

FISCAL YEAR 2016 BUDGET MESSAGE

To: Board of County Commissioners

July 15, 2015

INTRODUCTION

Broward County begins its second century this October with great optimism and confidence in our future as a community. The Board's leadership has brought us numerous new infrastructure initiatives that will serve our residents and visitors well for decades to come. They include the opening next year of the new courthouse, implementation of the Segment II beach renourishment project, design of the Port Everglades channel deepening and widening project now that the U.S. Army Corp of Engineers has approved the long-awaited economic and environmental report, and the Convention Center expansion and Convention Center headquarter hotel project. All of these projects will help create a community full of vitality and secure a strong economic future.

In addition to physical infrastructure, human infrastructure is critical to a healthy community and a thriving economy. In conformance with the Commission's Strategic Plan, this budget includes several initiatives to strengthen our social safety net and improve the quality of life for all of our residents. Issues ranging from homelessness to juvenile services are being addressed, to the extent possible within our financial means.

OVERVIEW OF TOTAL BUDGET

The total budget for FY 16, which encompasses all funds including tax supported as well as non-tax supported funds, compares to the revised FY 15 budget as follows:

Budget	Revised FY 2015 (Millions)	FY 2016 (Millions)	Difference
Operating Budget	\$2,541.0	\$2,623.1	\$82.1
Capital Budget	\$817.6	\$809.3	<\$8.3>
Debt Service Budget	\$773.7	\$753.6	<\$20.1>
Total	\$4,132.3	\$4,186.0	\$53.7

Overall, the total budget increases by \$53.7 million due to an increase in the operating budget and decreases in the capital and debt service components. This represents an increase of slightly more than one percent in the total \$4.1 billion budget.

Regarding the individual components of the budget, the total capital budget is decreasing by \$8.3 million, primarily due to decreases in the Enterprise Capital Funds of \$85.5 million. This is due to large projects being budgeted in Aviation and Water and Wastewater Capital in FY 15. All of the major enterprise fund agencies (Aviation, Port Everglades and Water and Wastewater) continue to base their capital programs on master plans designed to ensure preservation of existing infrastructure and construction of new infrastructure to promote long term economic growth. The enterprise fund decreases are offset by increases primarily in General Capital Outlay (\$56.6 million), Beach Renourishment (\$18.2 million), and the Transportation Trust Capital Fund (\$9.1 million). Virtually all of the capital funds are being impacted by cost escalation in the construction market.

The total debt service budget is decreasing by a net \$20.1 million. This decrease is primarily due to the \$25.8 million decrease in the Aviation debt service reserve for future payments and enterprise fund debt

service (Port, Airport and Water and Wastewater) cumulatively decreases by \$23.8 million offset by general debt service increases of \$3.7 million.

The total operating budget is increasing by \$82.1 million based on revenue driven increases in various funds such as BSO Contract Funds, Water and Wastewater, Port Everglades and the General Fund. These increases are partially offset by decreases in operating funds such as Aviation and Risk Management Funds.

FY 16 PROPOSED PROPERTY TAX SUPPORTED BUDGET

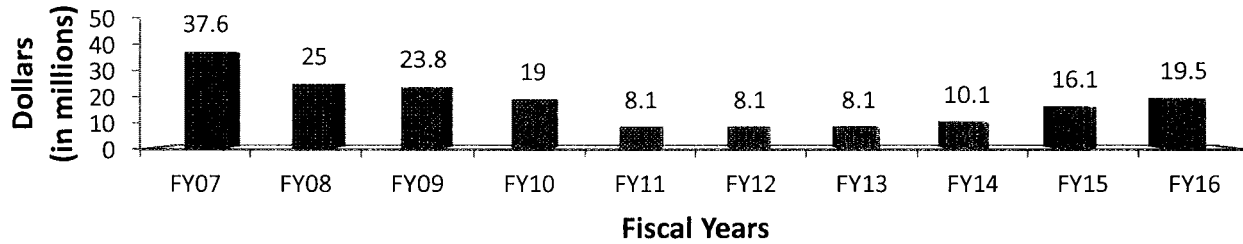
The tax roll for FY 16 is increasing 6.87 percent compared to the roll used for the adopted FY 15 budget. This increase is very close to the increase we experienced in the current fiscal year, which was 6.7 percent. While we do not expect this trend to continue, it does reflect that we have regained a significant portion of the tax roll loss we experienced during the "great recession". Even with these increases, however, the FY 16 tax roll will still be 14.5 percent below the peak, which was reached in FY 08.

