

9:30 a.m.

Agenda Item #:

PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS

WORKSHOP SUMMARY

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Meeting Date: February 28, 2023

Department: Office of Financial Management & Budget

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I. EXECUTIVE BRIEF

**Title:** Discussion of capital project needs and proposed bond financing thereof.

**Summary:** This workshop is dedicated to the discussion of the Capital Improvement Program (CIP) Budget Process, the sources of CIP funding, Non-Ad Valorem (NAV) Bonds and their issuance process, as well as the feasibility of issuing NAV bonds to finance identified capital needs. **Countywide (DB)**

**Background and Policy Issues:** The County's CIP is a plan that describes the capital projects proposed for a five year period and identifies the revenue sources projected to fund the projects. The debt service on NAV Revenue Bonds is funded by all unrestricted revenues in the General Fund and some special revenue funds.

This workshop is necessitated to prioritize identified and anticipated capital needs and discuss the feasibility of issuing NAV Revenue Bonds to finance those needs.

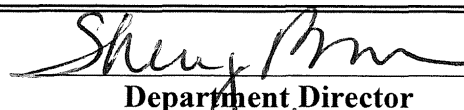
**Attachments:**

1. PowerPoint Presentation

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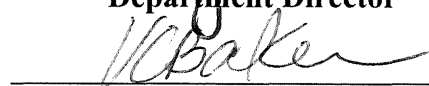
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Recommended by:

  
Department Director

1/30/2023  
Date


Approved By:

  
County Administration

1/31/23  
Date





The background of the slide is a photograph of a modern, multi-story building with a white facade and dark window frames. The building is partially obscured by several tall palm trees and other greenery. In the foreground, there is a paved walkway and some wooden benches. The sky is clear and blue.

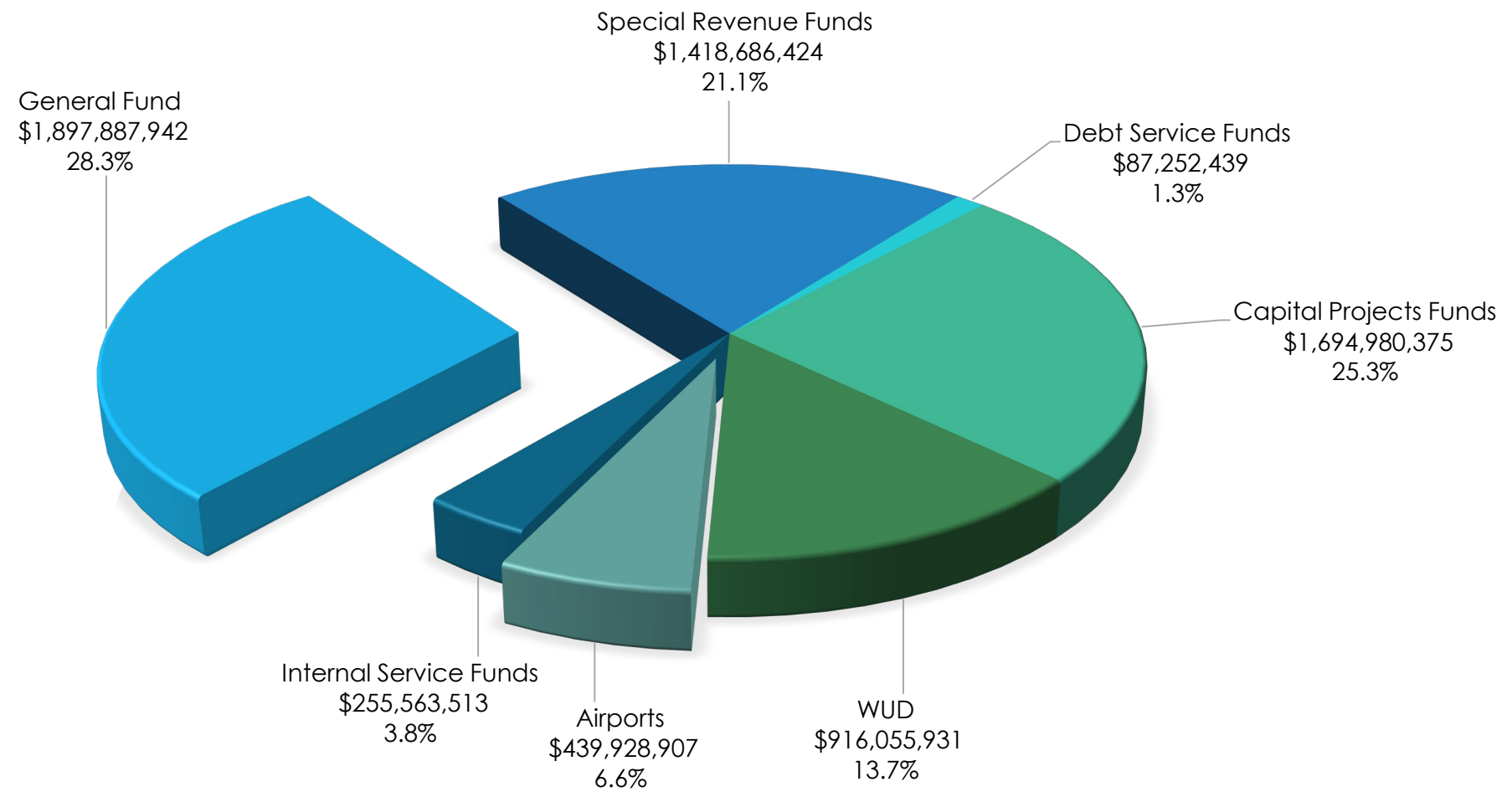
# Overview of Capital Budget and Proposed Bond FY 2024 Budget Projections

