

**FISCAL YEAR 2006 REVENUES**

**Overview**

County services are funded with a variety of revenue sources. These sources include the following: property taxes, miscellaneous taxes and assessments, federal and state grants, fees and charges, interest income, fund balance, and other miscellaneous revenue sources. The majority of these revenue sources are either committed (i.e., for a capital project), or are required as a mandatory debt service reserve. This means that these "committed" revenues represent "inflexible" resources. In other words, these are funding sources that must, by law, be expended for specific designated purposes.

Generally, federal and state revenues have significant "inflexible components." A significant portion of these funds represent revenue sources designated for various capital improvements, such as community development projects, beach renourishment projects, airport expansion, port expansion, and mass transit. The remaining portion represents federal and state revenue sources which are used for operating budget purposes.

Historically the most flexible resource available to local governments has been the property tax. Enterprise funds, which support some of the most expensive county services (such as water/wastewater, waste management, the airport and the port) are funded by their own designated revenues, while some of the most visible County services (such as law enforcement, libraries and parks) are funded primarily with property taxes. The fiscal year 2006 budget is supported by \$899.0 million in County-wide property taxes, or 30 percent of the total budget.

**Property Taxes**

In fiscal year 2006, "overall" County-wide property tax revenue increases \$92.9 million and is allocated to three separate funds:

<b><u>Fund</u></b>	<b><i>Amount of Taxes Levied (millions of dollars)</i></b>	
	<b><u>FY 2005</u></b>	<b><u>FY 2005</u></b>
General Fund	\$710.5	\$793.1
Voter Approved Debt Service	62.0	64.8
Capital Outlay Fund	33.6	41.1
Total	\$806.1	\$899.0

From the taxpayer's perspective, the County is obligated to answer two basic questions: "How much does it cost me?" and "What do I receive in return?" In fiscal year 2006, an "average" taxpayer will pay the same for Broward County for County-wide services as in fiscal year 2005, assuming the taxable value of their home goes up by 3.0%, which is the maximum increase for homes with homestead exemptions. If a property's taxable value is unchanged, an "average" taxpayer will pay approximately \$38 less than last year to Broward County for County-wide services due to a decrease in the property tax rate.

	<u><i>FY 2005</i></u>	<u><i>FY 2006</i></u>
Assessed Value*	185,500	191,100
Less Homestead Exemption	(25,000)	(25,000)
Taxable Value	160,500	166,100
County Millage Rate	7.023	6.783
Property Taxes	\$1,127	\$1,127

\* Based on an estimated average of all residential units increased by 3.0 percent, the maximum allowable for homestead properties.

The following chart shows where property tax dollars are allocated in fiscal year 2006, and the programs they support:

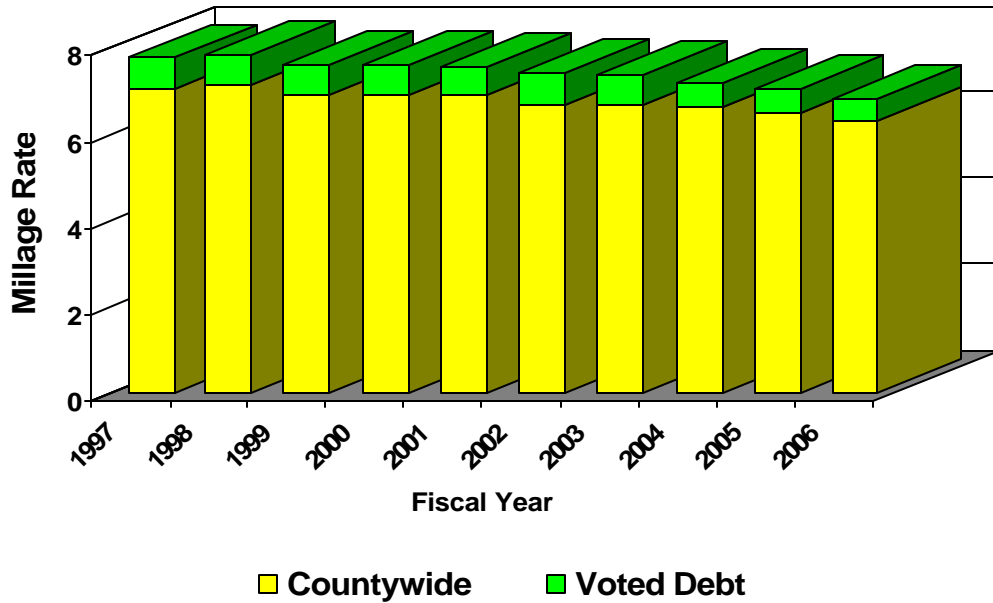
<b><i>Service Category</i></b>	<b><i>Cost to Taxpayer*</i></b>
Law Enforcement	\$389
Other Elected Officials	37
Judicial	4
Community Services	182
Human Services	81
Public Works	67
Public Safety	44
General Government	190
General Capital Projects	52
Debt Service	<u>81</u>
	\$1,127