Most homestead taxpayers will see a very slight increase in their County taxes, which comprise approximately 23 percent of their overall property tax bill. Homestead property owners who enjoy a difference between their market and taxable values, and are subject to the state "recapture rule," will be capped at an 8/10th of one percent increase in their taxable value for FY 16. At an average taxable value of \$128,000, net of the \$50,000 homestead exemption, these taxpayers can expect an increase of approximately \$6 in County ad valorem taxes for FY 16. For other taxpayers, the market value change in their properties will determine how much their property taxes will increase. Based on the Board's direction for no increase in the total millage rate for FY 16, this recommended budget incorporates the following changes within the overall flat total rate.

Budget	FY 15 Rate	FY 16 Rate	Difference
General Fund	5.3444	5.3444	0
General Capital Outlay	0.1140	0.1297	0.0157
General Obligation Debt	0.2646	0.2489	<0.0157>
Total	5.7230	5.7230	0

As illustrated above, the debt service rate will decline slightly in FY 16 and the general capital rate will increase slightly. The total rate will be the same as FY 15. This recommendation is based on the goal of continuing to rebuild the "pay-as-you-go" capital program, which was significantly impacted during the recession. The following chart illustrates the 10-year trend of general capital property taxes in millions:

10 Year History of General Capital Outlay Property Taxes



Stepping up the taxes dedicated to the general capital outlay program over time is essential to meeting our infrastructure maintenance requirements. With over \$2 billion in tax-supported assets to maintain, it is essential that we continue to rebuild the pay-as-you-go program with recurring revenue, until we meet the required levels based on a detailed asset management program and national benchmarks. The asset management program is an area we are investing resources in for FY 16, so that our capital decisions can be based on the best information possible. We continue to utilize fund balance, when available, to maintain a responsible general capital program until the recurring tax revenue can grow to adequate levels.

In regards to the general fund, overall recurring revenue growth for FY 16 is 6.1 percent, when both property taxes and all other revenues are factored in. While the tax roll increased 6.87 percent, other general fund revenues grew by only 3.2 percent. To arrive at the amount available for operations, certain items must be funded off the top. The most significant of these is tax increment payments for municipal CRAs, which automatically increase when the tax roll increases. Total tax increment payments will increase from \$29.84 million in FY 15 to a budget of \$34.15 million in FY 16. The end result is that funding for operations for county agencies and Broward Sheriff's Office (BSO) increased by 5.7 percent.

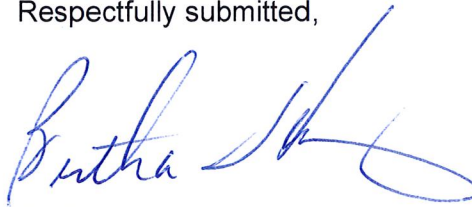
The recommended budget reflects this 5.7 percent increase in the BSO general fund budget. In addition, \$3 million in fund balance will be added to the operating budget, after the fiscal year ends, from BSO year-end surplus. This is the final year BSO will use fund balance for this purpose. There is also \$2.75 million reserved for enhanced courthouse security costs and \$200,000 for additional catastrophic inmate health care costs, which will be added to the FY 16 BSO budget once Memorandums of Understanding have been agreed to for these two issues. A closed door session may be needed in August to finalize the courthouse security issue.

In June, staff met with the Board to discuss funding recommendations for the general fund agencies operating under the County Commission. Fortunately, we were able to keep our inflationary costs to maintain current service levels at a very reasonable level for FY 16, so that some funds were available to make progress towards the Board's vision and goals. As you know, additional discussion will occur at the August budget workshop to finalize how these funds are ultimately utilized. Enhancement recommendations address key Board priorities such as improving transportation services (traffic synchronization, expanded and cleaner bus services); greater focus on small businesses; support for Human Services needs assessment action items (juvenile detention alternatives, expanded Family Success Center hours and centralized billing services); improved homeless services and support to address internal structural weaknesses emanating from the economic downturn.

CONCLUSION

We feel very fortunate to start our second century as a County during improved economic conditions with a sound, responsible budget which makes progress toward the Board's vision and goals. On August 18, we will meet with you in one last workshop to finalize the general fund budget and discuss presentations regarding General Capital, Transportation Capital, Judicial Technology, Water and Wastewater, Tourist Tax-funded programs and the Health and Pharmacy program. The final public hearing on the budget is scheduled for September 17. We look forward to finalizing the budget and embarking together on our ambitious goals for the new fiscal year.

Respectfully submitted,



Bertha Henry
County Administrator