Board Workshop  
February 28, 2023



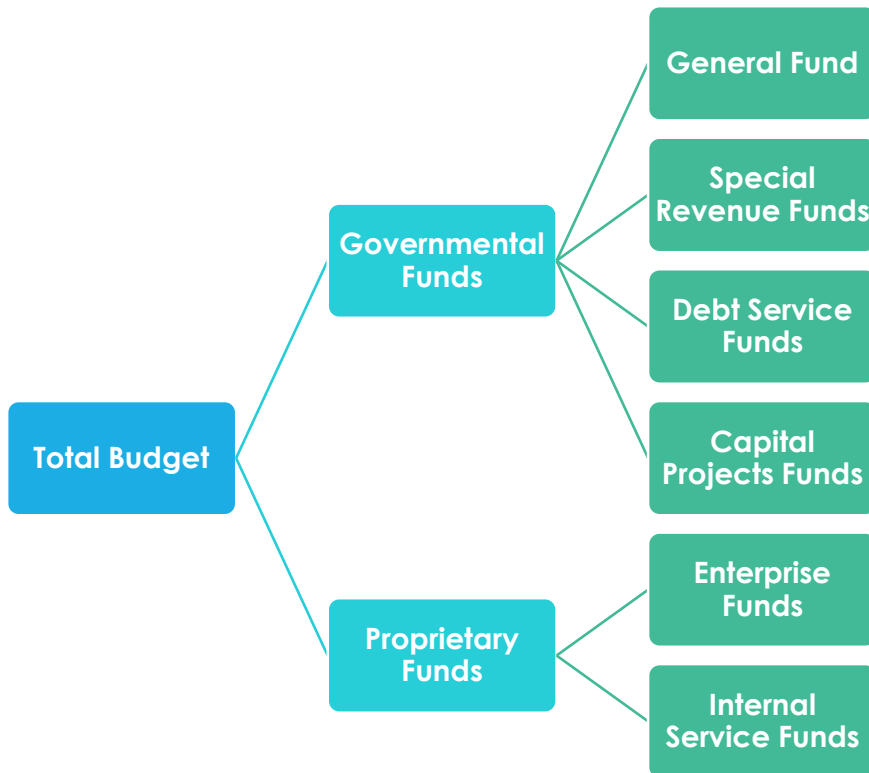
# FY 2023 Total Budget by Fund

Total Budget - \$6,710,355,531



# What is a Fund?

- A separate fiscal and budgetary entity, required by Governmental Accounting Standards Board (GASB)
- Each fund must be balanced per Florida Statute – Revenues = Expenditures
- Used to maintain control over resources that have been segregated for specific activities or objectives



General Fund – Used to account for financial transactions which are applicable to the general financial requirements of the County (*Total: \$1,897,887,942; i.e. – OFMB and Parks and Recreation*)

Special Revenue Funds – Used to account for and report the proceeds of specific revenue sources that are restricted or committed for a specific purpose (*Total: \$1,418,686,424, i.e. – Fire Rescue and County Library*)

Debt Service Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for debt service (*Total: \$87,252,439*)

Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays (*Total: \$1,694,980,375*)

Enterprise Funds – Used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public are financed or recovered primarily through user charges (*Total: \$1,355,984,838, i.e. – Airports and WUD*)

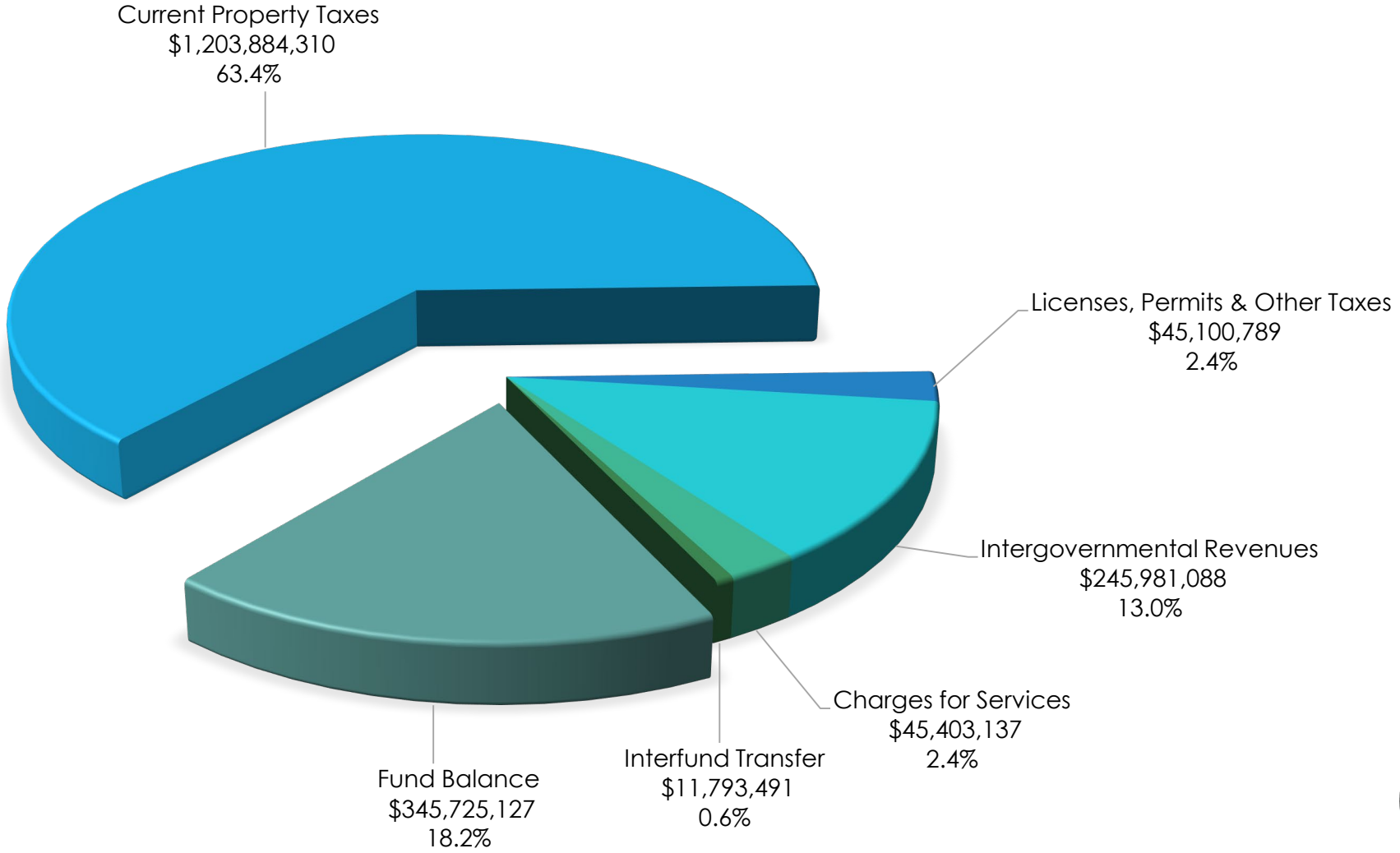
Internal Service Funds – Used to account for the goods and services which are provided by departments for the benefit of other County departments on a cost reimbursement basis (*Total: \$255,563,513, i.e. – Fleet and Risk Management*)



