsibility for certain expenditures required by the State and the department's procedures for processing those payments.                              |
| <b>Special-Purpose Grant Programs</b>                | This section provides a high-level analysis of the State and Federal funding administered by Housing and Human Services as a pass-through to other eligible agencies and individuals.         |
| <b>Special-Purpose Discretionary Programs</b>        | This section includes an overview and analysis of other special-purpose programs, which are discretionary and not funded by grants, and includes information on cost optimization strategies. |

Respectfully submitted,

*INTERNAL AUDITORS*

# Executive Summary

## Overview

The Housing and Human Services (HHS) department's mission is to contribute to Brevard County's quality of life by assisting citizens to meet health, social and housing requirements. In addition, effective January 2011, the County reorganized and combined the Criminal Justice Services (CJS) department with HHS. At that time, a significant portion of the CJS operations (misdemeanor probation and pretrial release) was approved for privatization by the Board of County Commissioners. The fiscal and functional impacts of the consolidation are still being analyzed by HHS and County management; an apples-to-apples comparison is difficult due to one-time costs associated with separation pay for former employees as well as the normal costs of operations incurred between the start of the fiscal year and the privatization date. The FY10 and FY11 figures and analysis presented herein include HHS and CJS for comparison purposes and a forward-looking approach.

The County's historical philosophy regarding the mission of HHS is to provide low-income and other special-focus groups in the community with a broad spectrum of support services. Many of these services are funded by grants which require administration and monitoring, costs that can be supplemented by the grants but may not be fully absorbed. Additionally, a large portion of the expenditures that are processed through HHS relate to State-required entitlements, such as Medicaid, over which the Department and County have no control. These costs could be budgeted and associated with any County department; at Brevard and several of their peer agencies, the payments are processed in HHS or its equivalent. Our report divides the department into four areas: General Operations, State-Mandated Expenditures, Special-Purpose Grant Programs and Special-Purpose Discretionary Programs as outlined below:

|   |  |
|---|--|
| <b>General Operations</b>                     | FY 2010 expenditures for General Operations were \$2.9 million. This area includes: <ul style="list-style-type: none"> <li>• HHS General Administration, and</li> <li>• CJS General Administration (including last 4 months of outsourced pre-trial release and benefits payout for terminated employees).</li> </ul>  |
| <b>State-Mandated Expenditures</b>            | FY 2010 expenditures for State-Mandated Expenditures were \$11.4 million. This area includes: <ul style="list-style-type: none"> <li>• Medicaid,</li> <li>• Baker Act,</li> <li>• Health Care Responsibility Act (HCRA),</li> <li>• Indigent Burial,</li> <li>• Legal Aid,</li> <li>• Medical Examiner, and</li> <li>• Juvenile Pretrial Detention.</li> </ul>   |
| <b>Special-Purpose Grant Programs</b>         | FY 2010 expenditures for Special-Purpose Grant Programs were \$9.6 million. This area includes: <ul style="list-style-type: none"> <li>• Community Development Block Grant (CDBG),</li> <li>• Neighborhood Stabilization Program (NSP),</li> <li>• HOME Investments Partnership,</li> <li>• Low-Income Home Energy Assistance (LIHEAP),</li> <li>• Community Services Block Grant (CSBG),</li> <li>• Weatherization Assistance for Low-Income Persons (WAP), and</li> <li>• State Housing Initiatives Partnership (SHIP).</li> </ul> |
| <b>Special-Purpose Discretionary Programs</b> | FY 2010 expenditures for Special-Purpose Discretionary Programs were \$3.8 million. This area includes: <ul style="list-style-type: none"> <li>• Aid to Community Based Organizations (CBO),</li> <li>• Veterans Services,</li> <li>• Low-Income Rent / Utility Assistance,</li> <li>• Brevard County Health Department,</li> <li>• School Crossing Guards, and</li> <li>• Country Acres Children's Home.</li> </ul>   |

# Executive Summary

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## *Impact on FY12 Budget*

The FY12 budgeting cycle began with a Board workshop on February 11, 2011, when the County Manager stated that property values are expected to decline for the fifth straight year – an additional 17% decline over the 12% decline expected in FY11. The County is also anticipating an increase in health insurance costs, higher fuel prices, and potential decreases in other taxes received from the State, such as sales tax and gas tax. Consistent with other Departments within the County, HHS does not have a “rainy day” or emergency reserve policy and there are no reserves available for general discretionary use other than the County’s overall General Fund Reserves. The County Budget Office, with approval from management and the Board, set a restricted/committed reserve for Medicaid services of \$1.2M for FY11.

The timeline of the budgeting process creates a significant challenge for the County. The budgeting process begins mid-year, before the prior fiscal year’s independent audit is finalized, before the current year’s actual tax revenues are known, and before the future year’s property tax values have been determined. Although based on industry-accepted assumptions and publicly discussed strategies, actual financial results can and have been significantly different than expected. This report is based on the current budget for FY11, as most recently amended on February 22, 2011.

The projected declines in property tax values (and resulting tax revenues) coupled with persistent increases in the number of citizens eligible for public assistance required to be funded by the County indicate the County may not be able to provide the desired level of support and service to the community outside of these required programs. Whether mandated or discretionary or supported by grants or local taxes, the core business of HHS directly impacts those most in need in the local community. Discretionary budget reductions are currently being considered for personnel or service-level reduction and/or program elimination, which will have a direct and exponential affect on those most in need in the community. This report focuses on revenue and expenditure trends and strategic initiatives that have been considered and/or implemented by the department, as well as reports on current year-to-date expenditures. Below are the highlights of the Financial Condition Review of Housing and Human Services.

| Financial Overview  |
|---|
| <p><u>Revenue Enhancement and Cost Optimization:</u> The function of HHS is to serve low-income and otherwise under-privileged citizens. Therefore, revenue generated from fees other than those already imposed through court costs and traffic violations would be contrary to the HHS mission. The Department must continue to focus on cost optimization and minimization in order to meet budgetary constraints. The areas where the Department has flexibility for spending include support to non-profit agencies, subsidy to the health department, emergency rental or utility assistance to individuals and families, and the Country Acres Children’s Home. Reducing aid to any of these areas competing for funds from the County directly and exponentially impacts the citizens of the Brevard community.</p>   |
| <p><u>FTE Trends:</u> HHS is a ‘staff-driven’ department due to the number of programs offered (whether discretionary or grant-related, or in support of mandated entitlements) and the administrative requirements of each area. Prior to the CJS consolidation, staffing was at the lowest levels since 2002 for this department. The department continues to analyze the FTE impacts of the CJS consolidation, as well as the effects on current staff productivity due to decreases in future grant funding as a result of the end of Stimulus support and waning programmatic funding from legislative changes. The combination of planned reductions in special-purpose grant funding and persistent increases in the population of eligible citizens for low-income services creates the possibility to shift and/or cross train staff to other areas of need. In doing so, costs could shift from the grant programs to general revenue which is not sustainable.</p> |
| <p><u>Budget to Actual Variances:</u> We noted the FY11 budget was 53.4% higher than the FY10 actual spending. The increase is directly attributable to the budgeted grant programs and related expenditures. It should be noted that the FY10 Actual to Budget variance of 31% is also attributable to grant programs and related expenditures. Significant fluctuations in grant revenue and expenditures occur due to the timing of expenditures and specific grant provisions. Additionally, the budgeting for grants is based upon total awarded amount and includes amounts that will be spent in future years.</p>   |

## Executive Summary

### General Operations

Overall FY11 YTD Actual to Budget: The FY11 budget was adopted with the anticipation of the CJS consolidation and partial privatization to occur as of October, 2010. The consolidation actually occurred as of January 2011, leaving 3-4 months of related operational expenditures, including compensation and benefits, leased space and other contracted services to be absorbed in the FY11 budget. As of May 2011, we noted 88.6% of the FY11 budget for General Operations had been expended, indicating a shortfall will occur prior to fiscal year-end (September 30).

### State-Mandated Expenditures

State-Mandated Expenditure Budget Structure: The responsibility for State-mandated expenditures lies with the County and HHS processes the payments. HHS has implemented controls around processing the payments, and these mandated costs roll-up into the overall budget presented for the Department without distinguishing the anticipated amounts from discretionary spending. We encourage the County to consider separating mandates from the other functions of the budget to provide a better understanding of what the mandates are for and how they are funded, as well as present a truer picture of the HHS actual operating budget.

Medicaid Expenditures: Although the overall spending appears to be in line with the budget for FY11, we noted the Medicaid cost trends year-to-date for FY11 are higher than the budgeted amounts, leaving approximately \$400K (approximately 10% of the FY11 budget) to fund 4 remaining months in FY11. The Department staff has notified the Budget Office that a Budget Change Request (BCR) will be needed for Medicaid and they are working to determine the amount. We noted the County's general reserve included a \$1.2M reserve for Medicaid, which was not included in the HHS budget. Per discussion with the department, there is also added concern over the trend for HCRA and the juvenile pretrial detention mandates.

Mandated Payment Methodology: Brevard is the 11<sup>th</sup> highest county in the State for Medicaid billings, and is one of about 1/3 of the counties that pays more than 90% of its portion of required Medicaid support. In a March 2011 audit by the State, counties who paid at least 75% of their required billings, but not 100%, were not asked to make catch-up payments and were not in jeopardy of losing other funding at this time. We encourage the County to reach out to other counties and peer agencies to understand how they interpret these mandated payments differently than Brevard and have been able to pay less, for informational use and consideration during the FY12 budget process. Please refer to page 20 for more information.

### Special Purpose Grant Programs

Budgeting: The full amount of the award remaining balance is budgeted each fiscal year. The Department should consider budgeting only the anticipated expenditures for the year and separately disclosing the program balances in total. Doing so reduces the public expectation gap of what will actually occur during the year related to program activities. Additionally, analysis of budget versus actual will more closely reflect anticipated activities.

Balance Forward: The FY11 overall balance forward for HHS is \$5.8M. Of that, \$4.6M is SHIP grant program funding. Approximately \$1M of those funds must be spent during FY11 in order to meet the period of availability requirements. If not spent, the County will be required to return the funding to the State. Projects are currently committed to utilize those program funds.

Allowable Costs: One of the most heavily audited areas of compliance related to grant programs has historically been allowable activities and costs, especially administrative costs. ARRA resulted in additional scrutiny with a strong emphasis on compliance and transparency in documentation. Potentially shifting administrative costs to grant programs is attractive, but the cost of non-compliance with program requirements may exceed the benefit of shifting unallowable costs, even temporarily. For future budgeting purposes, HHS should continue to document how the allowances for administrative costs for each program have been used.

## Executive Summary

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### Special Purpose Grant Programs - continued

Administrative Allocation to Grant Programs: We understand that the County's Budget Office is working on an indirect cost proposal to be included in future discretionary grant applications (if approved) which could potentially offset a portion of the indirect costs borne by the County to administer these programs. The County's burden for these costs may be reduced, but the indirect cost allocation may also decrease the allowable direct administrative costs already being included in the program expenditures by HHS. For most non-discretionary grants, there is a capped percentage for administrative costs, including 20% for CDBG and 10% for SHIP and HOME. The total allowable administrative portion is capped at the flat percentage, whether direct or indirect. Once the indirect cost rate is approved, HHS and Budget will need to work together to ensure compliance with each program's requirements.

### Special Purpose Discretionary Programs

Matching: Several of the agencies funded through HHS under discretionary programs use at least a portion of those funds as matching dollars for federal and state grant program. These agencies have stated that they would otherwise be unable to provide the required matching effort. The impact of reductions in aid exponentially impacts the amount of federal aid available, as well. Examples of agencies which use these general revenue transfers for matching funds include the Brevard County Health Department, Country Acres Children's Home, and the Community Services Council.

Privatization of Country Acres Children's Home: Should the County choose not to provide a children's foster home, as recently decided in Orange County, the alternative for those children would be a private foster facility or another government facility. HHS has done some research on privatizing, but believes the costs outweigh the benefits given the facility will need ongoing maintenance and a private company will likely want to generate a profit, which translates into higher administration fees imposed on the County. The only general revenue support currently budgeted for Country Acres is the amount needed to maximize the available federal match for a grant. Closing and/or privatizing Country Acres would also impact 27 lost jobs (17 full-time and 10 part-time).

Cost Reduction Strategies: As of May 2011, 52.4% of the FY11 budget for Special-Purpose Discretionary Programs had been expended. During our analysis of expenditures, we noted two areas of potential surplus budgets, based on actual FY11 year-to-date expenditures. These are Compensation and Benefits for School Crossing Guards, Other Current Charges related to Low-Income Rental/Utility Assistance and Operating Supplies at Country Acres Children's Home and Veteran's Services. The annualized savings based upon the pro-rated share of the budget to-date is approximately \$246K. Per discussion with HHS, Country Acres did have a Balance Forward in FY08 and FY09; it was partially used in FY10 and depleted in FY11 due to reductions in General Revenue Transfer. As such, the potential 'surplus' identified in that program will likely not come to fruition due to revenue shortages (which is based on an estimated number of children that will be served.)

## Financial Overview

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### *Revenue Trend Analysis*

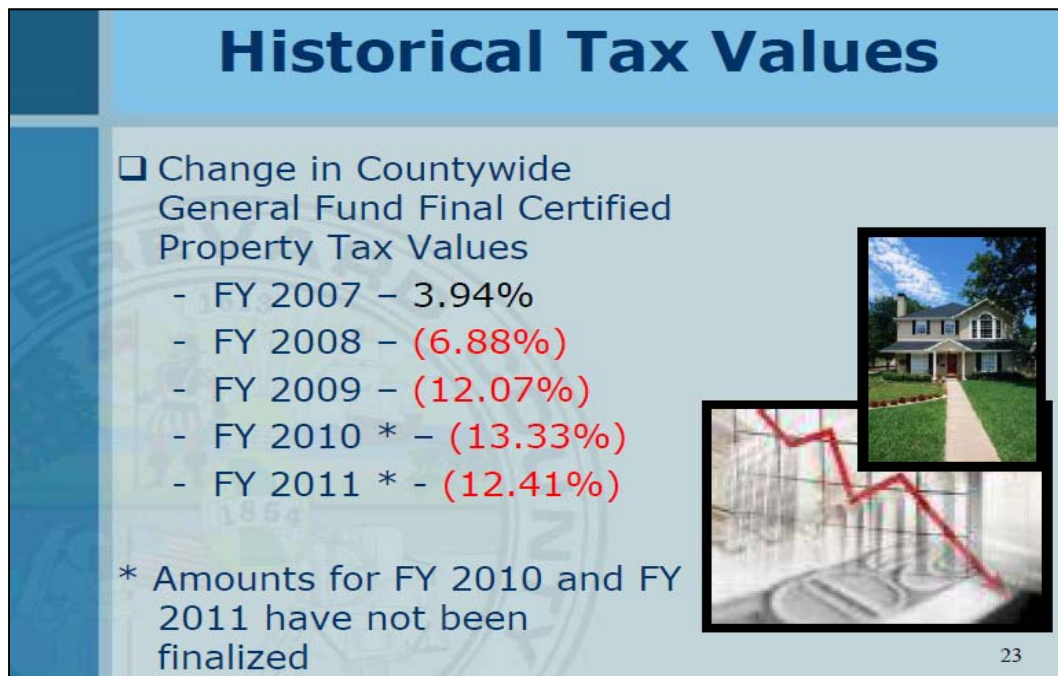
The department receives revenue from multiple sources including:

- Transfers from the County's General Revenue fund,
- Intergovernmental grants for special purposes as approved by the awarding agencies,
- Service and program revenue including provider fees, court costs and other charges.