\* Based on a taxable assessed value of \$166,100 (\$191,100 minus \$25,000 homestead exemption)

Further detail on specific services can be found in the ***Operating Budget*** document.

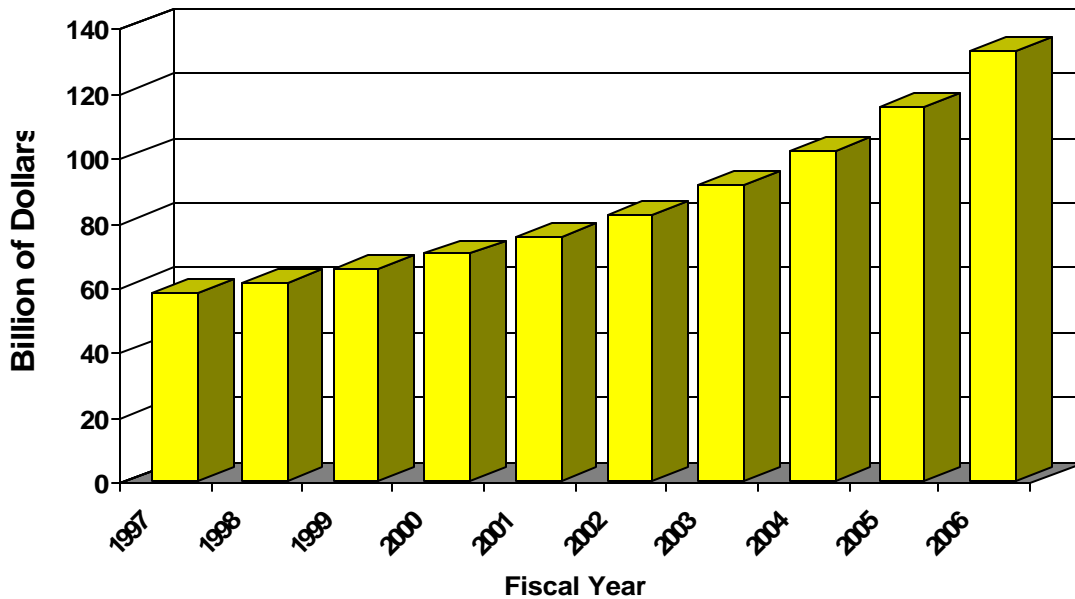
Once the amount of dollars needed to support the budget is determined, there are two factors that must be considered. The first factor is the millage rate or property tax that, when applied to the tax roll, generates the necessary tax dollars to support County operations. State law places a ten mill, or ten dollars per thousand dollars of taxable value, cap on local governments (excluding voted debt service). Broward County is at sixty-three percent (63%) of the state limit for fiscal year 2006. The following chart shows the voted debt service and County-wide operating millage rates since fiscal year 1997:

## Millage Rates FY 1997 - FY 2006



The second factor is the tax roll which represents the total value of taxable property in Broward County. The tax roll is determined by the Property Appraiser. The following chart illustrates the growth in the tax roll since fiscal year 1997:

## Total Taxable Property Value FY 1997 - FY 2006



The Property Appraiser adjusts the tax roll for two basic reasons:

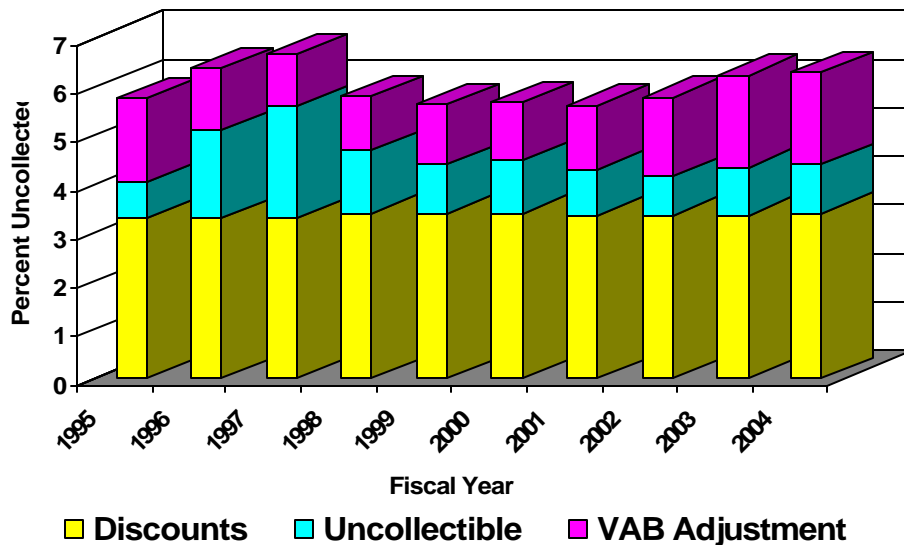
- Reassessments - increases (or decreases) in the assessed value of existing property. As a result of this year's reassessment, taxable property values increased approximately 13.2 percent exclusive of growth due to newly constructed buildings and improvements.
- Growth - increases due to the addition of newly constructed buildings and improvements to the tax roll. Growth represents a 3.1 percent increase in the fiscal year 2006 tax roll over the previous year.

The fact that we levy \$899.0 million in County-wide taxes in fiscal year 2006 does not guarantee that we will collect the entire levy. Historically, Broward County has collected from 93 to 95 percent of the taxes levied. The factors that affect collections are the following:

- Discounts - The early payment of tax bills allows taxpayers to receive up to a four percent discount.
- Non-payment - Some taxpayers choose not to pay at all. The health of the economy will influence this factor.
- Value Adjustment Board (VAB) - Taxpayers can appeal their assessments and exemptions to the VAB. Successful appeals will lower the tax roll after the budget is adopted.

These factors are partially offset by the fact that state law requires that local government's budget no more than 95 percent of expected revenues. Therefore, if we collect 95 percent we "break-even." As shown on the chart below the percentage of uncollected property taxes in some years is greater than five percent.

### Uncollected Property Taxes FY 1995 - FY 2004



The County adjusts for this situation by budgeting sufficient funds in a reserve for tax roll adjustments.

## **OTHER MAJOR COUNTY REVENUE SOURCES**

### **Fees and Charges**

Fees and charges represent another revenue source which is largely "inflexible" within broad categories for the County. Many of the fees which the County collects are determined by State Statutes. For example, tax collection fees and recording fees are set by state law.

The inflexibility of most user fees is well demonstrated by analyzing the General Fund's user fees. Analysis has revealed that only approximately 32 percent of fees in the General Fund are controlled by the County Commission.

User fees and charges are seen as equitable funding mechanisms because individuals pay for only those services used. Park entrance fees and bus fares are typical examples of these charges and fees. The County is continually striving to maximize the revenues generated by user fees and charges as a means to provide services yet minimize increases in property taxes. In the General Fund in fiscal year 2006, approximately \$.7 million in additional documentary stamp revenue due to increased property values in transactions, an additional \$.7 million in auto tag/title collection fees is anticipated, an additional \$.6 million in library fine revenue is anticipated primarily due to a new vendor recovering overdue materials and monies, and an additional \$.7 million in park revenue is anticipated primarily due to the recently opened aquatics facility located in C.B. Smith Park and the opening of the new Central Broward Regional Park. An overall additional \$.6 million is anticipated in Environmental Protection Department fees primarily due to increased activities relating to these fees. User fees are also the primary revenue source supporting operations and capital projects for our enterprise funds - the Airport, the Port, Solid Waste Management, and Water/Wastewater.