# FY 2023 General Fund Revenues by Category

Total General Fund Budget - \$1,897,887,942

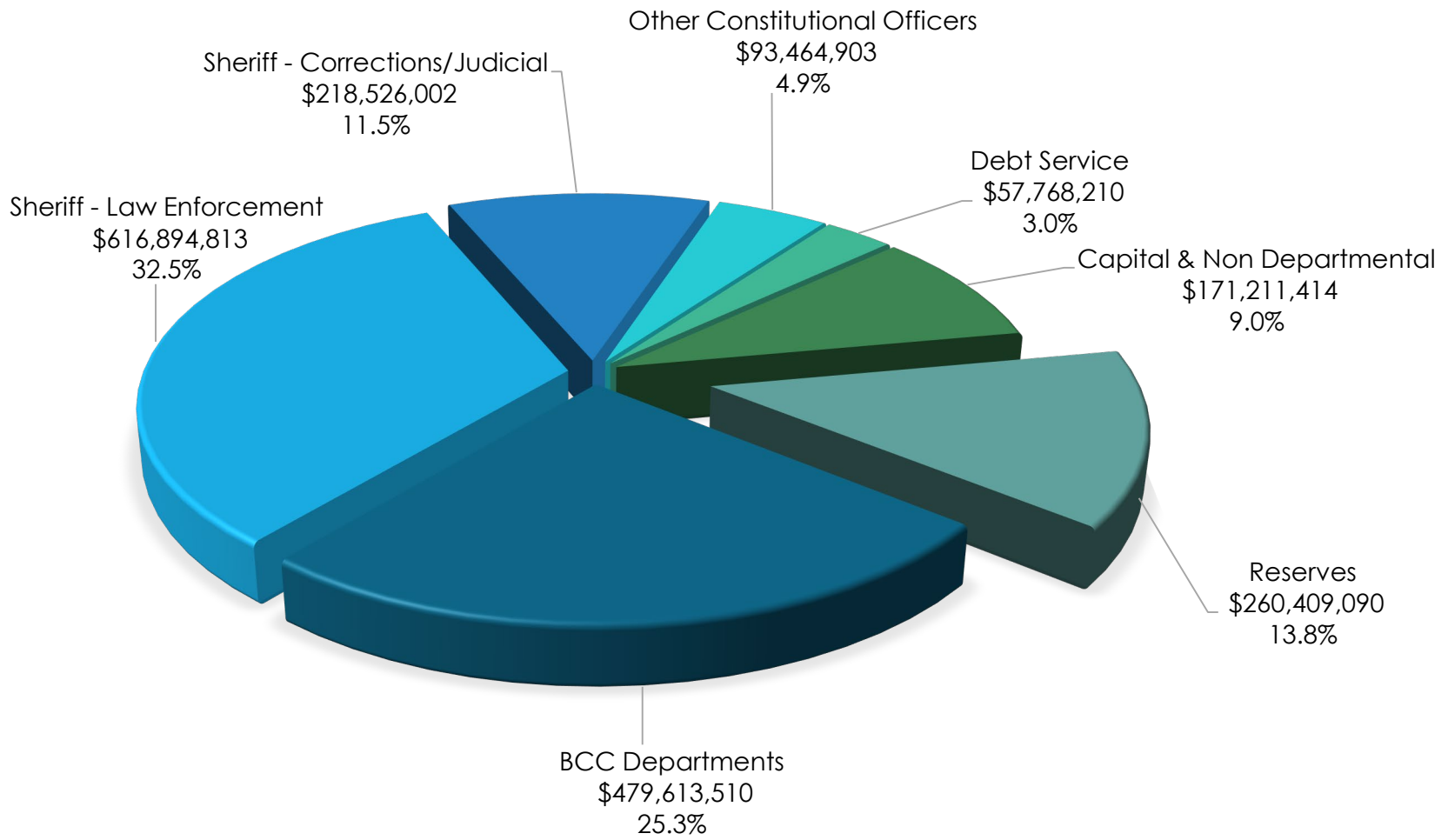
Includes Sheriff Revenues  
of \$91.9 million