### General Revenue Transfers

Ad valorem tax collections are referred to as General Revenue. This is the (mostly) discretionary revenue that is allocated to the various County departments to fund operations and functional programs or services. The allocations are budgeted and approved annually by the Board of County Commissioners and processed by the Budget office.

HHS's primary source of discretionary operating revenue is the general revenue transfer from the County's overall ad valorem tax millage. The chart below depicts the historical trends in property tax values.



Source: Brevard of County Commissioners meeting agenda, February 10, 2011

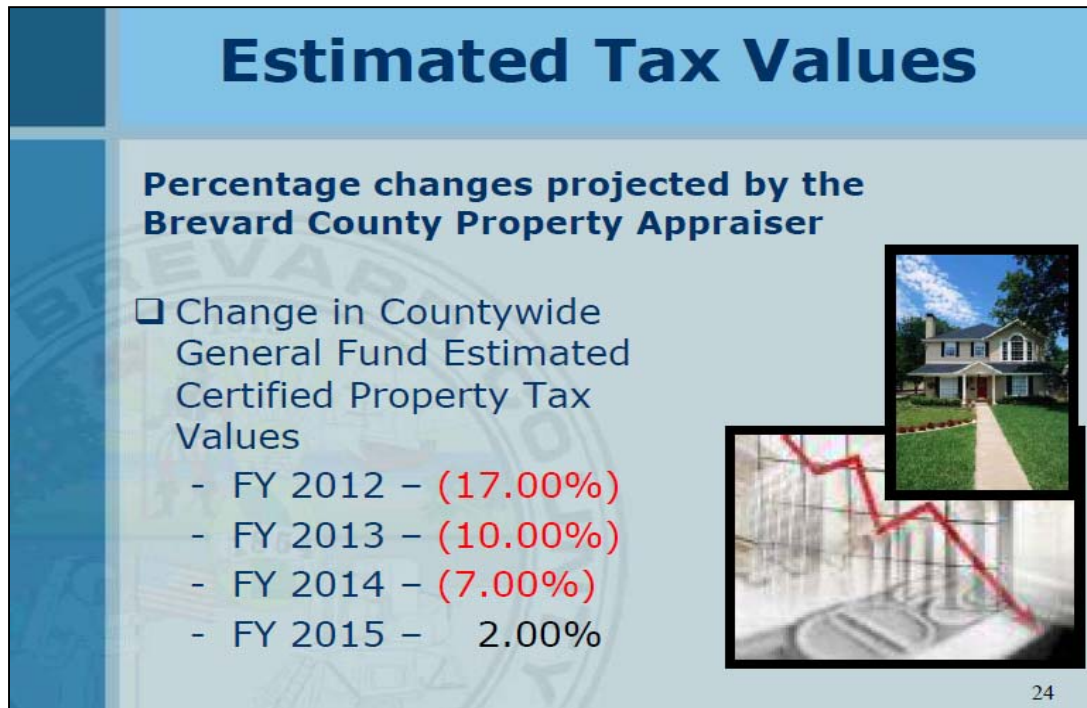
As shown, County revenues have been declining since FY07. For FY11, the overall anticipated ad valorem decline was 12% from FY10. The FY12 anticipated decline is 17%, based upon projections made by the Property Appraiser.

The Department does not derive any direct tax revenue, and approximately 70% of the operating budget is from general revenue transfers, with 50% of that designated for State-mandated costs outside of the control of the department (or the County).

# Financial Overview

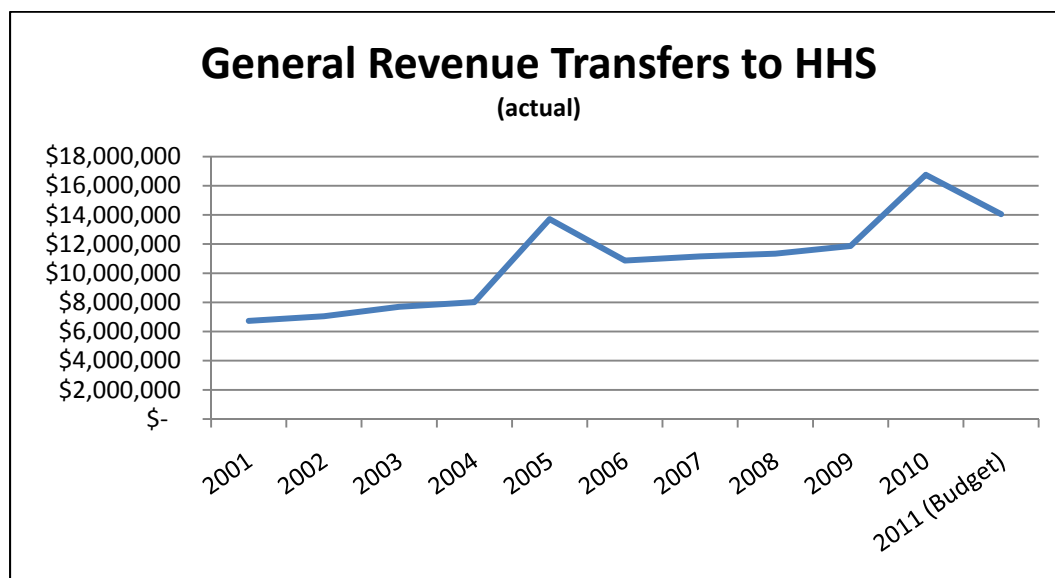
## Revenue Trend Analysis

The chart below depicts the projected property tax values as of February, 2011.



Source: Brevard of County Commissioners meeting agenda, February 10, 2011

Although general revenue has been declining as a result of the eroding property tax base, the general revenue transfers to HHS have steadily increased over time, as shown in the chart below. This is primarily due to increases in State-mandated costs such as Medicaid, inmate healthcare, indigent burial and other statutorily required local effort. These costs are not borne by the department, but are processed by the department on behalf of the County as a whole. Neither the County nor the department has control over the nature or amount of the payments and all 67 counties in the State are responsible for their share of such payments. As such, the Department's reported revenues are artificially inflated by the general fund transfers related to covering State-mandates. Below is the trend of General Revenue Transfers received by HHS followed by analysis on the following page.



## Financial Overview

### *Revenue Trend Analysis*

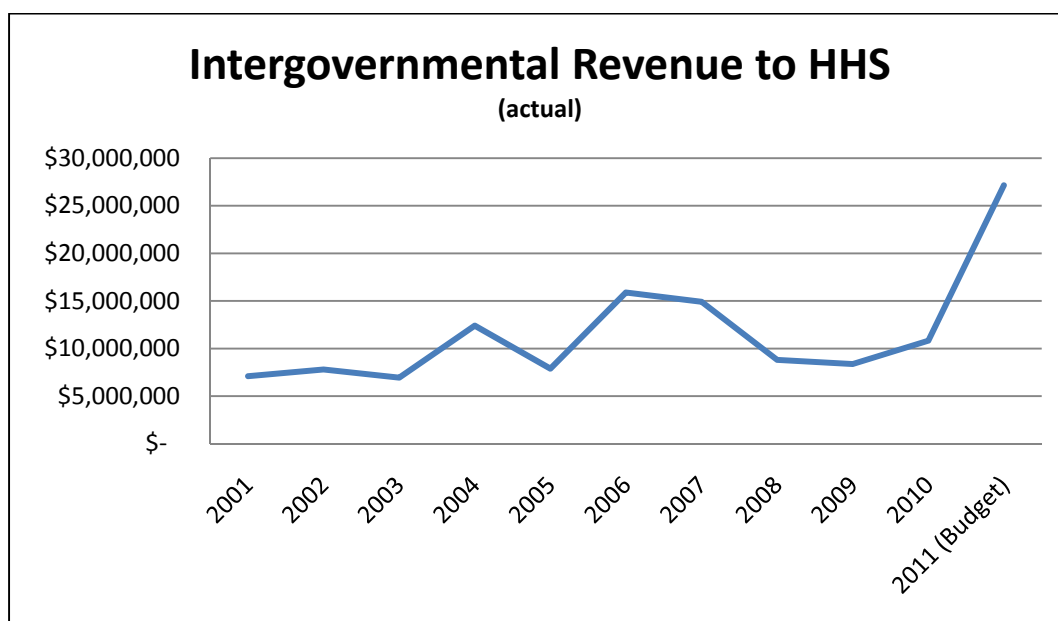
As previously noted, effective January 2011, the County reorganized and combined the Criminal Justice Services (CJS) department with HHS. In the previous chart, for comparison purposes we have included the FY10 figures for CJS. The FY10 general revenue transfer increased significantly due to the addition of CJS amounts. Prior to consolidation, for FY10, the budgeted transfer related to HHS was \$10,960,252 and for CJS was \$5,871,439. Compared to the FY09 HHS actual transfers of \$11,863,658, there was a budgeted general revenue decrease of 25% for legacy HHS-related activities. The FY11 budget is \$14,058,459 which is an overall decrease of 16.5% from FY10.

### Intergovernmental Revenue

Another significant revenue source for HHS is intergovernmental revenue in the form of grant dollars from federal and state government programs. Because it is classified as operating revenue, a common misconception is that the grant revenue can be used for discretionary support. The County serves as a pass-through agency for the various programs administered by HHS. These include, but are not limited to programs for community infrastructure projects, aid to first-time home buyers, and aid to homeowners for rehabilitation, repair and replacement of existing homes. As such, grant program dollars can only be used for specific program purposes.

Grant programs generally allow a portion of administrative costs to be reimbursed by the program when used for the planning and monitoring necessary to meet federal and state regulations. The allowable reimbursement amounts can be lower than the actual administrative oversight and monitoring costs involved, especially for programs that have ongoing monitoring and inspection requirements after the program funds have been used. Any costs that are reimbursed by the programs, including and especially administrative support, require periodic reporting with supporting documentation to ensure that the costs reimbursed are in direct support of the program or have been approved in advance through an indirect cost proposal.

Compliance audits are routinely performed by granting agencies and the County's external auditors to ensure compliance with program-specific rules as well as federal and state regulations. The American Recovery and Reinvestment Act of 2009 (ARRA) resulted in additional scrutiny with a strong emphasis on compliance and transparency in documentation. Potentially shifting administrative costs to grant programs is attractive, but the cost of non-compliance with program requirements exceeds the benefit of shifting unallowable costs, even temporarily. Below is the HHS trend in intergovernmental revenue followed by analysis on the following page.



## Financial Overview

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### *Revenue Trend Analysis*

The significant fluctuations in actual intergovernmental revenue illustrated above occur due to the timing of grant expenditures and subsequent reimbursement. A majority of the significant grant programs administered by HHS are stable, mature programs that the County has been supporting for many years. The program awards are generally long-term, crossing multiple fiscal years due to the timing of projects and the period of availability of each program award. For example, the Community Development Block Grant (CDBG) program allows recipients two years to encumber/commit the funds and 1 year to spend them. Any projects completed after the period of availability may not be reimbursed. Therefore, in any given year, the expenditures for each program could be related to multiple award years.

Most grant programs are on a reimbursement basis, requiring the County to fund the expenditures in advance for subsequent reimbursement. Fluctuating cash flow priorities can present a challenge and the Department monitors cash balances with assistance from Budget and/or Finance, as well as routinely processes reimbursement requests to ensure adequate cash flow. There is one major program, the State Housing Initiatives Partnership or SHIP program, which provides the funding in advance. Unspent advances are reported as deferred revenue and included in the Department's Balance Forward until spent.

### Balance Forward

Governments are required to present balanced budgets. Unspent balances that potentially may carry forward from one fiscal year to the next are an important element in achieving an overall institutional budgetary balance. A positive Balance Forward is created when revenues exceed expenditures or temporarily restricted cash has not yet been spent. The Balance Forward is carried into the next fiscal year and included in total revenues to be allocated to expenditures in order to balance the budget.

HHS has a limited-use Balance Forward. In FY10 the amount was \$7.2M and in FY11 is currently projected at \$5.8M. Of the \$5.8M, \$4.6M is the advanced SHIP grant program funding described in the previous section. In addition to SHIP, the Balance Forward includes nearly \$1M in funds set aside for various County-mandated trust funds for specific groups such as the Driver's Education Trust, which supports courses for teenage drivers through public and private schools. Another example is the Affordable Housing Trust Fund, which is funded by payment-in-lieu-of taxes (PILOT or PILT) the County receives from the Brevard Housing Authority.

