

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
WORKSHOP SUMMARY

Meeting Date: November 24, 2015

Department: County Administration

I. Executive Brief

Title: Infrastructure and financing options

Summary: Capital funding has been limited due to the recession and the aging of facilities has created a backlog of projects. The projects include drainage issues, bridges, roads, streetlights, public safety buildings, general buildings, and parks. Lack of not properly funding renewal and replacement (R&R) may hinder operational reliability and interrupt service. The County has hired consultants to review capital needs and spending, with the reports to be completed in December 2015.

Eight different types of local discretionary sales surtax are currently authorized in law. Palm Beach County is one of only 11 counties, out of 67, that does not currently levy any local discretionary sales surtax. The local government infrastructure surtax may be either one-half percent (.5%) (approximately \$110 million annually) or one percent (1%) (approximately \$220 million annually). The surtax is allocated between the County (60%) and Municipalities (40%) unless interlocal agreements are entered into with a population majority of municipalities to change the allocations and include other entities. The local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions. The surtax applies to the first \$5,000 of any single taxable item, but the limitation does not apply to the rental of commercial real property, transient rentals, or services. Items such as groceries, baby food, baby formula, and medicines are exempt from sales tax. Levying this surtax will partially shift the funding responsibility to visitors; about 25% of sales tax in Palm Beach County is paid by visitors.

General Obligation bonds are another source of funding capital needs but require an increase to the debt service millage rate and are paid completely by property owners. Both the surtax or General Obligation bonds require a referendum to be approved by voters. Countywide (PFK)

Background and Justification: On July 28, 2015 the Board discussed financing infrastructure needs and directed staff to review a possible sales tax, bonds, and hire consultants to review projects and spending.

Attachments:

- 1. Presentation
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Recommended by: _____
Department Director Date

Approved By: Vendemia C. Baker 11/17/15
County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
Debt Service Costs	_____	_____	_____	_____	_____
Debt Service Reserve	_____	_____	_____	_____	_____
Bond Proceeds	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
NET FISCAL IMPACT	_____	_____	_____	_____	_____
No. ADDITIONAL FTE POSITIONS (Cumulative)	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes _____ No _____
 Budget Account No.: Fund _____ Department _____ Unit _____
 Object _____ Reporting Category _____


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

Presentation discusses financing options.

C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS

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

 _____ OFMB	N/A _____ Contract Dev. and Control
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B. Legal Sufficiency:



 Assistant County Attorney

C. Other Department Review:

 Department Director

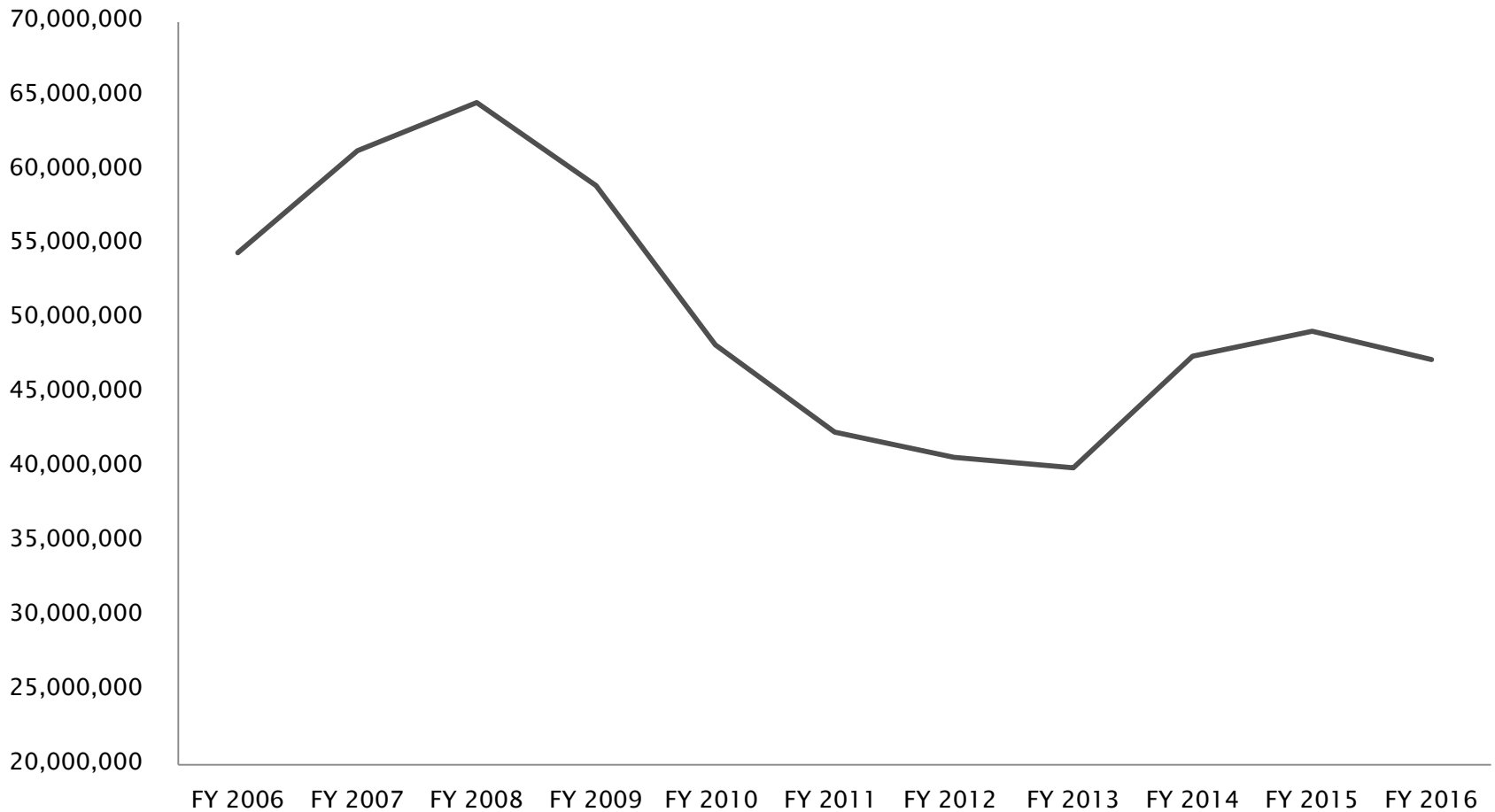
Infrastructure Projects

November 24, 2015

Importance of R&R

- ▶ Relieves more costly/numerous repairs
- ▶ Operational reliability
- ▶ Predictable service delivery
- ▶ Reduced liability
- ▶ Less expensive than new construction
- ▶ “Pay as you go”

History of R&R Funding



Projects – Backlogged

- ▶ **Projects**
 - Bridges & roads safety
 - Drainage
 - Canal
 - Public safety buildings & equipment
 - General buildings
 - Parks
- ▶ **\$650–750M**

Engineering

- ▶ **Drainage**
 - Improvements needed for traffic safety & to reduce flooding
- ▶ **Bridges**
 - Improvements needed for traffic safety & to reduce risk of failures
- ▶ **Roads – Resurfacing & Striping**
 - Improvements needed for safer roads & to avoid future excessive road maintenance costs
- ▶ **Signalized intersections**
 - Improvements needed for improved traffic flow, to reduce maintenance costs, & to improve signal performance after storms
- ▶ **Street lights**
 - Improvements needed for energy cost savings & to reduce carbon footprint
- ▶ **Canal maintenance**
 - Improvements needed for safer roads & to avoid future excessive road maintenance costs

Facilities

- ▶ Inventory grew by facilities and parks that were funded during prosperous years
- ▶ Recession reduced R&R funding
- ▶ Phases 2&3 of the Jail Expansion Project were cancelled, which would have resulted in \$15M of R&R being accomplished at the Main Detention Center in addition to programmatic changes
- ▶ 47% of buildings reached at least age 20, including the Main Detention Center/Sheriff's HQ and Main Courthouse

Parks

- ▶ **Renovation of Existing Facilities**
 - Playground replacement
 - Sport lighting repairs
 - Court resurfacing/Repairs
 - Trail/pathway repairs
 - Aquatic facility renovations
 - Building repair/replacement
 - Sports field renovations
 - Boat Ramp Repairs
 - Picnic pavilion replacement
- ▶ **Level of Service**
 - Expansion of existing parks
 - New parks – Canyon’s District & Garden’s District

Funding Options

- ▶ Increase operating millage
- ▶ Issue bonds
 - General Obligation
 - Non-ad Valorem
- ▶ Infrastructure Sales Surtax

Bond Options

▶ General Obligation

- Ad valorem to pay debt service
- 20 year maturity
- Paid by property owners
- Voted through a referendum

▶ NAV

- Issued as a pledge to Non-ad valorem revenues
- 20 year maturity
- Debt service paid by General Fund
- Voted by BCC

Local Government Infrastructure Surtax

- ▶ The rate may be one-half or one percent
- ▶ BCC approves ordinance to allow referendum
- ▶ Voters must approve surtax
- ▶ Surtax is allocated between County (60%) and Municipalities (40%)
- ▶ Agreement needed to include other entities and change allocation
 - Agreement must be approved by the governing bodies of the municipalities representing a majority of the County's municipal population

Sales Tax

- ▶ Surtax applies to all transactions subject to the State Sales Tax
- ▶ Tax applies to first \$5,000 of sales price of tangible personal property
- ▶ Many items exempt
 - Groceries, baby food and formula
 - Medicines

Proposal

- ▶ Countywide surtax to deal with infrastructure needs
- ▶ No more than 10 years
- ▶ Consultant to review PBC projects list
 - Report completed by December 31
- ▶ Consultant to review PBC spending
 - Report completed by December 31
- ▶ Create oversight committees to audit spending

Sales Surtax Projections

- ▶ One Percent
 - Annual projection – \$220M
 - Total projection, 10 years, with 3% growth – \$2.679B

- ▶ One-Half Percent
 - Annual projection – \$110M
 - Total projection, 10 years, with 3% growth – \$1.340B

What's Next

- ▶ Complete consultant reports
- ▶ January 26th – Workshop to present consultant reports and project list
- ▶ BCC Meetings to approve ordinance & inter-local agreements