# FY 2023 General Expenses by Function

Total General Fund Budget - \$1,897,887,942

Sheriff Net Budget  
\$743.5 million



# General Fund Expenses

Total General Fund Budget - \$1,897,887,942

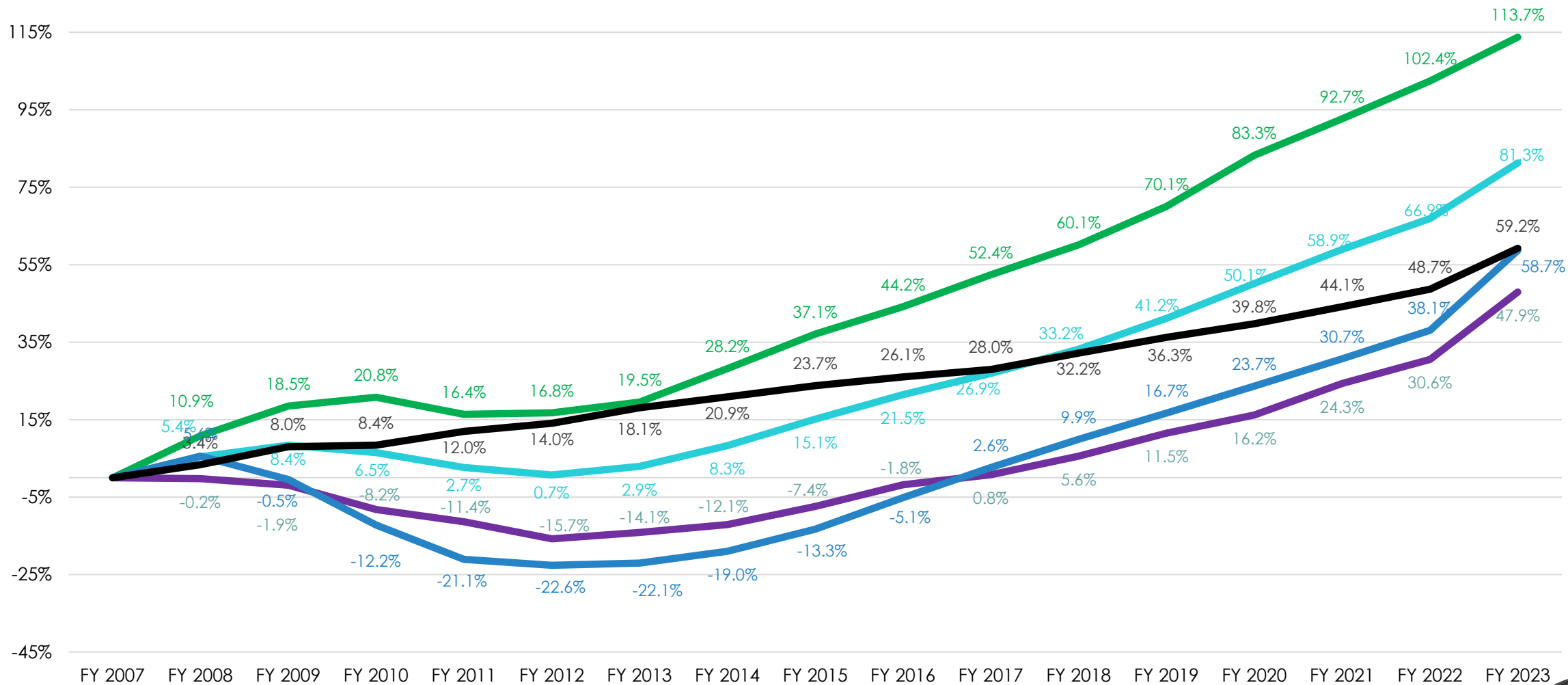
	Actual FY 2019	Actual FY 2020	Actual FY 2021	Budget FY 2022	Budget FY 2023	Budget Difference	%
BCC Departments	\$319,304,575	\$321,253,203	\$327,079,389*	\$424,928,962*	\$479,613,510	\$54,684,548	12.9%
Sheriff	670,250,501	722,193,959	762,364,970	788,915,950	835,420,815	46,504,865	5.9%
Other Constitutional Officers	69,625,206	66,304,923	72,221,469	81,856,184	93,464,903	11,608,719	14.2%
Debt Service	58,913,296	57,285,448	54,702,878	57,826,898	57,768,210	(58,688)	-0.1%
CRAs	41,715,729	45,308,287	48,224,416	51,544,652	61,379,899	9,835,247	19.1%
Reserves	-	-	-	189,662,614	260,409,090	70,746,476	37.3%
Capital	37,363,000	42,008,736	38,975,000	40,975,000	59,015,000	18,040,000	44.0%
Non-Departmental	35,717,934	38,585,866	21,969,413	44,179,427	50,717,515	6,538,088	14.8%
<b>Total</b>	<b>\$1,232,890,241</b>	<b>\$1,292,940,422</b>	<b>\$1,325,537,535</b>	<b>\$1,679,889,687</b>	<b>\$1,897,788,942</b>	<b>\$217,899,255</b>	<b>13.0%</b>

\* The increase in the BCC Departments - FY 2022 Budget is primarily due to grant revenue.