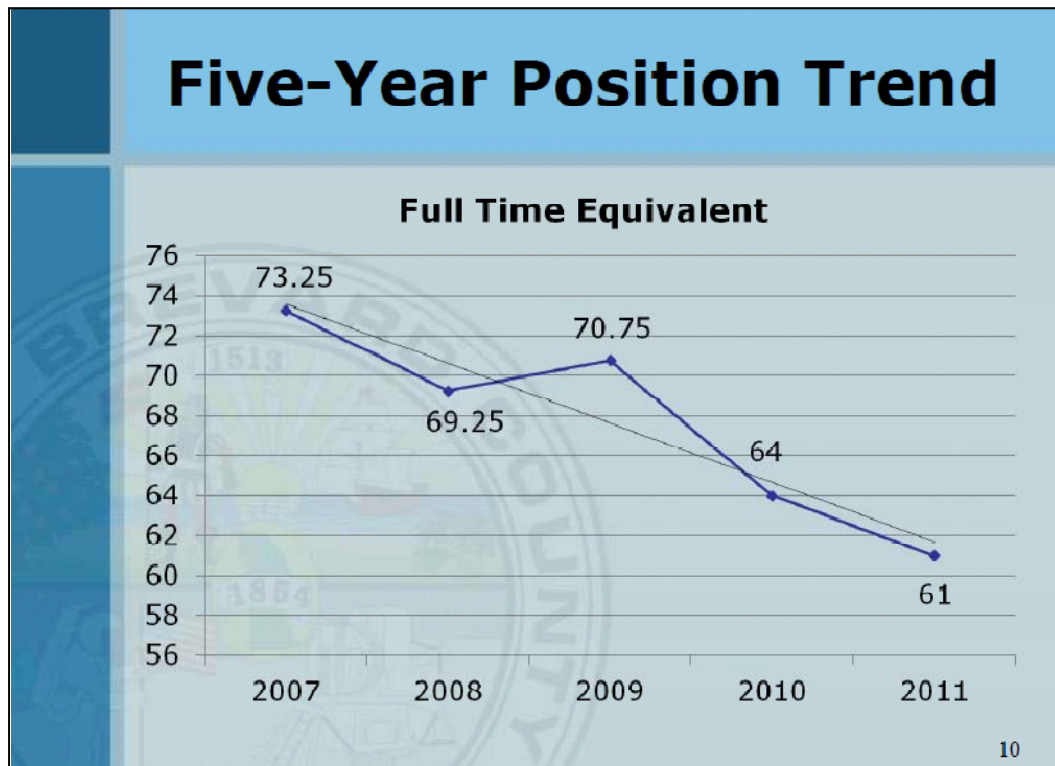
### Reserves

The Department does not have a "rainy day" or emergency reserve policy and there are no reserves available for general discretionary use other than the County's overall General Fund Reserves, currently set at 10% of total operating revenues. The County Budget Office, with approval from management and the Board, set a restricted/committed reserve for Medicaid services of \$1.2M for FY11.

## Financial Overview

### *Full-Time Equivalent Trend Analysis*

HHS is a 'staff-driven' department due to the number of programs offered (whether discretionary or grant-related, or in support of mandated entitlements) and the administrative requirements of each of those areas. With the addition of CJS, the administrative responsibilities increase. There are vacant positions in the HHS/CJS budget for crossing guards and other positions, and none of these are frozen as of the date of this report. Not including the CJS consolidation, the Department has lost 9.75 FTE since FY09, a decrease of 13.8%. Prior to the CJS consolidation, staffing was at its lowest level since 2002 in the Department. Although important to all County services, this declining trend in FTE is particularly important to HHS because as the number of citizens eligible for low-income and other public assistance continues to rise, the required effort to administer and monitor those programs also rises.



\*Source: Budget workshop agenda support, July 22, 2010

The department continues to analyze the FTE impacts of the CJS consolidation, as well as the effects on current staff productivity due to decreases in future grant funding as a result of the end of Stimulus support and waning programmatic funding from legislative changes. The combination of planned reductions in special-purpose grant funding and persistent increases in the population of eligible citizens for low-income services and Medicaid creates the possibility to shift and/or cross train staff to other areas of need. In doing so, costs could potentially shift from the grant programs to general revenue, which is not only undesirable, but also not realistic given the previously described trends in general revenue.

# Financial Overview

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## *Expenditures Analysis*

The objective of the expenditures analysis concentrated on the reasonableness of the FY11 current budget, given certain assumptions and known changes that will occur. This is relevant as the County builds the FY12 budget. Our detail analysis primarily focused on the variances between the FY11 current budget and the FY10 actual expenditures, as well as the FY11 expenditures to-date. We also considered:

- The variances between the FY11 adopted budget, the FY11 current budget (as amended) and the FY10 final budget, in order to understand and evaluate the budgeting process and quantify the overall planned budgetary changes.
- The variance between the FY10 final budget and the FY10 actual expenditures, in order to evaluate the Department's ability to prepare a reasonable budget and explain significant variances.

The scope of this review includes expenditures as they relate to the four (4) core functional areas of the Department (General Operations, State-Mandated Expenditures, Special-Purpose Grant Programs and Special-Purpose Discretionary Programs). The detailed budget and actual reporting includes the cost centers shown below.

After analyzing the high level line items, we reviewed the detailed expenditures for those with significant variances. The overall expenditure analysis and the detailed information with explanations are included with this report. We presented this report, including opportunities for discussion during the FY12 budget cycle, with the County Manager, Assistant County Manager for Management Services, and the Housing and Human Services Department Director and Finance Officer.

The general operations area encompasses multiple cost centers\*, including:

- HHS General Administration, and
- CJS General Administration.

State-mandated expenditures include:

- Medicaid,
- Baker Act,
- Health Care Responsibility Act (HCRA),
- Indigent Burial,
- Legal Aid,
- Medical Examiner, and
- Juvenile Pretrial Detention.

Special-purpose grant programs include:

- Community Development Block Grant (CDBG),
- Neighborhood Stabilization Program (NSP),
- HOME Investments Partnership,
- Low-Income Home Energy Assistance (LIHEAP),
- Community Services Block Grant (CSBG),
- Weatherization Assistance for Low-Income Persons (WAP), and
- State Housing Initiatives Partnership (SHIP).

Special-purpose (non-grant) discretionary programs include:

- Community Based Organizations (CBO),
- Veterans Services,
- Low-Income Rent / Utility Assistance,
- Brevard County Health Department,
- School Crossing Guards, and
- County Acres Children's Home.

\*These represent the majority of the budget for these areas, though there are less significant cost centers not included in the analysis.

# Financial Overview

## Expenditures Analysis – Summary of Expenditures

Below is a high-level summary of the FY11 Budget-to-FY10 Actual and FY10 Actual-to-Budget for the cost centers shown on page 10.

|  | Housing and Human Services |                      |                       |                      |                      |                        |
|--|----------------------------|----------------------|-----------------------|----------------------|----------------------|------------------------|
|  | FY 11                      | FY 10                |                       | FY 10                | FY 10                |                        |
|  | BUDGET                     | ACTUAL               | VARIANCE              | ACTUAL               | BUDGET               | VARIANCE               |
| <b>COMPENSATION &amp; BENEFITS</b>       |                            |                      |                       |                      |                      |                        |
| Compensation                             | \$ 3,597,660               | \$ 4,572,806         | \$ (975,146)          | \$ 4,572,806         | \$ 5,057,850         | \$ (485,044)           |
| Benefits                                 | 1,502,067                  | 1,848,571            | (346,504)             | 1,848,571            | 1,931,654            | (83,083)               |
| <b>TOTAL Compensation &amp; Benefits</b> | <b>\$ 5,099,727</b>        | <b>\$ 6,421,377</b>  | <b>\$ (1,321,650)</b> | <b>\$ 6,421,377</b>  | <b>\$ 6,989,504</b>  | <b>\$ (568,127)</b>    |
| <b>OPERATING EXPENSES</b>                |                            |                      |                       |                      |                      |                        |
| Professional Services                    | \$ 4,109,027               | \$ 5,093,166         | \$ (984,139)          | \$ 5,093,166         | \$ 5,149,718         | \$ (56,552)            |
| Other Contracted Services                | 16,515,278                 | 10,841,538           | 5,673,740             | 10,841,538           | 16,816,792           | (5,975,254)            |
| Travel/Per Diem                          | 58,596                     | 36,429               | 22,167                | 36,429               | 78,290               | (41,861)               |
| Communications & Freight                 | 22,031                     | 16,857               | 5,174                 | 16,857               | 64,434               | (47,577)               |
| Utility Services                         | 86,769                     | 79,139               | 7,630                 | 79,139               | 86,637               | (7,498)                |
| Rentals & Leases                         | 25,830                     | 148,620              | (122,790)             | 148,620              | 101,819              | 46,801                 |
| Insurance                                | 46,457                     | 60,331               | (13,874)              | 60,331               | 75,585               | (15,254)               |
| Repair & Maintenance                     | 3,282,513                  | 989,345              | 2,293,168             | 989,345              | 3,464,612            | (2,475,267)            |
| Printing & Binding                       | 5,050                      | 830                  | 4,220                 | 830                  | 11,821               | (10,991)               |
| Other Current Charges                    | 1,842,008                  | 2,413,458            | (571,450)             | 2,413,458            | 3,532,037            | (1,118,579)            |
| Office Supplies                          | 52,152                     | 40,728               | 11,424                | 40,728               | 88,169               | (47,441)               |
| Operating Supplies                       | 205,136                    | 183,754              | 21,382                | 183,754              | 410,471              | (226,717)              |
| Books & Publications                     | 17,537                     | 230,409              | (212,872)             | 230,409              | 8,170                | 222,239                |
| Other Operating Expenses                 | -                          | -                    | -                     | -                    | -                    | -                      |
| <b>TOTAL Operating Expenses</b>          | <b>\$ 26,268,384</b>       | <b>\$ 20,134,604</b> | <b>\$ 6,133,780</b>   | <b>\$ 20,134,604</b> | <b>\$ 29,888,555</b> | <b>\$ (9,753,951)</b>  |
| Operating Expense Credits                | -                          | (9,940)              | 9,940                 | (9,940)              | -                    | (9,940)                |
| <b>GRANTS AND AID</b>                    | <b>\$ 4,698,414</b>        | <b>\$ 1,052,635</b>  | <b>\$ 3,645,779</b>   | <b>\$ 1,052,635</b>  | <b>\$ 2,014,574</b>  | <b>\$ (961,939)</b>    |
| <b>CAPITAL OUTLAY</b>                    | <b>\$ 6,457,664</b>        | <b>\$ 117,399</b>    | <b>\$ 6,340,265</b>   | <b>\$ 117,399</b>    | <b>\$ 1,288,304</b>  | <b>\$ (1,170,905)</b>  |
| <b>TOTAL EXPENDITURES</b>                | <b>\$ 42,524,189</b>       | <b>\$ 27,716,075</b> | <b>14,808,114</b>     | <b>\$ 27,716,075</b> | <b>\$ 40,180,937</b> | <b>\$ (12,464,862)</b> |
| FY11 Budget to FY10 Actual Variance      |                            | 53.43%               |                       |                      |                      |                        |
| FY11 Budget to FY10 Budget Variance      |                            | 5.83%                |                       |                      |                      |                        |
| FY10 Actual to FY10 Budget Variance      |                            | -31.02%              |                       |                      |                      |                        |

We noted the FY11 budget was 53.4% higher than the FY10 actual spending. As detailed on the following pages, the increase is directly attributable to the budgeted grant programs and related expenditures, including a new CDBG grant for Tropical Storm Fay-related items. It should be noted that the FY10 Actual to Budget variance of 31% is also primarily attributable to grant programs and related expenditures. We have separately analyzed the previously identified core areas on the following pages, including an analysis of the FY11 expenditures to-date.

# Housing and Human Services General Operations

Operational spending represents 2.7% of the FY11 budget and 10.6% of the FY10 actual spending. It is one of two areas where the Department and County management have discretion over general revenue spending. As previously noted, our analysis of the General Operations area encompasses the following cost centers:

- HHS General Administration (31% of FY11 General Operations budget), and
- CJS General Administration (69% of FY11 General Operations budget).

## Expenditures – General Operations – Budget to Actual

| Housing and Human Services General Operations |                     |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |
|---|---------------------|---------------------|-----------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
|   | FY 11 YTD           |                     |                       | FY 11               |                     |                         | FY 11               |                     |                    | FY 10               |                     |                    |
|   | ACTUAL              | BUDGET              | VARIANCE              | BUDGET              | ACTUAL              | VARIANCE                | ACTUAL              | BUDGET              | VARIANCE           | BUDGET              | ACTUAL              | VARIANCE           |
| <b>COMPENSATION &amp; BENEFITS</b>            |                     |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |
| Compensation                                  | \$ 627,452          | \$ 741,808          | \$ (114,356)          | \$ 741,808          | \$ 1,749,733        | \$ (1,007,925) *        | \$ 1,749,733        | \$ 1,763,725        | \$ (13,992)        | \$ 1,763,725        | \$ 1,749,733        | \$ (13,992)        |
| Benefits                                      | 288,829             | 322,224             | (33,395)              | 322,224             | 737,083             | (414,859) *             | 737,083             | 800,013             | (62,930)           | 800,013             | 737,083             | (62,930)           |
| <b>TOTAL Compensation &amp; Benefits</b>      | <b>\$ 916,281</b>   | <b>\$ 1,064,032</b> | <b>\$ (147,751) *</b> | <b>\$ 1,064,032</b> | <b>\$ 2,486,816</b> | <b>\$ (1,422,784) *</b> | <b>\$ 2,486,816</b> | <b>\$ 2,563,738</b> | <b>\$ (76,922)</b> | <b>\$ 2,563,738</b> | <b>\$ 2,486,816</b> | <b>\$ (76,922)</b> |
| <b>OPERATING EXPENSES</b>                     |                     |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |
| Professional Services                         | \$ -                | \$ 500              | \$ (500)              | \$ 500              | \$ 4,981            | \$ (4,481)              | \$ 4,980            | \$ 5,000            | \$ (20)            | \$ 5,000            | \$ 4,980            | \$ (20)            |
| Other Contracted Services                     | 30,055              | 8,709               | 21,346                | 8,709               | 59,107              | (50,398)                | 59,107              | 39,938              | 19,169             | 39,938              | 59,107              | 19,169             |
| Travel/Per Diem                               | 2,938               | 4,500               | (1,562)               | 4,500               | 4,550               | (50)                    | 4,550               | 4,500               | 50                 | 4,500               | 4,550               | (50)               |
| Communications & Freight                      | 5,105               | 3,664               | 1,441                 | 3,664               | 5,376               | (1,712)                 | 5,376               | 28,384              | (23,008)           | 28,384              | 5,376               | (23,008)           |
| Utility Services                              | -                   | -                   | -                     | -                   | -                   | -                       | -                   | -                   | -                  | -                   | -                   | -                  |
| Rentals & Leases                              | 31,039              | 3,000               | 28,039                | 3,000               | 111,834             | (108,834) *             | 111,834             | 71,938              | 39,896             | 71,938              | 111,834             | 39,896             |
| Insurance                                     | 7,184               | 7,514               | (330)                 | 7,514               | 23,011              | (15,497)                | 23,011              | 26,922              | (3,911)            | 26,922              | 23,011              | (3,911)            |
| Repair & Maintenance                          | 2,245               | 7,806               | (5,561)               | 7,806               | 2,417               | 5,389                   | 2,417               | 50,000              | (47,583)           | 50,000              | 2,417               | (47,583)           |
| Printing & Binding                            | 40                  | -                   | 40                    | -                   | 366                 | (366)                   | 366                 | 2,000               | (1,634)            | 2,000               | 366                 | (1,634)            |
| Other Current Charges                         | 10,777              | 19,224              | (8,447)               | 19,224              | 30,784              | (11,560)                | 30,784              | 115,405             | (84,621)           | 115,405             | 30,784              | (84,621)           |
| Office Supplies                               | 4,508               | 22,329              | (17,821)              | 22,329              | 18,399              | 3,930                   | 18,399              | 25,000              | (6,601)            | 25,000              | 18,399              | (6,601)            |
| Operating Supplies                            | 2,190               | 500                 | 1,690                 | 500                 | 100,402             | (99,902) *              | 100,402             | 62,494              | 37,908             | 62,494              | 100,402             | 37,908             |
| Books & Publications                          | 652                 | 1,500               | (848)                 | 1,500               | 551                 | 949                     | 551                 | 2,000               | (1,449)            | 2,000               | 551                 | (1,449)            |
| <b>TOTAL Operating Expenses</b>               | <b>\$ 96,733</b>    | <b>\$ 79,246</b>    | <b>\$ 17,487</b>      | <b>\$ 79,246</b>    | <b>\$ 361,778</b>   | <b>\$ (282,532)</b>     | <b>\$ 361,777</b>   | <b>\$ 433,581</b>   | <b>\$ (71,804)</b> | <b>\$ 433,581</b>   | <b>\$ 361,777</b>   | <b>\$ (71,804)</b> |
| Operating Expense Credits                     | -                   | -                   | -                     | -                   | 89,078              | (89,078)                | 89,078              | -                   | 89,078             | -                   | 89,078              | -                  |
| <b>GRANTS AND AID</b>                         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>        | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>        |
| <b>CAPITAL OUTLAY</b>                         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>        | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>        |
| <b>TOTAL EXPENDITURES</b>                     | <b>\$ 1,013,014</b> | <b>\$ 1,143,278</b> | <b>(130,264)</b>      | <b>\$ 1,143,278</b> | <b>\$ 2,937,672</b> | <b>(1,794,394)</b>      | <b>\$ 2,937,671</b> | <b>\$ 2,997,319</b> | <b>(59,648)</b>    | <b>\$ 2,997,319</b> | <b>\$ 2,937,671</b> | <b>(59,648)</b>    |
| Percentage of FY11 Budget Used to-date        | 88.61%              |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |
| FY11 Budget to FY10 Actual Variance           | -61.08%             |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |
| FY11 Budget to FY10 Budget Variance           | -61.86%             |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |
| FY10 Actual to FY10 Budget Variance           | -1.99%              |                     |                       |                     |                     |                         |                     |                     |                    |                     |                     |                    |

