



RICK SCOTT
GOVERNOR

August 24, 2011

Mr. George Roberts
Chair, Governing Board
Northwest Florida Water Management District
1603 Bay Avenue
Panama City, Florida 32405

Dear Mr. Roberts:

In accordance with Section 373.536, Florida Statutes, I have reviewed the Northwest Florida Water Management District's tentative budget for Fiscal Year 2011-12. As you know, during the last eight months I have worked with you to refocus the efforts of your district on the core missions of water supply, flood protection, water quality, and natural systems; to bring all districts' operations more in line with those of state agencies; and to ensure consistency across district boundaries while providing the most efficient and effective use of taxpayer dollars. To that end, I charged the Department of Environmental Protection with exercising its statutory oversight authority in this regard.

First, I want to note that I appreciate the Governing Board and its staff for cooperating with the Department in finding efficiencies and savings, thus enabling the submission of your district's Fiscal Year 2011-12 Tentative Budget at a savings of \$16.8 million. Your submission included the reduction of \$5.7 million in land acquisition, \$680,000 in salary and benefits, and \$181,000 which will no longer be used to buyout excess employee leave. I also want to commend the district for its construction of an additional water supply pipeline linking south Walton County with an inland alternative ground water supply source.

I would also like to personally commend your district on its efforts to continue as a Cooperating Technical Partner with FEMA to update its flood maps with a more accurate 100 year flood boundary along the coast and further inland. Many of the products being planned or developed by the district's flood hazard mapping program are designed to show where it is safe to live as well as where sustainable development may occur with lowered risk to flooding.

Consistent with the changes in law pursuant to Chapter 2011-67, Laws of Florida, I am charged with disapproving all or part of the district's Fiscal Year 2011-12 Tentative Budget. My disapprovals are identified below.

Operating Reserves (Budget Stabilization Reserves; Other Operating Reserves):

I disapprove the district's scheduled Operating Reserves in the amount of \$3,970,000. In response to inconsistencies among the districts, I have set a consistent operating reserve cap at 16.5 percent (representing two months of operating expenses). The maintenance of an Operating Reserve is a prudent practice to ensure continuity of service and the ability to respond to unexpected circumstances. However, as we search

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for strategies that promote consistency between the five water management districts, we must be open to finding common operational ground between the districts. This is the start of a renewed focus on that goal.

Salary and Benefits:

I disapprove the district's scheduled Salary and Benefits expenditures by \$3,868. While I recognize the difficult task that water management district staff faces, there is great concern regarding the generous compensation levels of some district staff, especially at the highest levels of the agency. Though I have instructed my staff to work with the districts to reexamine all salaries and benefits in the coming year, I feel it necessary to provide a new starting point for senior level staff. Therefore, this disapproval amount for Salary and Benefits will be reached through the use of the following scale:

- o Executive Director: Salary no more than \$165,000 per year
- o General Counsel: Salary no more than \$160,000 per year
- o Assistant Executive Director: Salary no more than \$150,000 per year
- o Deputy Executive Director (or equivalent): Reduction of 10 percent or \$135,000 per year, whichever leaves the larger salary
- o Other Staff over \$100,000 per year: Reduction in salary of 5 percent or a salary of \$100,000 per year, whichever is greater.

I want to thank you and your fellow Governing Board Members for your commitment to serving Floridians and I look forward to working with you during the coming year as together we continue to strive for the most efficient and effective manner to protect Florida's water resources. I have enclosed further direction to the Department and the district as we move forward into the new fiscal year.

Sincerely,



Rick Scott
Governor

Enclosure

cc: Douglas E. Barr, Executive Director
Secretary Herschel Vineyard, Department of Environmental Protection

ISSUES TO ADDRESS IN THE COMING YEAR

Though each of your districts has unique resources, challenges and constituencies, ascertaining the potential for meaningful performance measures and measurable savings and efficiencies will be nearly impossible over time, so long as the districts speak five different "languages". If the districts are to be more transparent and consistent, there are some fundamental issues that should be addressed during the 2011-2012 Fiscal Year. They include:

Organizational Analysis

Districts should be structurally organized to provide the most effective achievement of core mission, to provide predictable and measureable outcomes to Floridians, and to provide the most efficient service delivery. The following will need to be analyzed and addressed during the next year:

- Structural Efficiency and Effectiveness - Strategies for flattening district organizational structures.
- Staffing Level Analysis - Ensuring staffing levels are sufficient to meet district mission.
- Span of Control - Finding consistent spans of control that can work between districts.

Personnel Analysis

Each district practices the use of unique nomenclature applicable to full-time and contractual employees and securing and retaining professional and other services outside of their full-time employment base. Additionally, the benefits provided to employees must represent a level consistent with those enjoyed by other state employees. Therefore, the following will need to be analyzed and addressed during the 2011-2012 Fiscal Year:

- Nomenclature Consistency (FTE, Contract, Temporary, OPS, Contingent)
- Benefit Level Consistency (May need statutory change)
- Contracted Personnel Consistency
- Standardizing Salary Ranges

Salary Analysis

A review of salaries across the districts indicates inconsistencies between the districts and other state agencies. These inconsistencies must be addressed during the coming year. Specifically, the following need to be analyzed and addressed with the goal of achieving a salary range consistency across the districts and with other state agencies:

- Executive Level Salaries
- Manager Level Salaries
- Other Employee Salaries

Benefits Analysis

Similarly, a review of employee benefits across the districts shows an inconsistency between the districts and in comparison with other state agencies. The following items need to be analyzed and addressed in FY 2011-12:

- Health Insurance - Evaluation of Aggregated Benefit Plan Savings
- Tuition Reimbursement - Development of consistent application between districts
- Retired Employee Insurance Subsidy - Restructure to ensure program sustainability

Operating Capital Outlay and Related Expenses Analysis

- Vehicle Lifespan - Consistent benchmarks for vehicle replacement
- Lease Opportunities - Review district operations for new or expanded lease opportunities
- Fuel Purchasing Review
- Vehicle and Aircraft Maintenance Analysis
- Computers and Other Equipment - Consistent replacement strategies

Land Management Strategies

- Develop consistent and coordinated strategies for the management of district lands.

Land Acquisition & Disposition

- Develop a consistent and coordinated prioritization of land acquisition and disposition.

GASB 54 Compliance Oversight

- Reserves/Carry-Forward Balances - Development of consistent Definitions and Categorization
- Operating Reserves - Develop consistent benchmark for Budget Stabilization/Operating Reserves