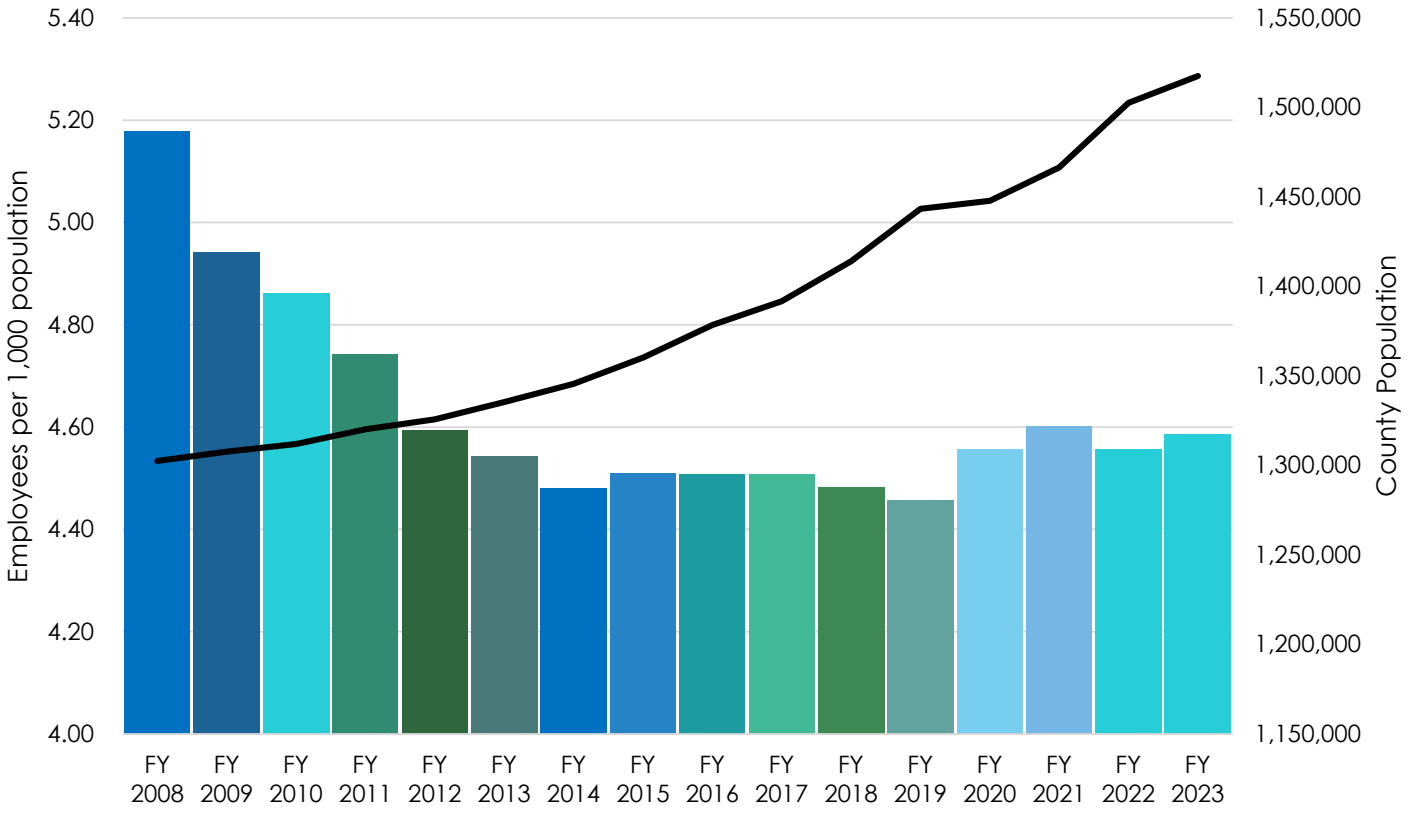
# Cumulative Percentage Increase in Ad Valorem Support



**During this period, inflation was up 41.7% and population was up 17.6%**



# Employees per 1,000 Population\*



	Employees	County Population	Employees per 1,000 population
FY 2008	6,744	1,302,451	5.18
FY 2009	6,463	1,307,784	4.94
FY 2010	6,379	1,312,016	4.86
FY 2011	6,261	1,320,134	4.74
FY 2012	6,089	1,325,758	4.59
FY 2013	6,066	1,335,415	4.54
FY 2014	6,030	1,345,652	4.48
FY 2015	6,134	1,360,238	4.51
FY 2016	6,214	1,378,417	4.51
FY 2017	6,274	1,391,741	4.51
FY 2018	6,339	1,414,144	4.48
FY 2019	6,433	1,433,417	4.49
FY 2020	6,597	1,447,857	4.56
FY 2021	6,748	1,466,494	4.60
FY 2022	6,844	1,502,495	4.56
FY 2023	6,961	1,518,152	4.59

\* Net of 250 Head Start positions eliminated in FY 2014



# FY 2024 Budget Additional Considerations

- Affordable/Workforce Housing
- Continue to build Capital Improvement Program
- Continue to build reserves
- Prepare for leveling off of property value increases



# Capital Improvement Program (CIP)

- A plan that describes the capital projects proposed for a five year period
- Identifies the revenue sources projected to fund the projects
- A capital project is the acquisition, construction or rehabilitation of County owned assets (facilities, parks, roads, etc.)
  - Minimum dollar value of \$25,000
  - Improvement with a useful life in excess of one year
  - Excludes fleet





# Renewal / Replacement

- Ensures continued operations, safety and reliability
- Reduces liability
- Relieves more costly and /or numerous repairs
- Reduces downtime for programs and services by pre-planning /coordinating the work to minimize service delivery and operational impacts
- “Pay as you go”



# CIP Budget Process

- Departments submit capital budget requests during budget development
- Management Team reviews requests and available funding
- County Administrator makes recommendations to BCC during June Budget Workshop
- BCC adopts capital budget during public hearings in September
- Five-Year Road Program is adopted annually in December and amended in June/July



# CIP Challenges

- Escalation on the Rise
  - Producer Price Index – input costs for non-residential rose 42.5% from March 2020 to March 2022 (Source: CBRE 2022 U.S. Construction Cost Trends)
- Limited Material Availability
  - Supply chain disruptions
- Extended Delivery Times
  - Manufacturing facilities closures and limited component availability
- Limited Labor Availability
  - Construction activity surging, multiple projects competing and finite number of qualified companies to perform the work



# Representative Challenges

- Supervisor of Elections New Facility (FDO)
  - Construction contingency depleted (i.e. ~\$1.3M) during the 60-day subcontractor buyout process
  - Switchgear delivery increased from 52 weeks to 76 weeks
- PBSO District 1 & Marine Unit (FDO)
  - Estimated GMP increased 35% (\$14.1M in November 2021 to \$18.9M in September 2022)
- Dune & Beach Restoration Annual Contract (ERM)
  - Terminated as the two contractors under the agreement would not accept work orders due to higher sand transport costs (i.e. diesel price increases)
- Casing Under A1A Ocean Inlet Park (ERM)
  - Contract issues prevented issuance of work order, cost increased 44% thru rebid process (from \$275,600 in September 2021 to \$397,600 in July 2022)