\*Variances in these areas are described on the following pages.

# Housing and Human Services General Operations

## *Analysis – General Operations*

As shown, FY11 budgeted expenditures are more than 61% lower than FY10 actual amounts. As of May 2011, 88.6% of the FY11 budget for General Operations had been expended. We have included the FY10 budget and actual amounts for the CJS in order to present a comparative analysis, even though that was a separate department until January 2011. Significant variables that impact the decrease are described below:

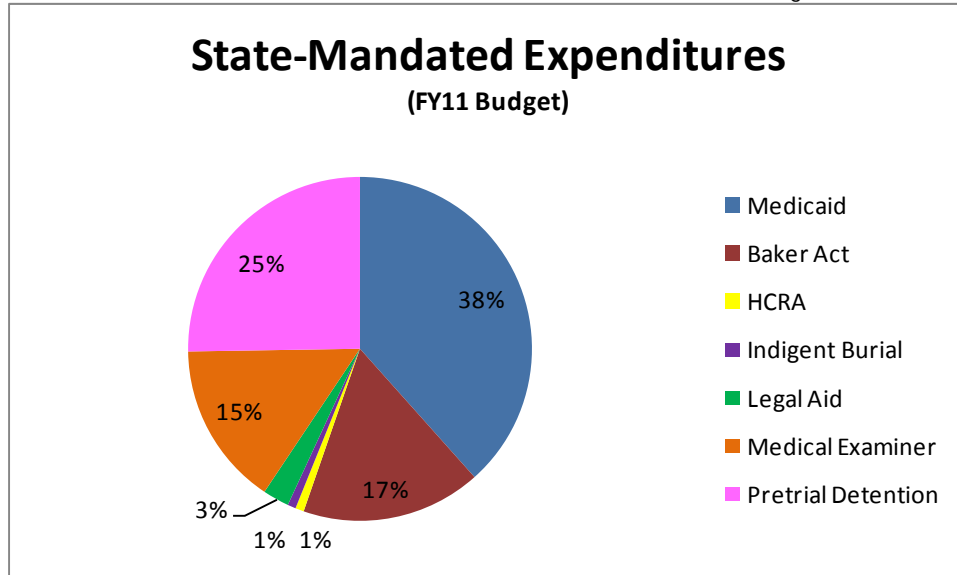
| General Observations   |
|--|
| <p><b>Overall FY11 YTD Actual to Budget:</b></p> <p>The FY11 budget was adopted with the anticipation of the CJS consolidation and partial privatization to occur as of October, 2010. The consolidation actually occurred as of January 2011, leaving 3-4 months of related operational expenditures, including compensation and benefits, leased space and other contracted services to be absorbed in the FY11 budget. As of May 2011, we noted 88.6% of the FY11 budget for General Operations had been expended, indicating a shortfall will occur prior to fiscal year-end (September 30).</p>   |
| <p><b>Future Impact of CJS Consolidation:</b></p> <p>Upon consolidation with HHS, a significant portion of the CJS operations (misdemeanor probation and pretrial release) was approved for privatization by the Board of County Commissioners. Annualized savings was anticipated to be \$400,000 however the fiscal and functional impacts of the consolidation are still being analyzed by HHS and County management. An apples-to-apples comparison is difficult because there are one-time costs during FY11 associated with separation pay as well as the normal cost of operations incurred between the start of the fiscal year and the privatization date. The CJS operating budget for FY11 is 71.4% lower than the FY10 budget as a result of the outsourcing. We encourage the department and County management to continue to analyze the CJS expenditures for a status on the estimated savings.</p> |
| Specific Account Observations  |
| <p><b>Compensation and Benefits:</b></p> <p>With the HHS/CJS consolidation, the privatization of pretrial release and misdemeanor probation resulted in shifting 30+ positions from the County to a private company. It should be noted that all but two of the County probation positions were retained by the company. The County is required by FDLE to perform oversight of the contract requirements and fund two probation officer positions, as there is a portion of the program that cannot be contracted per regulations. In addition to this consolidation, we noted a reduction of HHS operational FTE by 12% from FY10 (3 FTE). As previously noted, the FY11 budget for this area does not appear to be adequate given the timing of the consolidation, although it will be significantly lower than in previous years.</p>  |
| <p><b>Rentals and Leases:</b></p> <p>With the HHS/CJS consolidation, the privatization of pretrial release and misdemeanor probation resulted in non-renewal of leased space in Rockledge as of January 2011. The remaining 3 FTE have been relocated to the Government Center in Viera, and the probation officers are housed at the private company, at no expense to the County. As previously noted, the FY11 budget for this area does not appear to be adequate given the timing of the consolidation, although it will be significantly lower than in previous years.</p>   |
| <p><b>Operating Supplies:</b></p> <p>The FY11 budget included reductions in spending in this area, and based on the FY11 year-to-date actual expenditures of only \$2,100, it appears to have occurred. The FY11 budget has already been expended however and should be monitored for additional unbudgeted spending for the remainder of the fiscal year.</p>   |

## State-Mandated Expenditures

State-mandated expenditures represent approximately 23.7% of the overall department budget for FY11, and were 41% of the actual expenditures for FY10. The County reduced planned expenditures for mandates in order to balance the budget. The result is unfunded mandates. As previously noted, our analysis of the State-mandated expenditures encompasses multiple cost centers, including:

- Medicaid
- Baker Act
- Health Care Responsibility Act (HCRA)
- Indigent Burial
- Legal Aid
- Medical Examiner
- Juvenile Pretrial Detention

The chart below illustrates each mandate's share of the total state-mandated FY11 budget of \$10.3 million.



**Medicaid.** (F.S. 409.915) The largest of the County's required State-mandated expenditures, Medicaid is the nation's health insurance program for low income persons created by the Federal government in 1965 pursuant to Title XIX of the Social Security Act. Medicaid is an entitlement program for individuals who meet specific eligibility standards. The Federal government establishes general requirements concerning funding, quality and scope of services, while states have flexibility to determine eligibility, reimbursement rates, benefits and service delivery. The Medicaid program is jointly funded by the federal and state governments based on a formula and current federal regulations cap the state portion at 50%. Florida's portion in 2011 was 44.5% and 44% in 2010. Each state administers its Medicaid program within broad federal guidelines. Medicaid spending is influenced by the number of enrollees, the price of services, and the volume of services used.

Florida is one of only nine states that require counties to share in the cost of Medicaid. Mandated by Florida Statute 409.915, counties are required to pay 35% of the eligible costs up to \$55 per person, per month, and have 60 days to submit the payments to the State. Failure to make payments could result in withholding of cigarette tax receipts or "any other funds to be distributed to the counties" such as sales tax or other revenue share items. In March 2011, the Florida agency that administers Medicaid, the American Health Care Association (AHCA), notified 21 counties that their collection rates were below State requirements and that the State would begin withholding cigarette tax receipts in accordance with F.S. 409.915. Brevard was not one of them. Brevard's collection rate for the past 3 years is 91%. The State's threshold used for the audit was 75%.

In a September 2010 article in *The Fiscal Times* it was noted that Florida Medicaid enrollees have increased from 2 million to 2.8 million since 2007, with spending climbing more than 25% to \$20 billion. In both cases, these growth rates are double the national average. Florida Medicaid enrollments for FY11 were expected to be more than 3 million. Even with the State's recent proposals for changes in Medicaid, anticipated spending actually increased by \$2 billion across the State due to increases in enrollment and the reduction in Federal match.

## State-Mandated Expenditures

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*Baker Act*: (F.S. 394.451) The Florida Mental Health Act, or "Baker Act" requires counties to match, on a 3:1 ratio, the costs of providing emergency services, temporary admission for diagnosis and evaluation, and short-term treatment to prevent long-term admission to a State mental health institution.

*Health Care Responsibility Act (HCRA)*: (F.S. 154.306(3)) In 1977, the state legislature determined it is inequitable for hospitals and taxpayers of one county to be expected to subsidize the care of out-of-county indigent persons. In order to assure that adequate and affordable health care is available to all Floridians, the Health Care Responsibility Act (HCRA) was enacted. The Act places the ultimate financial obligation for an indigent patient's out-of-county emergency care on the county in which the indigent patient resides. Under this mandate, the County reimburses out-of-county hospitals for patient care to qualified indigent in-county residents.

*Indigent Burial*: (F.S. 246.06-08) Each county in Florida is mandated by the state to dispose of any unclaimed bodies of persons that die within the confines of their county, as well as provide burial/cremation assistance of up to \$450 to qualified persons.

*Legal Aid*: F.S. 29.008(3)(a) Counties are required to provide legal services to the poor and disadvantaged with focused efforts on family law cases with an identified priority for survivors of domestic violence. This program also administers the *pro bono* services. Legal Aid is funded by court costs but requires a match from general revenue at a level equal to or greater than the amount provided from filing fees and surcharges to legal aid programs.

*Medical Examiner*: (F.S. 406.08) State law requires fees, salaries, and expenses of the medical examiner's office to be paid from the general funds or any other funds under the control of the Board of County Commissioners. The district medical examiner shall submit an annual budget to the board. The Medical Examiner performs death investigations as well as autopsies and external examinations.

*Juvenile Pretrial Detention*: (F.S. 985.686) Florida Statute requires the state and the counties have a joint obligation to contribute to the financial support of the detention care provided for juveniles. Each county shall pay the costs of providing detention care for juveniles who reside in that county for the period of time prior to final court disposition. The annual amount is based upon the prior use of secure detention for juveniles who are residents of that county, as calculated by the State. Each county shall pay the estimated costs at the beginning of each month. Any difference between the estimated costs and actual costs are reconciled at the end of the state fiscal year. The Department of Juvenile Justice determines each quarter whether the counties are remitting their share of the costs of detention.

Juvenile detention costs have been a sore spot among local government officials since the State began charging for the service in 2005. That year, the legislature decided to start treating juvenile detention like adult incarceration, with counties picking up pre-trial jail costs and the state paying for those found guilty and sentenced to prison. In a January 2010 article in the *St. Petersburg Times*, Hillsborough County calculated that the daily cost of juvenile pretrial detention was approximately \$280 per detainee, more than the cost of a hotel room and more than the cost of an adult inmate. At that time, the State Department of Juvenile Justice officials said those costs shouldn't be compared with adult jails, nor the cost of a hotel stay, because young detainees require close supervision, are housed in smaller facilities and separated by age, gender and the seriousness of their crimes.

