

JEFFERSON COUNTY COMMISSION



BETTYE FINE COLLINS

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MEMORANDUM

TO: All Elected Officials and Department Heads

FROM: Commissioner Bettye Fine Collins *Bettye Fine Collins*

DATE: May 18, 2009

RE: Contingency Plan to Balance FY 2009 County Budget

The purpose of this memorandum is to inform you of the County's present financial condition, the status of the occupational tax litigation and to advise you of the need to develop a contingency plan to make a further 33% reduction to the FY 2009 County budget for the months of July, August and September, 2009. This memorandum does not address the FY 2010 County budget. You will be receiving separate instructions for preparation of the FY 2010 County budget.

The County has appealed the January 12, 2009, trial court order which declared that the occupational and business license taxes enabling law, Act 67-406, was repealed by Act 99-669. The appeal is pending before the Alabama Supreme Court and will likely take several months for that Court to decide the case. In the meantime, Act 53-438 (copy attached as Exhibit A) provides for an automatic stay of the trial court order while the appeal is pending before the Supreme Court. Therefore, unless directed otherwise by the Supreme Court, the County must and will continue to collect and expend the proceeds of the occupational tax to preserve the operation of County government while the appeal is pending.

Alabama law requires that a County's budget be balanced. That means appropriations cannot exceed estimated revenues. The estimated revenues in the existing budget have not been realized. Virtually all of the County's actual revenues have declined as a result of the recession of the national economy. And, the County was required to make unplanned principal payments totaling \$15 million to two of its general obligation creditors who accelerated the repayment of a \$120 million general obligation debt because the County's credit rating was downgraded. Those events required a 10% reduction in estimated revenues and appropriations in the budget last month.

It was hoped that legislative action would prevent the need to consider further budget reductions. However, the 2009 regular session of the Alabama Legislature ended last week with our local delegation failing to correct the wrong they did to the County in 1999 when they voted to repeal the occupational and business license taxes which account for 35% of the County's discretionary general fund budget. Therefore, the Commission must develop a contingency plan that can be implemented if it becomes necessary to further reduce budgeted revenues and appropriations which may result from an unsuccessful appeal of the occupational tax case, the continued decline of other revenues or additional unplanned expenditures. At a minimum, that plan must accomplish a budget reduction of revenues and appropriations in an amount equal to the proceeds of the occupational and business license taxes collected by the County pursuant to act 67-406 which equate to approximately \$75 million per year or \$6.25 million per month.

Each Elected Official and Department Head is hereby requested to submit to the Finance Director by June 1, 2009, a written contingency plan to reduce each office or departmental portion of the County budget by 33% for the months of July, August and September, 2009. The Budget Management Office is available to assist you in accomplishing this task.

You are encouraged to first examine outstanding contracts administered in your office or department. Two spreadsheets are attached to this memorandum as Exhibits B and C. The first spreadsheet (Exhibit B) summarizes 361 existing contracts to which Jefferson County is a party. It is sorted alphabetically by vendor name. You should identify those contracts administered in your office or department which are discretionary (i.e. not required by law or required to comply with law). The County Attorneys are available to assist you in making that determination. Your written plan should identify each such contract and contain a recommendation as to whether such contract should be terminated, and if so, on what effective date.

The second spreadsheet (Exhibit C) identifies approximately 123 contracts for which insufficient information was available to the attorneys to determine whether these contracts are expired or active. You should immediately notify the Finance Director of the status of each such contract administered in your office or department and provide him with any documentation or information in your possession about each such contract.

It is recognized that reductions in the County workforce will be required to achieve a 33% reduction to the FY 2009 County budget. Therefore, the portion of your contingency plan that involves employee layoffs, must be submitted in a manner compliant with Personnel Board Rule 11.12 (copy attached as Exhibit D) which governs reductions in force. The Human Resources Department is available to assist you in complying with Personnel Board Rule 11.12.

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Please understand that the County Commission must comply with the balanced budget requirement of Alabama law. Accordingly, the failure to respond to this request will result in an involuntary budget reduction without further notice.

Your cooperation with this difficult task is appreciated.

Enclosures