# Representative Challenges

- Concourse B Expansion at PBI (Airports)
  - Escalation in construction costs by more than 40% has delayed the project for more than a year to seek additional funding
- Pre-Conditioned Air (Airports)
  - Switchgear delivery increased from 18 weeks to 88 weeks
- Miscellaneous Pavement Repair Continuing Project (Airports)
  - No bids were received for this contract that was bid as a continuing on call contract. The project was re-bid as a single stand alone project. One bid was received that exceeded the estimate by 46%
- Pipeline Continuing Construction Contract (WUD)
  - 3-year contract with \$30M total value; unit prices in 2022 came 46% to 51% higher than those under the 2019 contract



# Representative Challenges

- Annual Contracts (EPW)
  - Re-bid had to be done due to cost increases
  - Labor sent to higher paying projects, potential for delays
- All Construction Departments
  - No-Bid and Single-Bid results which lead to duplication of efforts and delays in implementation



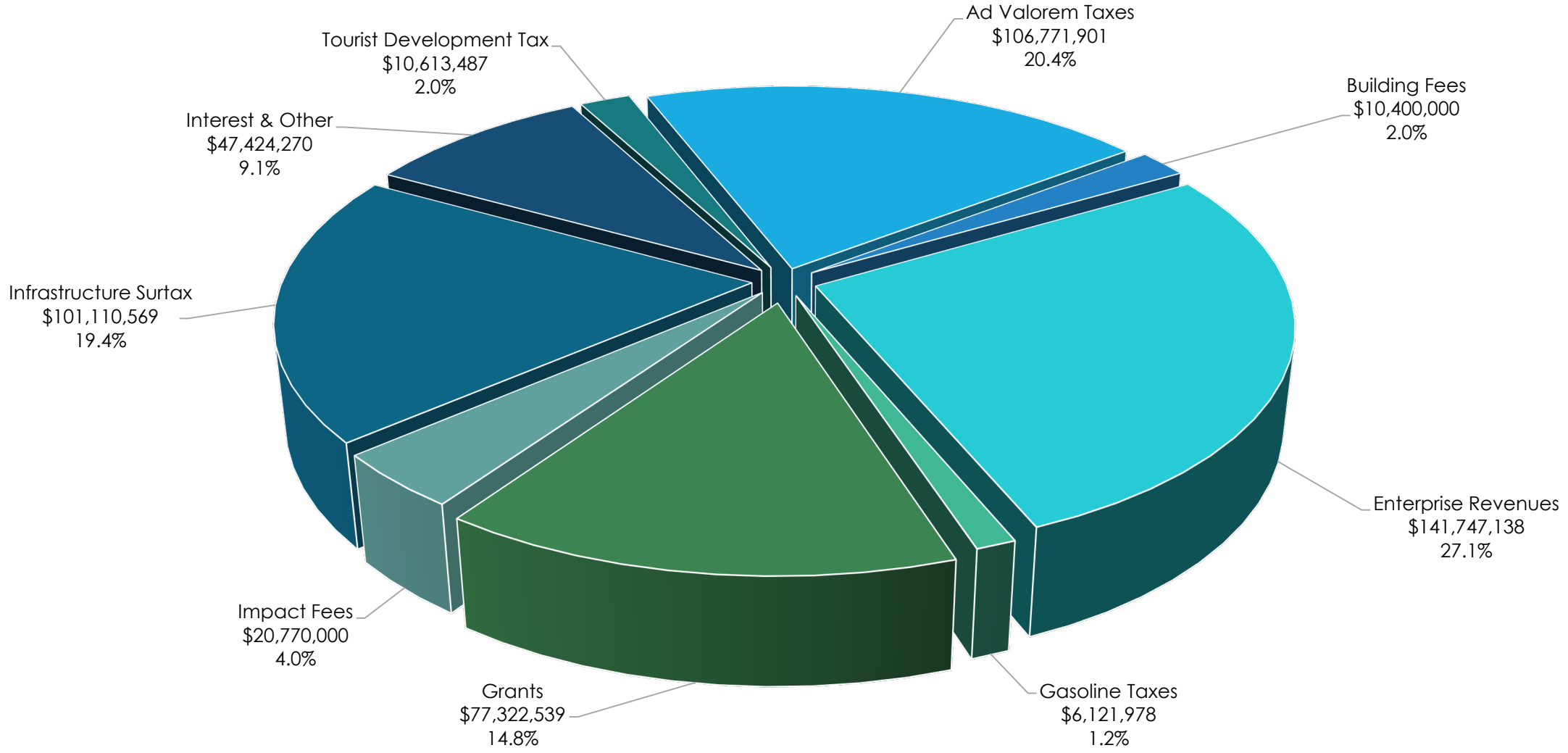
# FY 2023 CIP Projects

	Ad Valorem	Other Funding	Total
Building Division (PZB)	\$0	\$10,864,000	\$10,864,000
County Library	13,200,000	1,220,750	14,420,750
Criminal Justice	0	332,500	332,500
Department of Airports	0	114,574,431	114,574,431
Environmental Lands and Beaches	250,000	29,061,876	29,311,876
Fire Rescue	33,840,000	1,519,050	35,359,050
Five Year Road Program	0	50,063,698	50,063,698
General Government	52,986,901	21,824,796	74,811,697
Infrastructure Surtax	0	98,534,541	98,534,541
Parks and Recreation	6,495,000	10,015,210	16,510,210
Streets and Drainage	0	760,950	760,950
Water Utilities Department	0	76,738,179	76,738,179
<b>TOTAL</b>	<b>\$106,771,901</b>	<b>\$415,509,981</b>	<b>\$522,281,882</b>