# State-Mandated Expenditures

## Expenditures – Mandates – Budget to Actual

|  | State-Mandated Expenditures |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |
|--|-----------------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|---------------------|-------|--|--|
|  | FY 11 YTD                   |                      |                       | FY 11                |                      |                       | FY 11                |                      |                     | FY 10 |  |  |
|  | ACTUAL                      | BUDGET               | VARIANCE              | BUDGET               | ACTUAL               | VARIANCE              | ACTUAL               | BUDGET               | VARIANCE            |       |  |  |
| <b>COMPENSATION &amp; BENEFITS</b>       |                             |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |
| Compensation                             | \$ 423,074                  | \$ 745,543           | \$ (322,469)          | \$ 745,543           | \$ 764,398           | \$ (18,855)           | \$ 764,398           | \$ 761,581           | \$ 2,817            |       |  |  |
| Benefits                                 | 183,921                     | 332,677              | (148,756)             | 332,677              | 324,143              | 8,534                 | 324,143              | 319,682              | 4,461               |       |  |  |
| <b>TOTAL Compensation &amp; Benefits</b> | <b>\$ 606,995</b>           | <b>\$ 1,078,220</b>  | <b>\$ (471,225)</b> * | <b>\$ 1,078,220</b>  | <b>\$ 1,088,541</b>  | <b>\$ (10,321)</b>    | <b>\$ 1,088,541</b>  | <b>\$ 1,081,263</b>  | <b>\$ 7,278</b>     |       |  |  |
| <b>OPERATING EXPENSES</b>                |                             |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |
| Professional Services                    | \$ 2,779,633                | \$ 4,107,727         | \$ (1,328,094)        | \$ 4,107,727         | \$ 5,087,211         | \$ (979,484)          | \$ 5,087,211         | \$ 5,144,618         | \$ (57,407)         |       |  |  |
| Other Contracted Services                | 3,033,792                   | 4,984,732            | (1,950,940)           | 4,984,732            | 5,284,345            | (299,613)             | 5,284,345            | 5,314,877            | (30,532)            |       |  |  |
| Travel/Per Diem                          | 183                         | 4,000                | (3,817)               | 4,000                | 2,831                | 1,169                 | 2,831                | 4,200                | (1,369)             |       |  |  |
| Communications & Freight                 | 1,240                       | 2,200                | (960)                 | 2,200                | 1,245                | 955                   | 1,245                | 2,284                | (1,039)             |       |  |  |
| Utility Services                         | 25,499                      | 56,700               | (31,201)              | 56,700               | 51,719               | 4,981                 | 51,719               | 56,700               | (4,981)             |       |  |  |
| Rentals & Leases                         | 1,315                       | 3,300                | (1,985)               | 3,300                | 1,904                | 1,396                 | 1,904                | 3,300                | (1,396)             |       |  |  |
| Insurance                                | 4,425                       | 10,774               | (6,349)               | 10,774               | 8,348                | 2,426                 | 8,348                | 11,916               | (3,568)             |       |  |  |
| Repair & Maintenance                     | 15,115                      | 18,000               | (2,885)               | 18,000               | 21,047               | (3,047)               | 21,047               | 29,000               | (7,953)             |       |  |  |
| Printing & Binding                       | 236                         | -                    | 236                   | -                    | 219                  | (219)                 | 219                  | 900                  | (681)               |       |  |  |
| Other Current Charges                    | 1,100                       | 1,184                | (84)                  | 1,184                | 1,702                | (518)                 | 1,702                | 2,200                | (498)               |       |  |  |
| Office Supplies                          | 3,220                       | 5,000                | (1,780)               | 5,000                | 4,175                | 825                   | 4,175                | 5,600                | (1,425)             |       |  |  |
| Operating Supplies                       | 23,440                      | 35,000               | (11,560)              | 35,000               | 36,890               | (1,890)               | 36,890               | 87,709               | (50,819)            |       |  |  |
| Books & Publications                     | 1,187                       | 1,200                | (13)                  | 1,200                | 1,002                | 198                   | 1,002                | 1,200                | (198)               |       |  |  |
| <b>TOTAL Operating Expenses</b>          | <b>\$ 5,890,385</b>         | <b>\$ 9,229,817</b>  | <b>\$ (3,339,432)</b> | <b>\$ 9,229,817</b>  | <b>\$ 10,502,638</b> | <b>\$ (1,272,821)</b> | <b>\$ 10,502,638</b> | <b>\$ 10,664,504</b> | <b>\$ (161,866)</b> |       |  |  |
| Operating Expense Credits                | -                           | -                    | -                     | -                    | -                    | -                     | -                    | -                    | -                   |       |  |  |
| <b>GRANTS AND AID</b>                    | <b>\$ -</b>                 | <b>\$ -</b>          | <b>\$ -</b>           | <b>\$ -</b>          | <b>\$ 27,078</b>     | <b>\$ (27,078)</b>    | <b>\$ 27,078</b>     | <b>\$ -</b>          | <b>\$ 27,078</b>    |       |  |  |
| <b>CAPITAL OUTLAY</b>                    | <b>\$ -</b>                 | <b>\$ 24,905</b>     | <b>\$ (24,905)</b>    | <b>\$ 24,905</b>     | <b>\$ 894</b>        | <b>\$ 24,011</b>      | <b>\$ 894</b>        | <b>\$ 900</b>        | <b>\$ (6)</b>       |       |  |  |
| <b>TOTAL EXPENDITURES</b>                | <b>\$ 6,497,380</b>         | <b>\$ 10,332,942</b> | <b>\$ (3,835,562)</b> | <b>\$ 10,332,942</b> | <b>\$ 11,619,151</b> | <b>\$ (1,286,209)</b> | <b>\$ 11,619,151</b> | <b>\$ 11,746,667</b> | <b>\$ (127,516)</b> |       |  |  |
| Percentage of FY11 Budget Used to-date   | 62.88%                      |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |
| FY11 Budget to FY10 Actual Variance      | -11.07%                     |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |
| FY11 Budget to FY10 Budget Variance      | -12.04%                     |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |
| FY10 Actual to FY10 Budget Variance      | -1.09%                      |                      |                       |                      |                      |                       |                      |                      |                     |       |  |  |

\*Variances in these areas are described on the following pages.

# State-Mandated Expenditures

## Expenditures – Mandates – Budget to Actual

Below are the details by mandated item for the Professional Services and Other Contracted Services amounts.

| PROFESSIONAL SERVICES - MANDATES       |                  |                  |                    |                  |                  |                  |                  |                  |                 |
|--|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| NAME                                   | FY11 YTD ACTUAL  | FY11 BUDGET      | Variance           | FY11 BUDGET      | FY10 ACTUALS     | Variance         | FY10 ACTUALS     | FY10 BUDGET      | Variance        |
| State Mandated Costs                   |                  |                  |                    |                  |                  |                  |                  |                  |                 |
| Inmate Medical Services                | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| Medicaid                               | 2,715,979        | 3,944,427        | (1,228,448) *      | 3,944,427        | 4,871,264        | (926,837) *      | 4,871,264        | 4,864,318        | 6,946           |
| Baker Act                              | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| Health Care Responsibility Act         | 20,748           | 83,000           | (62,252)           | 83,000           | 105,883          | (22,883)         | 105,883          | 200,000          | (94,117)        |
| Indigent Burial                        | 42,906           | 80,000           | (37,094)           | 80,000           | 109,515          | (29,515)         | 109,515          | 80,000           | 29,515          |
| Legal Aid                              | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| Medical Examiner                       | -                | 300              | (300)              | 300              | 549              | (249)            | 549              | 300              | 249             |
| Juvenile Justice / Pretrial Detention  | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| <b>Total State Mandated Costs</b>      | <b>2,779,633</b> | <b>4,107,727</b> | <b>(1,328,094)</b> | <b>4,107,727</b> | <b>5,087,211</b> | <b>(979,484)</b> | <b>5,087,211</b> | <b>5,144,618</b> | <b>(57,407)</b> |
| Percentage of FY11 Budget Used to-date | 67.67%           |                  |                    |                  |                  |                  |                  |                  |                 |
| FY11 Budget to FY10 Actual Variance    | -19.25%          |                  |                    |                  |                  |                  |                  |                  |                 |
| FY11 Budget to FY10 Budget Variance    | -20.16%          |                  |                    |                  |                  |                  |                  |                  |                 |
| FY10 Actual to FY10 Budget Variance    | -1.12%           |                  |                    |                  |                  |                  |                  |                  |                 |

| OTHER CONTRACTUAL SERVICES - MANDATES  |                  |                  |                    |                  |                  |                  |                  |                  |                 |
|--|------------------|------------------|--------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| NAME                                   | FY11 YTD ACTUAL  | FY11 BUDGET      | Variance           | FY11 BUDGET      | FY10 ACTUALS     | Variance         | FY10 ACTUALS     | FY10 BUDGET      | Variance        |
| State Mandated Costs                   |                  |                  |                    |                  |                  |                  |                  |                  |                 |
| Inmate Medical Services                | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| Medicaid                               | -                | -                | -                  | -                | 1,023            | (1,023)          | 1,023            | -                | 1,023           |
| Baker Act                              | 874,253          | 1,748,507        | (874,254) *        | 1,748,507        | 1,748,507        | -                | 1,748,507        | 1,748,507        | -               |
| Health Care Responsibility Act         | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| Indigent Burial                        | -                | -                | -                  | -                | -                | -                | -                | -                | -               |
| Legal Aid                              | 153,630          | 256,500          | (102,870)          | 256,500          | 256,500          | -                | 256,500          | 256,500          | -               |
| Medical Examiner                       | 80,417           | 370,962          | (290,545) *        | 370,962          | 274,232          | 96,730           | 274,232          | 305,787          | (31,555)        |
| Juvenile Justice / Pretrial Detention  | 1,925,492        | 2,608,763        | (683,271) *        | 2,608,763        | 3,004,083        | (395,320) *      | 3,004,083        | 3,004,083        | -               |
| <b>Total State Mandated Costs</b>      | <b>3,033,792</b> | <b>4,984,732</b> | <b>(1,950,940)</b> | <b>4,984,732</b> | <b>5,284,345</b> | <b>(299,613)</b> | <b>5,284,345</b> | <b>5,314,877</b> | <b>(30,532)</b> |
| Percentage of FY11 Budget Used to-date | 60.86%           |                  |                    |                  |                  |                  |                  |                  |                 |
| FY11 Budget to FY10 Actual Variance    | -5.67%           |                  |                    |                  |                  |                  |                  |                  |                 |
| FY11 Budget to FY10 Budget Variance    | -6.21%           |                  |                    |                  |                  |                  |                  |                  |                 |
| FY10 Actual to FY10 Budget Variance    | -0.58%           |                  |                    |                  |                  |                  |                  |                  |                 |

## State-Mandated Expenditures

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### *Analysis – Mandates*

As shown, FY11 budgeted expenditures decreased 11% over FY10 actual amounts. As of May 2011, 62.9% of the FY11 budget for State-Mandated Expenditures had been expended. For FY10, we have included the budget and actual mandates for CJS in order to present a comparative analysis, even though that was a separate department until January 2011. The CJS mandates include the medical examiner and juvenile pretrial detention. Significant variables we noted are described below:

| General Observations  |
|---|
| <p><b>Budget structure:</b></p> <p>The responsibility for State-mandated expenditures lies with the County and HHS processes the payments. HHS has implemented controls around processing the payments, and these mandated costs roll-up into the overall budget presented for the Department without distinguishing the anticipated amounts from HHS non-mandated spending. We noted in several of the County's peer agencies that the housing department or its equivalent processes the payments in those counties as well. However, most separate the mandated expenditures into a separate program profile in order to distinguish between core functions of the department and the mandates. We encourage the County to consider separating mandates from the other functions of the budget to provide a better understanding of what the mandates are for and how they are funded, as well as present a truer picture of the HHS actual operating and program-related budget.</p>  |
| <p><b>Budget Methodology:</b></p> <p>The State does not provide projection information to the Counties to assist with the budgeting process for mandates. HHS works with the Budget office and uses various methods to estimate for mandated costs. For example, Medicaid is estimated based on the trends for the previous few years and then adjusted based on what the proposed budget can support to balance revenues and expenditures. Since Medicaid costs are said to fluctuate similarly to healthcare costs, one method of budgeting for Medicaid the County could consider could be to apply the same factors used when budgeting for the County's healthcare benefits. Another option might be to work with the State or local agencies to analyze the County enrollment trends and then use the FMAP formula to make projections.</p> <p>The consolidation of CJS into HHS has assigned two mandated areas not previously processed by HHS - the Medical Examiner and the Department of Juvenile Justice's pretrial detention program. The department will also work closely with the Budget office and County management to understand and budget for the two mandates related to CJS.</p> <p>Another item of note is that the arrestee/inmate medical care line item has not been budgeted for FY11 (per F.S. 901.35). Discussion with the Department and review of the prior expenditures in this area indicate that because there have been no expenditures in recent years the item was not budgeted in FY11. The Department Director is aware of a case in litigation that could potentially result in more than \$100K of expenditures which have not been budgeted.</p> |
| <p><b>Legal Aid:</b></p> <p>Legal Aid is a State-mandated expenditure that is primarily funded by court costs, but requires a supplement from general revenue. This is the only mandate that has a primary revenue source other than general revenue. In FY10 and FY11, the subsidy was \$48K and \$63K, respectively. The FY11 year-to-date trend is slightly lower than anticipated.</p>  |

# State-Mandated Expenditures

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## *Analysis – Mandates*

| Specific Account Observations  |
|--|
| <p><b>Compensation and Benefits:</b></p> <p>The Medical Examiner budget for FY11 is \$1.5M, including \$1M in Compensation and Benefits. The year-to-date expenditures for this line item are lower than the pro-rated budget amount – about 56% of the budget had been spent during 65% of the year. This is due to vacant positions. The annualized dollar impact of a 9% surplus is about \$90K.</p>  |
| <p><b>Professional Services and Other Contracted Services:</b></p> <p>The FY11 budget for these line items is 14.5% lower than the FY10 actual spending. During the FY11 budget workshops last year, we noted a conscious awareness by the Department, County management and the Commissioners that the mandates were likely budgeted at lower than anticipated costs. We also noted that the County's budgeted reserve included a commitment to Medicaid of \$1.2M.</p> <p>Although the overall spending for these amounts appears to be in line with the budget for FY11 (64% expended during 65% of the year), we noted the Medicaid cost trends year-to-date for FY11 are higher than the budgeted amounts. In addition, the June 2011 Medicaid payment of \$867K is not included in the figures reported on the previous page, leaving approximately \$400K in the Medicaid budget to fund 4 remaining months in FY11. The Department staff has notified the Budget Office that a Budget Change Request (BCR) will be needed for Medicaid and they are working to determine the amount. We noted the County's general reserve included a \$1.2M reserve for Medicaid, which was not included in the HHS budget.</p> <p>Per discussion with the department, there is also added concern over the trend for HCRA and the juvenile pretrial detention mandates. The juvenile pretrial detention program is the 2<sup>nd</sup> largest mandate for the County, budgeted is \$2.6M and included in Other Contracted Services. The budgets for these items will continue to be monitored by HHS as the billings are received.</p> |

# State-Mandated Expenditures

## Analysis – Mandates

### Medicaid Payment Methodology:

The AHCA recently audited collection of payments to the State by all the counties. As a result, any County which paid less than 75% of the amounts billed for Medicaid services since 2009 will be subject to withholdings of other revenues by the State. Twenty-one (21) of 67 counties fall below 75% collection.

According to the report, Brevard has paid 91% (\$12.3M) of billings since October 1, 2008 (\$13.4M). HHS states that the intent is to pay 100% of the billings, as required by statute, and the difference is primarily related to timing of payments and claims that the County is disputing.

Below is a selection of counties with similar billings for comparison, per the AHCA's report:

| County:  | Billings since 10/1/2008: | Collection Rate: |
|----------|---------------------------|------------------|
| Brevard  | \$ 13,438,662             | 91%              |
| Pasco    | 11,213,800                | 88%              |
| Volusia  | 14,040,923                | 85%              |
| Lee      | 15,241,585                | 83%              |
| Seminole | 9,487,188                 | 78%              |
| Osceola* | 9,227,332                 | 58%              |
| Polk*    | 20,379,544                | 50%              |

\*Included on the AHCA's report for catch-up payments.

