

PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS

4A-1

AGENDA ITEM SUMMARY

Meeting Date: February 7, 2012

Consent  Regular  
 Workshop  Public Hearing

Department: Administration

I. EXECUTIVE BRIEF

**Motion and Title: Staff requests Board direction:** regarding request from the Inspector General to commit to funding a potential deficit, not to exceed \$600,000 in FY 2012, in the Office of Inspector General's (OIG) fund resulting from nonpayment by municipalities.


**Summary:** In May 2011, the Board of County Commissioners adopted the OIG ordinance. Section 2-429(1) of the ordinance included the funding formula which proportionately distributed the OIG's County/Municipal operations costs between the County and municipalities based on actual expenditures levels as reported in the State's Local Government Electronic Reporting System (LOGER). This formula was thoroughly vetted through the ordinance drafting committee which included municipal representation and was unanimously approved by the Board. In November 2011, fifteen municipalities filed suit challenging the legality of this funding mechanism. In response to this suit, the Clerk and Comptroller has refused to allocate any municipal revenues to fund the OIG. The OIG's current FY 2012 County/Municipal budget is \$3,049,643, of which \$1,263,509 is to be funded from municipalities, based on the funding mechanism outlined in the OIG ordinance. Countywide (LB)

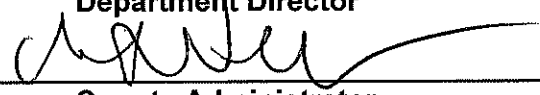
**The OIG's position is as follows:** The OIG FY 2012 County/Municipal budget was developed by the OIG, submitted to the League of Cities as required by the OIG Ordinance, and approved by the Board of County Commissioners (BCC). This budget represents 0.18% of LOGER expenditures as defined in the OIG Ordinance, which is only 72% of the minimum Funding Base. The OIG's BCC approved FY 2012 County/Municipal budget has essentially been cut by 40% as a result of the current litigation activity. This reduction in budget capacity adversely affects the OIG's County/Municipal oversight operations. However, an analysis of what the OIG has expended to date and is expected to spend through the rest of the year reveals an estimated maximum deficit of \$600,000. The OIG has temporarily suspended hiring staff pending resolution of the uncertainty surrounding its ability to expend its budget. As a result, the OIG could reduce its required funding by at least \$663,509, which represents a 21% decrease in the FY 2012 County/Municipal operations budget. The lawsuit is subject to required mediation that could take years to complete. The OIG cannot wait an indeterminate amount of time to fully staff its County/Municipal oversight operations. However, if the BCC commits to funding the deficit and reimbursing the Clerk, the Clerk will process the expenditures of budgeted funds, and the OIG's County/Municipal operations will be adequately funded for FY 2012.

**County Staff's position is as follows:** Recommend the Board not commit to funding the current or any future deficit, where, as here, public funds may be at risk due to the litigation. The total municipal funding obligation for FY 2011 and FY 2012 (starting June 1, 2011) is \$1,591,407. The County's funding requirement for this period is \$1,999,565. Any funding deficit in FY 2012 will come from the County general fund contingency reserve and increase the projected FY 2013 county-wide funding shortfall.

Staff is preparing ordinance amendments for County Commission consideration to implement the 0.25% fee on eligible contracts to fund the County's portion of the OIG. The cost to implement the necessary software is approximately \$500,000 and will be funded from the contingency reserve. Preliminary estimates indicate implementing the 0.25% fee on eligible contracts will not fully fund the County's OIG costs. Countywide (LB) (Background and Policy Issues Continued on Page 3)

Attachments: None

Recommended by:   
Department Director  
Date

Approved By:   
County Administrator  
Date: 1/30/12

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

Fiscal Years:	2012	2013	2014	2015	2016
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT *					

# ADDITIONAL FTE POSITIONS (Cumulative) \_\_\_\_\_

Is Item Included In Current Budget? Yes \_\_\_ No \_\_\_

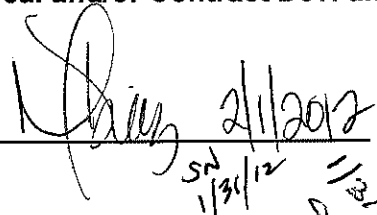
Budget Account No: Fund \_\_\_ Agency \_\_\_ Org. \_\_\_ Object \_\_\_

**B. Recommended Sources of Funds/Summary of Fiscal Impact:**

**III. REVIEW COMMENTS**

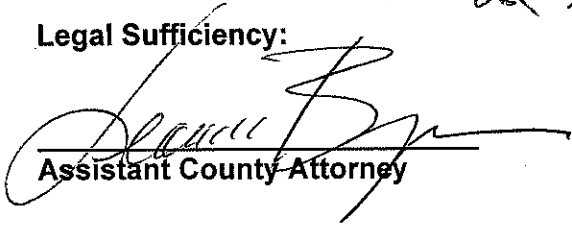
\* A commitment to fund any deficit will be funded by the General Fund.

**A. OFMB Fiscal and/or Contract Dev. and Control Comments:**

  
 \_\_\_\_\_  
 OFMB  
 SN 1/31/12 1/31/12

  
 \_\_\_\_\_  
 Contract Dev. and Control

**B. Legal Sufficiency:**

  
 \_\_\_\_\_  
 Assistant County Attorney

**C. Other Department Review:**

\_\_\_\_\_  
Department Director

**This summary is not to be used as a basis for payment.**

**Background and Policy Issues:**

In May 2011, the Board of County Commissioners adopted OIG ordinance. This ordinance included the funding formula which proportionately distributed the cost between the County and municipalities based on actual expenditures levels. In November 2011, fifteen municipalities filed suit questioning the legality of this funding mechanism of the OIG. In response to this suit, the Clerk and Comptroller has refused to allocate any municipal revenues to fund the OIG.

The OIG current FY 2012 budget is \$3,685,776 and is funded as follows:

County	\$1,536,134
Municipalities	1,263,509
Fund Balances	<u>250,000</u>
Total County/Municipal Operations	\$3,049,643
Contracts with other government agencies	<u>636,133</u>
<b>Total</b>	<b>\$3,685,776</b>