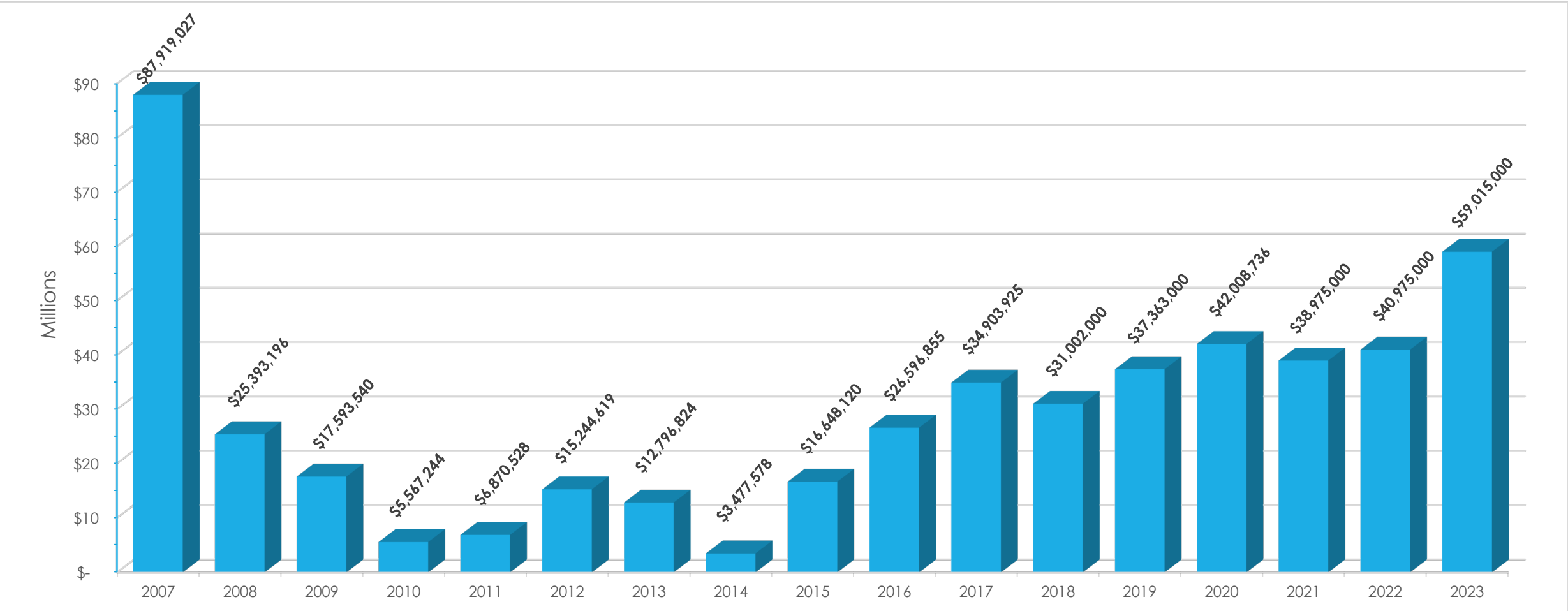
# Funding for FY 2023 Capital Projects

Total Budget - \$522,281,882





# History of General Fund Ad Valorem Funding for Capital



Fiscal Years FY 2008 through FY 2014 capital funding total \$87 Million, same as FY 2007.



# FY 2023 Ad Valorem Funded Projects

- \$15M Countywide Building Renewal & Replacement
- \$6M Pavement Management / Roadway Striping
- \$6M Network Infrastructure Renewal, Replacement & Improvement
- \$4.3M Platform Infrastructure Renewal, Replacement & Improvement
- \$3.5M General Park Repair and Renovation
- \$2.3M Animal Care and Control West County Pahokee Interim Facility
- \$2M Bridge CCTV Camera/DVR Detection System
- \$1.9M Countywide Electronic Systems Renewal & Replacement
- \$1.5M Stormwater Geographic Information System (GIS) Mapping
- \$1.5M Countywide Parks Facility Renewal & Replacement
- \$1.3M Countywide Elevator Door Lock Monitoring
- \$1.3M Communications / Telephony
- \$1.1M Medical Examiner Office Expansion
- \$1M West County Administration Building Modifications



# Funding Sources for Projects (in thousands)

Funding Sources	Adopted FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Total
Ad Valorem Taxes	\$91,520	\$94,302	\$78,045	\$85,523	\$64,444	\$413,834
Building Fees	10,800	\$5,200	0	0	0	16,000
Enterprise Revenues	119,417	97,865	64,340	52,009	89,194	422,825
Gas Tax	18,387	13,733	10,356	8,975	8,975	60,426
Grants	0	80,035	38,478	18,785	6,845	144,143
Impact Fees	55,970	31,190	13,890	3,940	3,490	108,480
Interest & Other	29,453	14,308	4,609	4,355	3,457	56,182
Loan/Bonds Proceeds	47,367	0	80,000	0	0	127,367
Surtax	103,947	89,395	107,108	86,729	59,894	447,073
Tourist Development Tax	13,456	14,065	14,348	15,343	11,959	69,171
<b>TOTAL REVENUES</b>	<b>\$490,317</b>	<b>\$440,093</b>	<b>\$411,174</b>	<b>\$275,659</b>	<b>\$248,258</b>	<b>\$1,865,501</b>



# Palm Beach County Bonded Debt

## General Obligation Bonds (GO)

Funded by dedicated line item on property tax bills

\$26,250,000

## Non-Ad Valorem Bonds (NAV)

Funded by all unrestricted revenues in the General Fund and some Special Revenue Funds

\$563,647,337

## Revenue Bonds

Funded by user fees (Water Utility Bonds and Airport Bonds)

\$180,224,721

\* Outstanding as of 10/1/22



# Palm Beach County Bonded Debt

## General Obligation (GO) Bonds

- Must be approved by voters
- Backed by the credit and taxing power of PBC
- Countywide
- Debt Service is funded by separate millage rate line item on property tax bill.
- Does not impact County's 10 mill cap
- Bond proceeds must be used for a paramount public purpose.