According to the audit, Brevard is the 11<sup>th</sup> highest county in the State for Medicaid billings, and out of those 11, made the 2<sup>nd</sup> highest percentage of actual payments, behind Miami-Dade. Additionally, there were 23 counties who paid a higher percentage than Brevard and only Miami-Dade had a higher allocation than Brevard. For the other 22 counties with a higher paid ratio than Brevard, the average billings for the audit period were \$1.58M. Brevard's billings were \$13.4M. There were also 22 counties that paid a lower percentage than Brevard, but still were above the 75%. The average billings for those counties were \$9.26M, including Hillsborough, Duval and Palm Beach Counties. Without those three outliers (averaging \$37.1M), the average billing is \$4.86M.

There is no way of knowing whether the State will increase the desired collection rate or how often they will audit the collections and request catch-up payments. We encourage the County to reach out to other counties and peer agencies to understand how they interpret these mandated payments differently than Brevard and have been able to pay less, for informational use and consideration during the FY12 budget process.

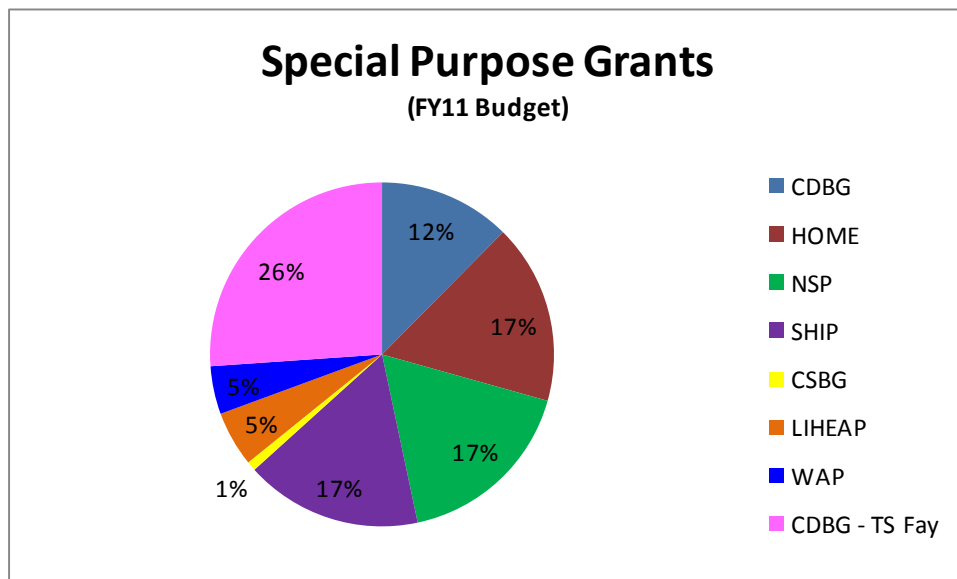
## Special-Purpose Grant Programs

State and Federal Program Funding represents 64.6% of the overall department budget for FY11, and were 34.6% of the actual expenditures for FY10. None of the programs administered in this area are mandated by the State to be offered by the County. It is common that counties administer such programs, and once they are offered there are multiple compliance requirements that need to be monitored to ensure that the funding received from the state and federal governments is spent appropriately.

As previously noted, our analysis of the special-purpose grant programs encompasses multiple cost centers, including:

- Community Development Block Grant (CDBG)
- HOME Investments Partnership
- Neighborhood Stabilization Program (NSP)
- Low-Income Home Energy Assistance (LIHEAP)
- Community Services Block Grant (CSBG)
- Weatherization Assistance (WAP)
- State Housing Initiatives Partnership (SHIP)

As described below, several of these programs are related to the American Recovery and Reinvestment Act (ARRA) of 2009. The chart below illustrates each program's share of the total awarded FY11 budget of \$27.5 million.



**Community Development Block Grant (CDBG):** The objective of the CDBG program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. A wide-range of community based activities are allowed, directed toward neighborhood revitalization, economic development, and community services, facilities and improvements. Each CDBG eligible activity must meet one of three national objectives: benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or meet other allowable community development needs. CDBG was created in 1974, and in 2009 the program was expanded under ARRA with additional compliance requirements for projects awarded under the ARRA portion of the program.

**HOME Investment Partnerships Program:** The objective of the HOME program is to expand the supply of affordable housing, particularly rental housing, for low and very low income people. Program funds may be used for housing rehabilitation, tenant-based rental assistance, assistance to homebuyers, and acquisition of new housing or new construction of housing. Funding may also be used for site acquisition, site improvement, demolition or relocation, and up to 10% may be used for administrative costs. Funds may not be used for public housing modernization, matching funds for other Federal programs, or reserves or operating subsidies for rental housing.

## Special-Purpose Grant Programs

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Neighborhood Stabilization Program (NSP): NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. This goal would be realized through the purchase and redevelopment of foreclosed and abandoned homes and residential properties. Originally authorized under the Housing and Economic Recovery Act (HERA) of 2008 the program was expanded under ARRA in 2009, and again under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010, providing a third round of neighborhood stabilization grants to all states and select governments on a formula basis.

State Housing Initiatives Partnership (SHIP): Similar to the Federal CDBG program, the State's SHIP program was created to expand production of and preserve affordable housing and to increase housing-related employment. At least 65% of the funds must be reserved for home ownership (i.e., First Time Homebuyer assistance) for eligible persons. At least 75% must be reserved for construction, rehabilitation or emergency repair of affordable, eligible housing. At least 30% of funds must be used on very-low income persons, and at least 30% on low-income persons. The State appropriation for SHIP came from documentary stamps tax and was paid to the County in advance. There has been no new funding since FY09, but previous years' advances are still being spent.

Community Services Block Grant (CSBG): CSBG was created for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient. The self-sufficiency program is designed to help families with multi dimensional problems help themselves to be independent of public assistance. Barriers often include: lack of education, employment/training, vocational training, work experience, transportation, and child care. Local agencies work cooperatively to ensure that participants in this program receive appropriate services during their transition toward becoming independent families. Those services might include child care, rent assistance, tuition/books, uniforms, job placement, and minor car repairs. CSBG was expanded in 2009 under ARRA with additional compliance requirements for projects awarded under the ARRA portion of the program.

Low-Income Home Energy Assistance (LIHEAP): The mission of LIHEAP is to assist low income households, particularly those with the lowest incomes that pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs. By assisting with these energy bills in the form of an annual credit or emergency assistance with a security deposit or final notice payment, LIHEAP can help families stay cool in the summer and warm in the winter. By doing so, they can reduce the risk of health and safety problems (such as illness, fire or eviction). Up to 10% can be used for administrative costs.

Weatherization Assistance for Low-Income Persons (WAP): Authorized by ARRA, this program was created to improve home energy efficiency for low-income families by reducing fossil fuel emissions and reducing the total energy usage while ensuring safety. The program meets these objectives by improving the thermal efficiency and cooling of dwellings by the installation of weatherization materials such as attic insulation, caulking, weather-stripping, furnace efficiency modifications, certain mechanical measures to heating and cooling systems, and replacement furnaces, boilers and air conditioners. Average expenditures per dwelling may not exceed \$6,500. Up to 10% of the grant may be spent on administrative expenses.

# Special-Purpose Grant Programs

## Expenditures – Grants – Budget to Actual

| Housing and Human Services Special Purpose Grant Programs |                     |                      |                        |                      |                     |                     |                     |                      |                          |        |        |          |
|---|---------------------|----------------------|------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|--------------------------|--------|--------|----------|
|   | FY 11 YTD           |                      |                        | FY 11                |                     |                     | FY 10               |                      |                          | FY 10  |        |          |
|   | ACTUAL              | BUDGET               | VARIANCE               | BUDGET               | ACTUAL              | VARIANCE            | ACTUAL              | BUDGET               | VARIANCE                 | ACTUAL | BUDGET | VARIANCE |
| <b>COMPENSATION &amp; BENEFITS</b>                        |                     |                      |                        |                      |                     |                     |                     |                      |                          |        |        |          |
| Compensation  | \$ 490,941          | \$ 764,877           | \$ (273,936)           | \$ 764,877           | \$ 703,100          | \$ 61,777           | \$ 703,100          | \$ 1,019,040         | \$ (315,940)             |        |        |          |
| Benefits  | 213,757             | 338,708              | (124,951)              | 338,708              | 296,255             | 42,453              | 296,255             | 271,640              | 24,615                   |        |        |          |
| <b>TOTAL Compensation &amp; Benefits</b>                  | <b>\$ 704,698</b>   | <b>\$ 1,103,585</b>  | <b>\$ (398,887)</b>    | <b>\$ 1,103,585</b>  | <b>\$ 999,355</b>   | <b>\$ 104,230</b>   | <b>\$ 999,355</b>   | <b>\$ 1,290,680</b>  | <b>\$ (291,325)</b>      |        |        |          |
| <b>OPERATING EXPENSES</b>                                 |                     |                      |                        |                      |                     |                     |                     |                      |                          |        |        |          |
| Professional Services                                     | \$ -                | \$ -                 | \$ -                   | \$ -                 | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                     |        |        |          |
| Other Contracted Services                                 | 2,282,525           | 11,023,797           | (8,741,272)            | 11,023,797           | 4,996,114           | 6,027,683           | 4,996,114           | 10,968,522           | (5,972,408)              |        |        |          |
| Travel/Per Diem   | 10,562              | 37,112               | (26,550)               | 37,112               | 20,647              | 16,465              | 20,647              | 59,296               | (38,649)                 |        |        |          |
| Communications & Freight                                  | 3,318               | 6,271                | (2,953)                | 6,271                | 4,753               | 1,518               | 4,753               | 21,490               | (16,737)                 |        |        |          |
| Utility Services  | 1,002               | -                    | 1,002                  | -                    | 1,376               | (1,376)             | 1,376               | 1,000                | 376                      |        |        |          |
| Rentals & Leases  | 10,238              | 15,552               | (5,314)                | 15,552               | 27,116              | (11,564)            | 27,116              | 25,381               | 1,735                    |        |        |          |
| Insurance   | 7,259               | 10,352               | (3,093)                | 10,352               | 11,984              | (1,632)             | 11,984              | 11,597               | 387                      |        |        |          |
| Repair & Maintenance                                      | 469,379             | 3,166,283            | (2,696,904)            | 3,166,283            | 916,954             | 2,249,329           | 916,954             | 3,296,703            | (2,379,749)              |        |        |          |
| Printing & Binding  | 40                  | 4,300                | (4,260)                | 4,300                | 133                 | 4,167               | 133                 | 8,171                | (8,038)                  |        |        |          |
| Other Current Charges                                     | 1,447,924           | 1,465,929            | (18,005)               | 1,465,929            | 2,062,931           | (597,002)           | 2,062,931           | 3,080,536            | (1,017,605)              |        |        |          |
| Office Supplies   | 6,011               | 20,423               | (14,412)               | 20,423               | 11,541              | 8,882               | 11,541              | 49,174               | (37,633)                 |        |        |          |
| Operating Supplies  | 9,843               | 31,695               | (21,852)               | 31,695               | 19,652              | 12,043              | 19,652              | 148,601              | (128,949)                |        |        |          |
| Books & Publications                                      | 35,826              | 13,287               | 22,539                 | 13,287               | 227,918             | (214,631)           | 227,918             | 3,750                | 224,168                  |        |        |          |
| <b>TOTAL Operating Expenses</b>                           | <b>\$ 4,283,927</b> | <b>\$ 15,795,001</b> | <b>\$ (11,511,074)</b> | <b>\$ 15,795,001</b> | <b>\$ 8,301,119</b> | <b>\$ 7,493,882</b> | <b>\$ 8,301,119</b> | <b>\$ 17,674,221</b> | <b>\$ (9,373,102)</b>    |        |        |          |
| Operating Expense Credits                                 | -                   | -                    | -                      | -                    | (99,018)            | 99,018              | (99,018)            | -                    | (99,018)                 |        |        |          |
| <b>GRANTS AND AID</b>                                     | <b>\$ 391,605</b>   | <b>\$ 4,163,214</b>  | <b>\$ (3,771,609)</b>  | <b>\$ 4,163,214</b>  | <b>\$ 271,040</b>   | <b>\$ 3,892,174</b> | <b>\$ 271,040</b>   | <b>\$ 1,132,669</b>  | <b>\$ (861,629)</b>      |        |        |          |
| <b>CAPITAL OUTLAY</b>                                     | <b>\$ 521,919</b>   | <b>\$ 6,432,759</b>  | <b>\$ (5,910,840)</b>  | <b>\$ 6,432,759</b>  | <b>\$ 108,980</b>   | <b>\$ 6,323,779</b> | <b>\$ 108,980</b>   | <b>\$ 1,277,937</b>  | <b>\$ (1,168,957)</b>    |        |        |          |
| <b>TOTAL EXPENDITURES</b>                                 | <b>\$ 5,902,149</b> | <b>\$ 27,494,559</b> | <b>(21,592,410) *</b>  | <b>\$ 27,494,559</b> | <b>\$ 9,581,476</b> | <b>17,913,083 *</b> | <b>\$ 9,581,476</b> | <b>\$ 21,375,507</b> | <b>\$ (11,794,031) *</b> |        |        |          |
| Percentage of FY11 Budget Used to-date                    |                     |                      | 21.47%                 |                      |                     |                     |                     |                      |                          |        |        |          |
| FY11 Budget to FY10 Actual Variance                       |                     |                      | 186.96%                |                      |                     |                     |                     |                      |                          |        |        |          |
| FY11 Budget to FY10 Budget Variance                       |                     |                      | 28.63%                 |                      |                     |                     |                     |                      |                          |        |        |          |
| FY10 Actual to FY10 Budget Variance                       |                     |                      | -55.18%                |                      |                     |                     |                     |                      |                          |        |        |          |

\*Variances in these areas are described on the following pages.