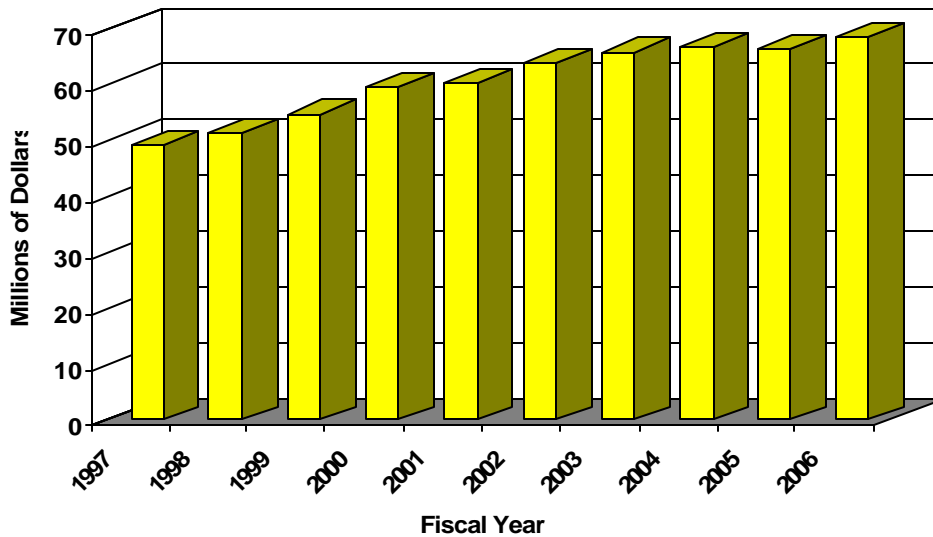
### **Sales Tax**

In 1983, the state dedicated one-half cent of additional sales taxes for local governments, of which approximately 40 percent is distributed to the County and 60 percent to the municipalities. Sales tax ranks only after property taxes as the most significant "flexible" revenue source available to the County in terms of the flexibility the County has to allocate the proceeds. However, the County's ability to levy additional sales taxes is extremely limited and requires a referendum.

Revenues from the County's portion of the half-cent sales tax are used to support: general fund programs (\$55.6 million); transportation operating divisions (\$11.8 million); and unincorporated emergency medical and fire protection services (\$.9 million). The amount used for emergency medical and fire protection services is based on the amount of sales tax that the County receives based on the population of the unincorporated area.

An influx of people moving from Dade to Broward County due to Hurricane Andrew, combined with a vibrant economy, boosted sales tax growth from fiscal years 1997 through 1999 an average of five percent per year. The County's share of sales tax revenues increased by almost nine percent in fiscal year 2000, slowed to less than a two percent increase in fiscal year 2001, increased by almost six percent in fiscal year 2002, and increased by three percent in fiscal year 2003. Fiscal year 2004 sales tax revenues increased by approximately one percent over the fiscal year 2003 actual sales tax receipts after annexation impacts are taken into account. Fiscal year 2006 sales tax revenues are anticipated to increase by approximately three percent over the fiscal year 2004 actual sales tax collections. The following chart illustrates the historical trend:

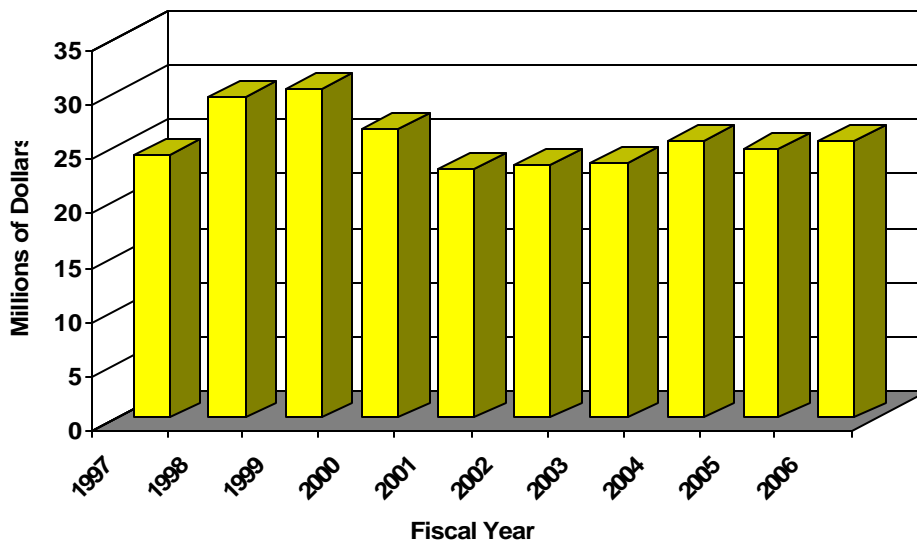
### **Half Cent Sales Tax Revenue FY 1997 - FY 2006**



**State Revenue Sharing**

Another "flexible" resource available to Broward County is State Revenue Sharing. These funds are distributed to Counties based on a population formula. In fiscal year 2006, \$.3 million of the County's share is allocated to the Municipal Service District Fund to support unincorporated area services. The remaining \$25.2 million will support General Fund County-wide programs. The following chart tracks State Revenue Sharing since fiscal year 1997:

**State Revenue Sharing Funds  
FY 1997 - FY 2006**



In fiscal year 1998, the amount received from State Revenue increased nearly 22 percent due to the stock market rise. Legislative changes in fiscal years 1999 and 2000 substantially reduced intangible taxes. Intangible taxes, which are assessed on the value of stocks, bonds, and mortgages, closely follow the health of the economy. On July 1, 2000 the Legislature substituted sales tax for the purposes of calculating revenue sharing payments to Counties. Due to these actions and annexations, the growth in State Revenue Sharing funds declined to two percent in fiscal year 1999, and in fiscal years 2000 and 2001, there was a decline of approximately 12 percent and 13 percent respectively. Due to the legislative impacts and additional annexations, fiscal years 2002 and 2003 State Revenue Sharing funding increased by approximately two percent per year, and fiscal year 2004 increased by approximately eight percent. Fiscal year 2006 State Revenue Sharing funding is anticipated to stay at approximately the same level as in fiscal year 2004.

**Gas Taxes**

The County's transportation programs are supported by seven different gas taxes.

These user-oriented taxes are summarized below:

- Seventh Cent (County) Gas Tax (\$6.8 million) - These revenues are used to fund transportation operations such as the Engineering Services, Traffic Engineering Services, and Highway and Bridge Maintenance budgets.
- Constitutional Gas Tax (\$15.5 million) - This tax is allocated to road construction projects.
- The Original Local Option Gas Tax (\$31.0 million) is pledged to support the debt service on gas tax bonds, major road construction projects and Mass Transit operations.
- The Ninth Cent Gas Tax (\$8.9 million) - This gas tax is appropriated for Mass Transit operations.
- The 1994 Local Option Gas Tax (\$11.6 million) must be utilized for transportation expenditures needed to meet the requirements of the capital improvement element in Broward County's adopted comprehensive plan. These proceeds are allocated primarily to major road construction projects County-wide, neighborhood improvement projects within the unincorporated area and mass transit programs.
- The 1998 Local Option Gas Tax (\$7.6 million) - This gas tax is appropriated for transportation expenditures in accordance with State law. When the tax was adopted, appropriating the additional gas taxes to support transportation expenditures enabled the reallocation of General Fund resources to support homeless programs.
- The 2000 Local Option Gas Tax (\$5.6 million) - This tax funds fixed route transit system and a portion of the community shuttle program.

**Fund Balance**

A large proportion of the total County Budget is supported by fund balances. Most fund balances are restricted and obligated for a specific purpose. The budgeted fund balance in the General Fund will be \$117.5 million in fiscal year 2006. In the enterprise funds, the budgeted fund balance will be \$394.9 million.