# Special-Purpose Grant Programs

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## *Analysis – Grants*

As shown, FY11 budgeted expenditures increased 187% over FY10 actual amounts and the FY11 budget is up 28.6% from FY10. As of May 2011, 21.5% of the FY11 budget for Special-Purpose Grant Programs had been expended. Significant variables we noted are described below:

| General Observations   |
|--|
| <p><b>Budgeting Methodology:</b></p> <p>For budgeting purposes, the Department budgets the remaining balance of the total program awards each fiscal year even though the funds may be spent over multiple years. This is done in order to agree to the Board-approved contracts for the full award amount as well as to monitor the period of availability of the funds. While we understand that this is a measure of what is available for spending rather than the actual amounts that will be spent, the Department should consider budgeting only the anticipated expenditures for the year and separately disclosing in the body of the budget document what the program balances are in total. Doing so reduces the public expectation gap of what will actually occur during the year related to program activities. Additionally, analysis of budget versus actual will more closely reflect anticipated activities.</p> <p>Also related, the expenditures for SHIP that are included in Balance Forward (see below) should only be budgeted for the current year expenditures. The remaining balance should be considered a restricted or capital reserve, whichever applies. For example, if only \$1M is expected to be spent in FY11, then \$1M would be budgeted in operating expenditures and \$3.6M in reserves. Right now, \$4.6M is included in operating expenditures.</p>   |
| <p><b>Fluctuations in expenditures:</b></p> <p>As previously described in the Financial Overview section, significant fluctuations in grant expenditures can occur due to the timing of expenditures, specific grant provisions. In any given year, the expenditures for each program could be related to multiple award years. There are multiple audits over the expenditures to ensure they are appropriate and reported in the correct period. See below related to Compliance Audits.</p>   |
| <p><b>Administrative Costs:</b></p> <p>As previously noted in the Financial Overview section, potentially shifting indirect administrative costs to grant programs is attractive and should be analyzed. Although the Budget office does still allocate indirect costs to the various departments each year, the costs are not eligible for reimbursement by grant programs because an indirect cost rate has not been approved. A significant consideration of applying an indirect cost rate is the timing of the allocation and true-up, which occurs after period end and usually after the administrative portion of the grant award has already been reached.</p> <p>We understand that the County's Budget Office is working on an indirect cost proposal to be included in future grant applications (if approved) which could potentially offset a portion of the indirect costs borne by the County (and currently allocated to HHS) to administer these programs, such as IT, Fleet, Finance, etc. While that will help reduce the County's burden for these costs, the indirect cost allocation may decrease the allowable direct administrative costs already being included in the program expenditures by HHS. The total allowable administrative portion varies by program and may be capped at a flat percentage, whether direct or indirect. Once the indirect cost rate is approved, HHS and Budget will need to work together to ensure compliance with each program's requirements.</p> <p>Potentially shifting administrative costs to grant programs is attractive, but the cost of non-compliance with program requirements exceeds the benefit of shifting unallowable costs, even temporarily.</p> |

# Special-Purpose Grant Programs

## Analysis – Grants

### Compliance Audits:

Audits are routinely performed by granting agencies and the County’s external auditors to ensure compliance with program-specific rules as well as federal and state regulations. The American Recovery and Reinvestment Act of 2009 (ARRA) has resulted in additional scrutiny with a strong emphasis on compliance and transparency in documentation. The audits that have occurred during the last two years (for grants expended in FY09 and FY10) include the following:

| Program                            | Audited by                             |
|------------------------------------|--|
| CDBG – FY09 and FY10               | Berman, Hopkins, Wright & LaHam (BHWL) |
| SHIP                               | BHWL                                   |
| HOME                               | BHWL                                   |
| LIHEAP                             | BHWL                                   |
| NSP                                | BHWL                                   |
| WAP                                | Dept of Community Affairs (DCA)        |
| SHIP                               | Florida Home Finance Corp.             |
| HPRP                               | Dept of Housing and Urban Development  |
| CSBG/LIHEAP – to be done July 2011 | DCA                                    |

The audits performed by the external auditor have not reported any findings or questioned costs for these programs or control-related deficiencies over the HHS department processes. These audits are based upon the Federal Single Audit compliance requirements outlined on OMB Circular A-133 as well as the Florida State Single Audit requirements of the Auditor General. Programs are required for audit using a formula that is based upon the total amount of expenditures overall and the amount of expenditures per program. Program audits performed by the granting or oversight agencies are conducted as determined by the agencies and the frequency and scope vary. Per discussion with HHS, the agency audits have resulted in action items that the Department is currently working to address. There are also some findings in dispute.

Non-compliance issues can be resolved in a number of ways, ranging from settlement to direct payback and/or loss of future funding. Findings reported in a Single Audit report can also result in higher audit fees to the grantee due to increased audit coverage and required testing. In a recent example at the City of Rockledge, \$200,000 in FEMA money was required to be returned due to non-compliance with program requirements and the City is disputing. For these reasons, program understanding and related compliance monitoring are critical for the ongoing administration of these programs.

One of the most heavily audited areas of compliance related to grant programs has historically been allowable activities and costs, especially administrative costs. Potentially shifting administrative costs to grant programs is attractive, but the cost of non-compliance with program requirements may exceed the benefit of shifting unallowable costs, even temporarily. For future budgeting purposes, HHS should document how the allowances for administrative costs for each program have been used.

### SHIP Balance Forward and Period of Availability:

Even though there has been no new SHIP funding from the State in two fiscal years, the County has a considerable balance forward from SHIP. Of the \$5.8M Balance Forward in HHS, \$4.6M is from the SHIP grant program. Approximately \$1M of those funds must be spent during FY11 in order to meet the period of availability requirements. If not spent, the County will be required to return the funding to the State. The Department has identified projects which are currently committed to utilize those program funds.

Per discussion with HHS, there are multiple reasons for delays in planned SHIP projects. Recent projects have fallen through due to low appraisals and property value declines, and sellers of the subject properties choose not to sell because the appraised value is lower than their desired sales price. As such, HHS has dedicated more of the SHIP funds to the First Time Home Buyer and home rehabilitation strategies in order to reduce the Balance Forward and put those funds into the projects they are intended to serve.

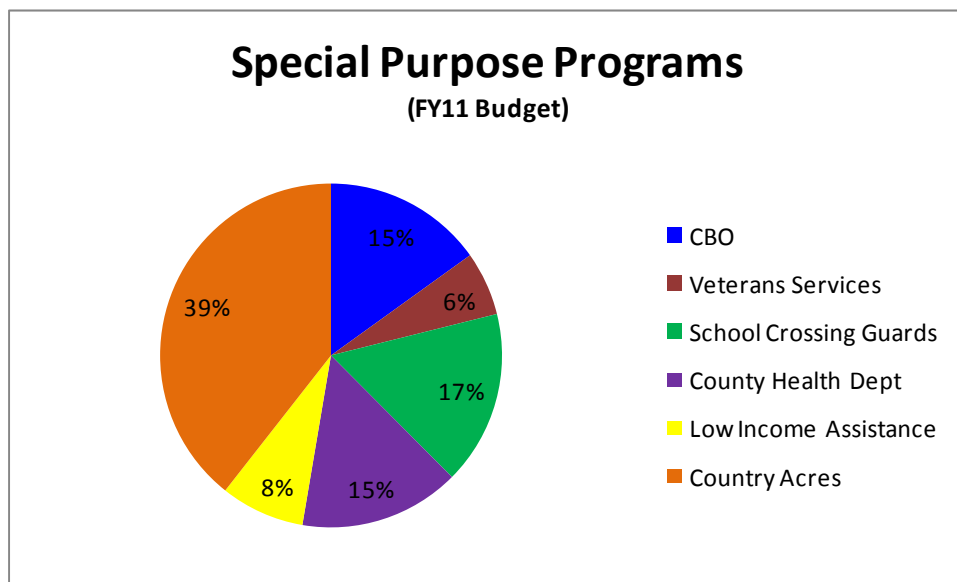
## Special-Purpose Discretionary Programs

Special purpose discretionary programs represent 9.0% of the overall department budget for FY11, and were 13.8% of the actual expenditures for FY10. None of the programs administered in this area are mandated by the State to be offered by the County. It is common that counties administer such programs and once they are offered there are often multiple compliance requirements to be considered.

As previously noted, our analysis of the special-purpose discretionary programs encompasses multiple cost centers, including:

- Community Based Organizations (CBO)
- Veteran's Services
- Low-Income Rent / Utility Assistance
- Brevard County Health Department
- School Crossing Guards
- County Acres Children's Home

The chart below illustrates each program's share of the total FY11 budget of \$3.8 million.



Community Based Organizations (CBO): The CBO funding is competitively bid to not-for-profits and other similar type agencies that provide services to the community, usually to low income persons. Examples of agencies that receive funding through CBO for FY11:

- Community Services Council
- Brevard Alzheimer's Foundation
- Women's Center
- Salvation Army

Veteran's Services: Provides direct assistance to Brevard's veterans and families to ensure they receive the full benefits earned by the veteran's military service. The group further helps eligible surviving family members receive the all benefits they are entitled to and completes and submits claims for VA and State veterans benefits to include helping the veteran/family member ensure that the claim contains all required supporting evidence.

Low-Income Rent/Utility Assistance: The HHS Community Action Agency works to empower people to become self-sufficient through case management, life management training, and short term final assistance as well as by promoting institutional sensitivity and responsiveness to the needs of income eligible persons through a wide range of federal, state and local resources. One of the areas of assistance is mortgage/rental or utility payment assistance. This assistance goes above and beyond the grant funding for CSBG described in the previous section.

## Special-Purpose Discretionary Programs

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*Brevard County Health Department:* The County provides supplemental funding to the Brevard County Health Department for public assistance services, including the PATH clinic for low-income uninsured adults and maternity care for uninsured pregnant women. Additionally, the funding supports adult acute dental services.

*School Crossing Guards:* The County provides 67 part-time school crossing guards and 1 supervisor for 25 Elementary Schools located in the unincorporated area of the County. A County is not required to administer a school crossing guard program, but when supplied, must also provide the training required by the Florida Department of Transportation. In 1992, the Florida Legislature adopted the Ramon Turnquest School Crossing Guard Act in response to the fatality of a child at a guarded crossing. To promote uniform, effective performance, Florida has established a train-the-trainer crossing guard program which has become a national model.

*Country Acres Children's Home:* Country Acres was established in 1970 by the Brevard County Board of County Commissioners to serve dependent children who have suffered abuse, neglect and/or abandonment. The children's home is funded by the County's general revenue, the Florida Department of Children and Families, and small grants for items such as a meal program. The children attend public school, participate in after-school activities, community events and attend local churches. Country Acres provides a safe, nurturing family-style home environment for both boys and girls.

# Special-Purpose Discretionary Programs

## Expenditures – Special Purpose Programs – Budget to Actual

| Housing and Human Services Special Purpose Programs |                     |                     |                     |                     |                     |                     |                     |                     |                     |        |          |  |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------|----------|--|
|   | FY 11 YTD           |                     |                     | FY 11               |                     |                     | FY 11               |                     |                     | FY 10  |          |  |
|   | ACTUAL              | BUDGET              | VARIANCE            | BUDGET              | ACTUAL              | VARIANCE            | ACTUAL              | BUDGET              | VARIANCE            | BUDGET | VARIANCE |  |
| <b>COMPENSATION &amp; BENEFITS</b>                  |                     |                     |                     |                     |                     |                     |                     |                     |                     |        |          |  |
| Compensation  | \$ 813,732          | \$ 1,345,432        | \$ (531,700)        | \$ 1,345,432        | \$ 1,355,575        | \$ (10,143)         | \$ 1,355,575        | \$ 1,513,504        | \$ (157,929)        |        | *        |  |
| Benefits  | 313,257             | 508,458             | (195,201)           | 508,458             | 491,090             | 17,368              | 491,090             | 540,319             | (49,229)            |        |          |  |
| <b>TOTAL Compensation &amp; Benefits</b>            | <b>\$ 1,126,989</b> | <b>\$ 1,853,890</b> | <b>\$ (726,901)</b> | <b>\$ 1,853,890</b> | <b>\$ 1,846,665</b> | <b>\$ 7,225</b>     | <b>\$ 1,846,665</b> | <b>\$ 2,053,823</b> | <b>\$ (207,158)</b> |        |          |  |
| <b>OPERATING EXPENSES</b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |        |          |  |
| Professional Services                               | \$ 534              | \$ 800              | \$ (266)            | \$ 800              | \$ 974              | \$ (174)            | \$ 974              | \$ 100              | \$ 874              |        |          |  |
| Other Contracted Services                           | 541,820             | 754,540             | (212,720)           | 754,540             | 758,472             | (3,932)             | 758,472             | 749,955             | 8,517               |        |          |  |
| Travel/Per Diem                                     | 2,304               | 12,984              | (10,680)            | 12,984              | 8,401               | 4,583               | 8,401               | 10,294              | (1,893)             |        |          |  |
| Communications & Freight                            | 2,229               | 9,896               | (7,667)             | 9,896               | 5,483               | 4,413               | 5,483               | 12,276              | (6,793)             |        |          |  |
| Utility Services                                    | 23,277              | 30,069              | (6,792)             | 30,069              | 26,044              | 4,025               | 26,044              | 28,937              | (2,893)             |        |          |  |
| Rentals & Leases                                    | 930                 | 3,978               | (3,048)             | 3,978               | 7,766               | (3,788)             | 7,766               | 1,200               | 6,566               |        |          |  |
| Insurance   | 10,499              | 17,817              | (7,318)             | 17,817              | 16,988              | 829                 | 16,988              | 25,150              | (8,162)             |        |          |  |
| Repair & Maintenance                                | 21,663              | 90,424              | (68,761)            | 90,424              | 48,927              | 41,497              | 48,927              | 88,909              | (39,982)            |        |          |  |
| Printing & Binding                                  | 433                 | 750                 | (317)               | 750                 | 112                 | 638                 | 112                 | 750                 | (638)               |        |          |  |
| Other Current Charges                               | 90,698              | 355,671             | (264,973)           | 355,671             | 318,041             | 37,630              | 318,041             | 333,896             | (15,855)            |        |          |  |
| Office Supplies                                     | 3,411               | 4,400               | (989)               | 4,400               | 6,613               | (2,213)             | 6,613               | 8,395               | (1,782)             |        |          |  |
| Operating Supplies                                  | 10,411              | 137,941             | (127,530)           | 137,941             | 26,810              | 111,131             | 26,810              | 111,667             | (84,857)            |        | *        |  |
| Books & Publications                                | 700                 | 1,550               | (850)               | 1,550               | 938                 | 612                 | 938                 | 1,220               | (282)               |        |          |  |
| <b>TOTAL Operating Expenses</b>                     | <b>\$ 708,909</b>   | <b>\$ 1,420,820</b> | <b>\$ (711,911)</b> | <b>\$ 1,420,820</b> | <b>\$ 1,225,569</b> | <b>\$ 195,251</b>   | <b>\$ 1,225,569</b> | <b>\$ 1,372,749</b> | <b>\$ (147,180)</b> |        |          |  |
| Operating Expense Credits                           | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |        |          |  |
| <b>GRANTS AND AID</b>                               | <b>\$ 160,251</b>   | <b>\$ 535,200</b>   | <b>\$ (374,949)</b> | <b>\$ 535,200</b>   | <b>\$ 754,517</b>   | <b>\$ (219,317)</b> | <b>\$ 754,517</b>   | <b>\$ 881,905</b>   | <b>\$ (127,388)</b> |        | *        |  |
| <b>CAPITAL OUTLAY</b>                               | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 7,525</b>     | <b>\$ (7,525)</b>   | <b>\$ 7,525</b>     | <b>\$ 9,467</b>     | <b>\$ (1,942)</b>   |        |          |  |
| <b>TOTAL EXPENDITURES</b>                           | <b>\$ 1,996,149</b> | <b>\$ 3,809,910</b> | <b>(1,813,761)</b>  | <b>\$ 3,809,910</b> | <b>\$ 3,834,276</b> | <b>(24,366)</b>     | <b>\$ 3,834,276</b> | <b>\$ 4,317,944</b> | <b>\$ (483,668)</b> |        |          |  |
| Percentage of FY11 Budget Used to-date              |                     |                     | 52.39%              |                     |                     |                     |                     |                     |                     |        |          |  |
| FY11 Budget to FY10 Actual Variance                 |                     |                     | -0.64%              |                     |                     |                     |                     |                     |                     |        |          |  |
| FY11 Budget to FY10 Budget Variance                 |                     |                     | -11.77%             |                     |                     |                     |                     |                     |                     |        |          |  |
| FY10 Actual to FY10 Budget Variance                 |                     |                     | -11.20%             |                     |                     |                     |                     |                     |                     |        |          |  |

\*Variances in these areas are described on the following pages.

# Special-Purpose Discretionary Programs

## Special Purpose Programs – Budget to Actual

Below are the details by mandated item for the Compensation and Benefits and Operating Supplies amounts.

| COMPENSATION AND BENEFITS - SPECIAL PURPOSE DISCRETIONARY PROGRAMS |                  |                  |                    |                  |                  |              |                  |                  |                    |
|--|------------------|------------------|--------------------|------------------|------------------|--------------|------------------|------------------|--------------------|
| NAME   | FY11 YTD ACTUALS | FY11 BUDGET      | Variance           | FY11 BUDGET      | FY10 ACTUALS     | Variance     | FY10 ACTUALS     | FY10 BUDGET      | Variance           |
| Special Purpose Programs   |                  |                  |                    |                  |                  |              |                  |                  |                    |
| CommunityBased Organizations                                       | 665              | -                | 665                | -                | 57,019           | (57,019)     | 57,019           | 55,778           | 1,241              |
| Veterans Services  | 100,433          | 178,475          | (78,042)           | 178,475          | 161,610          | 16,865       | 161,610          | 198,197          | (36,587)           |
| School Crossing Guards   | 338,454          | 565,270          | (226,816)          | 565,270          | 554,971          | 10,299       | 554,971          | 613,081          | (58,110)           |
| Health Department  | 24,811           | 64,440           | (39,629)           | 64,440           | 32,971           | 31,469       | 32,971           | 47,267           | (14,296)           |
| Low Income Rental/Utility Assistance                               | -                | -                | -                  | -                | -                | -            | -                | -                | -                  |
| Country Acres  | 662,626          | 1,045,705        | (383,079)          | 1,045,705        | 1,040,094        | 5,611        | 1,040,094        | 1,139,500        | (99,406)           |
| <b>Total Special Purpose Programs</b>                              | <b>1,126,989</b> | <b>1,853,890</b> | <b>(726,901) *</b> | <b>1,853,890</b> | <b>1,846,665</b> | <b>7,225</b> | <b>1,846,665</b> | <b>2,053,823</b> | <b>(207,158) *</b> |
| Percentage of FY11 Budget Used to-date                             | 60.79%           |                  |                    |                  |                  |              |                  |                  |                    |
| FY11 Budget to FY10 Actual Variance                                | 0.39%            |                  |                    |                  |                  |              |                  |                  |                    |
| FY11 Budget to FY10 Budget Variance                                | -9.73%           |                  |                    |                  |                  |              |                  |                  |                    |
| FY10 Actual to FY10 Budget Variance                                | -10.09%          |                  |                    |                  |                  |              |                  |                  |                    |

| OPERATING SUPPLIES - SPECIAL PURPOSE DISCRETIONARY PROGRAMS |                  |                |                  |                |               |                |               |                |                 |
|---|------------------|----------------|------------------|----------------|---------------|----------------|---------------|----------------|-----------------|
| NAME  | FY11 YTD ACTUALS | FY11 BUDGET    | Variance         | FY11 BUDGET    | FY10 ACTUALS  | Variance       | FY10 ACTUALS  | FY10 BUDGET    | Variance        |
| Special Purpose Programs                                    |                  |                |                  |                |               |                |               |                |                 |
| CommunityBased Organizations                                | -                | -              | -                | -              | -             | -              | -             | -              | -               |
| Veterans Services   | 8                | 21,258         | (21,250)         | 21,258         | 1,041         | 20,217         | 1,041         | 23,276         | (22,235)        |
| School Crossing Guards                                      | 507              | 5,000          | (4,493)          | 5,000          | 3,451         | 1,549          | 3,451         | 8,000          | (4,549)         |
| Health Department   | -                | -              | -                | -              | -             | -              | -             | -              | -               |
| Low Income Rental/Utility Assistance                        | -                | -              | -                | -              | -             | -              | -             | -              | -               |
| Country Acres   | 9,896            | 111,683        | (101,787) *      | 111,683        | 22,318        | 89,365 *       | 22,318        | 80,391         | (58,073)        |
| <b>Total Special Purpose Programs</b>                       | <b>10,411</b>    | <b>137,941</b> | <b>(127,530)</b> | <b>137,941</b> | <b>26,810</b> | <b>111,131</b> | <b>26,810</b> | <b>111,667</b> | <b>(84,857)</b> |
| Percentage of FY11 Budget Used to-date                      | 7.55%            |                |                  |                |               |                |               |                |                 |
| FY11 Budget to FY10 Actual Variance                         | 80.56%           |                |                  |                |               |                |               |                |                 |
| FY11 Budget to FY10 Budget Variance                         | 23.53%           |                |                  |                |               |                |               |                |                 |
| FY10 Actual to FY10 Budget Variance                         | -75.99%          |                |                  |                |               |                |               |                |                 |

## Special-Purpose Discretionary Programs

### *Analysis – Special-Purpose Programs*

As shown, FY11 budgeted expenditures were consistent with FY10 actual amounts and the FY11 budget is down 11.8% from FY10. As of May 2011, 52.4% of the FY11 budget for Special-Purpose Discretionary Programs had been expended. Significant variables we noted are described below:

| General Observations   |
|--|
| <p><b>General Revenue Transfers as Matching Funds:</b></p> <p>The Low-Income Pool (LIP) was established in 1995 to ensure continued health care services to Medicaid, underinsured and uninsured populations. Local governments must provide funding for the non federal share of the LIP distributions. The general fund transfers from HHS to the Brevard County Health Department provide match dollars for the LIP in order for the Health Department to receive approximately \$900K in federal funding. The impact of reducing aid to the Health Department exponentially impacts the amount of federal aid available, as well. In addition, the general transfers also provide a 25% match for a program that provides free acute dental services to low income adults.</p> <p>For every \$1 in general revenue that HHS provides to Country Acres in support of Title IV programs, the Department of Children and Families (DCF) contributes \$.50, up to \$150,000. As of FY11, the general revenue support received by Country Acres is the \$300K necessary to maximize the available federal match from DCF. If the general revenue to Country Acres is reduced in future years, the federal match will also be reduced. The rest of the revenue for Country Acres comes from a daily rate charged per person, per day and two small grant programs. The rate varies based upon the location of the placement (in-county placement fees are lower than out of county). Per HHS, the in-county rate is lower than the cost, but the combination of the out-of-county rate and the federal subsidy help to make up the difference.</p> <p>Please also refer to the Grants and Aid section on page 32 for additional information on the use of general revenue for matching funds related to the CBO.</p> |
| <p><b>Staffing the Country Acres Children's Home:</b></p> <p>Florida Administrative Code 65C-14 provides the standards for staffing requirements and qualifications, training, and direct-care ratios applicable to Country Acres. Two of the key requirements that impact compensation and benefits are the required education, certification and training of certain personnel as well as mandatory staff-to-child ratios for day- and night-shifts. The Florida DCF and the Brevard Family Partnership (BFP) each issue annual monitoring reports on various contract requirements, statutes and regulations related to running a children's home. We reviewed the monitoring reports provided by DCF and BFP during FY10 noting the County is in compliance with these requirements. The FY11 visits have not yet occurred. When analyzing staffing and considering reductions in FTE, the Department and County management must take care to adhere to these requirements. See also below related to Compensation and Benefits trends.</p>  |
| <p><b>Cost Reduction Strategies Related to Country Acres Children's Home:</b></p> <p>According to the US Department of Health and Human Services, about 8% of placements for foster care are in group homes such as Country Acres. Country Acres' capacity is 25 children, and with transitions serves approximately 80-100 children annually. The \$450K made up of the general transfer (\$300K) and federal match (\$150K) equals 30% of the FY11 budget. The rest of the budget comes from the daily bed rates per child and small grants.</p> <p>Orange County recently announced plans to close one, possibly two of its group foster homes. The alternative to Country Acres, were the County not to provide such a home, would be a private foster facility or another government facility. HHS has done some research on privatizing, but believes the costs outweigh the benefits given the facility will need ongoing maintenance and a private company will likely want to generate a profit, which translates into higher administration fees imposed on the County. The County's annual general revenue cost to serve 1 child at Country Acres in FY11 is between \$3,000 and \$3,800 per child. As noted above, the only general revenue support received by Country Acres is the \$300K necessary to maximize the available federal match from DCF. Closing and/or privatizing Country Acres would also impact 27 lost jobs (17 full-time and 10 part-time).</p>   |

# Special-Purpose Discretionary Programs

## Analysis – Special-Purpose Programs

| Specific Account Observations  |
|--|
| <p><b>Compensation and Benefits:</b></p> <p>As shown on the detailed chart on page 29, the majority (87%) of Compensation and Benefits relates to the Country Acres Children's Home and School Crossing Guards. Country Acres staffing has remained relatively consistent over time due to the required staff-to-child ratios, and education and training requirements described above. As such, the reductions in compensation and benefits have come as a result of the elimination of School Crossing Guards at all secondary schools. The County currently provides 67 part-time school crossing guards and 1 supervisor for 25 elementary schools located in the unincorporated area of the County. This reduction was made prior to the consolidation of CJS into HHS, but significantly impacts the future budgeting process. The FY11 year-to-date expenditures are trending lower than expected for the school crossing guards due to vacancies (60% expended over 65% of the fiscal year). The annualized variance is approximately \$78K.</p>   |
| <p><b>Other Contracted Services:</b></p> <p>An area of discretionary spending that has been considered for reductions in the past is the supplemental funding provided to the Brevard County Health Department. Those funds support services such as the PATH clinic for low-income uninsured adults and maternity care for uninsured pregnant women. In FY11, County management did not reduce the funding to the Health Dept, keeping the general revenue transfer stable in order to support these programs. Per review of documentation supplied by the Health Department to HHS, in FY10 Brevard County ranked 59<sup>th</sup> out of 67 counties in terms of the contributions provided by counties to their local health department in support of these services (based on per capita of low income population under 200% of the poverty level). Reductions in this area could result in fewer uninsured citizens receiving needed medical services, some of which already have lengthy waiting lists.</p> <p>We noted the FY11 year-to-date expenditures for this line item were at 71.8% (compared to 65% of the fiscal year), indicating a potential shortfall. The annualized shortfall is approximately \$51K.</p> |
| <p><b>Other Current Charges:</b></p> <p>This line item is used to track the payments made to eligible citizens for rent or utility assistance. There are state and federal grant programs that the County administers to support these emergency service payments. However, the County has the discretion to fund more than the awarded amounts based upon need. We noted the supplemental spending in this area was over-budgeted in FY10 but has been leveled in FY11 for a planned 30% decrease that is in line with the actual FY10 expenditures. Only 25% of the FY11 budget had been spent as of May 2011 (65% of the fiscal year). The annualized variance is approximately \$140K. Even with the planned reduction in FY11, the emergency assistance for rental or utility payments is one of the discretionary areas that could be considered for reductions in future budget years. It should be noted that these funds have been obligated but not yet expended. If the County were to recapture for allocation elsewhere, low income families would be negatively impacted (utilities, rent, etc.).</p>  |
| <p><b>Operating Supplies:</b></p> <p>Country Acres Children's Home and Veteran's Services have been under budget in this area for the last three fiscal years, including FY11 year-to-date. Only 7.6% of the FY11 budget had been spent as of May 2011 (65% of the fiscal year). The annualized variance is approximately \$79K. Even with the planned reduction in FY11, operating supplies is one of the discretionary areas that could be considered for reductions in future budget years.</p>   |

## Special-Purpose Discretionary Programs

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### *Analysis – Special-Purpose Programs*

#### **Grants and Aid:**

This line item is used to account for the support provided to Community Based Organizations (CBO). Because support to the CBO is one of the few discretionary spending areas available to HHS and the County, it is typically one of the first areas scrutinized for potential cutbacks. Over the last three fiscal years, aid through the CBO has been cut in half, from \$1.04M in FY2009, to \$754K in FY2010, and a budgeted amount of \$545K in FY11. Due to the timing of the contract execution (February 2011), only \$161K has been paid out in aid year-to-date. HHS expects to expend the full amount by the end of the fiscal year in support of these agencies. The impact of reducing aid to CSC and other community-based organizations competing for funds from the County exponentially impacts the citizens of the community.

For example, in FY10 the Community Services Council (CSC) provides free or affordably priced services based upon income. They received \$150,000 from the County through HHS, of which \$116,000 was used for grant required local effort, or matching funds. For every dollar that the Board gives the Council, it can then in turn draw down an additional \$8.33 for their programs, such as Meals on Wheels, Caregiver support or the Senior Volunteer Program. The CSC was able to draw down an additional \$966,000 in Federal grant dollars with that matching funds money. If the CSC does not have the County funding to use for the required match, it cannot draw down the Federal portion; and if it cannot draw down the funding the programs may have to be considered for elimination.