## Non-Ad Valorem Revenue (NAV) Bonds

- Must be approved by BCC
- NAV Revenue Bond proceeds are not backed by ad valorem tax revenues
- NAV Revenue Bonds are funded by all unrestricted revenues in the General Fund and some special revenue funds
- Bond proceeds must be used for a paramount public purpose



# Palm Beach County Bonded Debt – Bond Ratings

## General Obligation Bonds (GO)

- AAA Rated by Standard & Poors, Fitch, and Moodys

## Non-Ad Valorem Bonds (NAV)

- AAA Rated by Standard & Poors
- AA+ Rated by Fitch
- Aaa Rated by Moodys

## Revenue Bonds

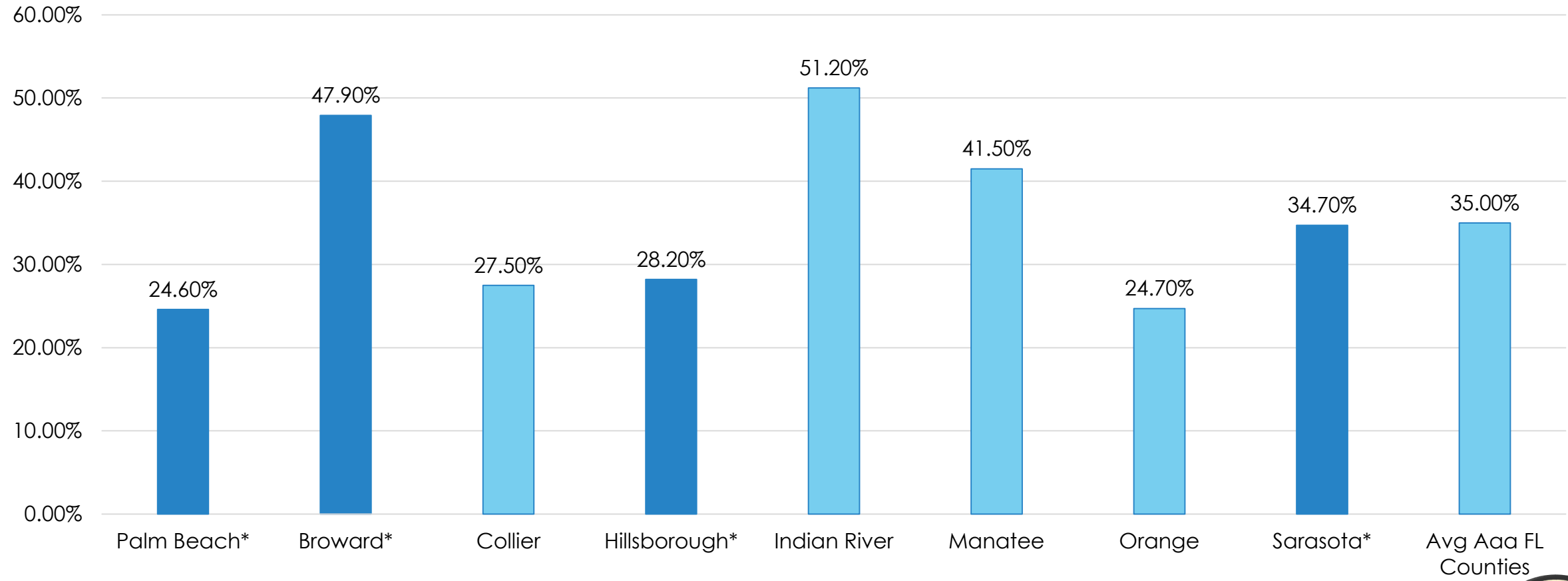
- Water Utility Bonds
  - AAA Rated by Standard & Poors, Fitch, and Moodys
- Airport Bonds
  - A+ Rated by Standard & Poors and Fitch
  - A1 Rated by Moodys

Moody's	Standard & Poor's	Fitch	Rating Grade Description		
<b>Aaa</b>	<b>AAA</b>	<b>AAA</b>	Investment Grade	Highest Grade Credit	
Aa1	AA+	AA+		Very High Grade Credit	
Aa2	AA	AA		High Grade Credit	
Aa3	AA-	AA-		Good Grade Credit	
A1	A+	A+		Speculative Grade	Speculative Grade Credit
A2	A	A			Very Speculative Credit
A3	A-	A-			Substantial Risk - In Default
<b>Baa1</b>	<b>BBB+</b>	<b>BBB+</b>			
<b>Baa2</b>	<b>BBB</b>	<b>BBB</b>			
<b>Baa3</b>	<b>BBB-</b>	<b>BBB-</b>			
Ba1	BB+	BB+			
Ba2	BB	BB			
Ba3	BB-	BB-			
B1	B+	B+			
B2	B	B			
B3	B-	B-			
<b>Caa1</b>	<b>CCC+</b>	<b>CCC+</b>			
<b>Caa2</b>	<b>CCC</b>	<b>CCC</b>			
<b>Caa3</b>	<b>CCC-</b>	<b>CCC-</b>			
Ca	CC	CC			
C	C	C			



# Fund Balance History – FY 2021

## Percentage Fund Balance to Revenue



\* These counties have a Aaa rating by all three ratings agencies. The others have a Aaa rating by one or two of the ratings agencies.





# Existing NAV Debt Service By Source

Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
General Fund	\$58,058,518	\$51,400,213	\$51,277,439	\$37,739,113	\$35,536,219	\$33,109,277
Tourist Development Tax	16,357,102	16,363,067	16,343,905	16,325,100	16,607,956	16,592,330
Transportation Improvement Fund	1,035,388	1,031,693	1,024,982	1,020,225	1,012,451	1,006,632
<b>Total</b>	<b>\$75,451,008</b>	<b>\$68,794,973</b>	<b>\$68,646,326</b>	<b>\$55,084,438</b>	<b>\$53,156,626</b>	<b>\$50,708,239</b>



# Proposed NAV CIP Bond FY 2023 – FY 2026

	FY 2023	FY 2024	FY 2025	FY 2026
Generators/Hardening at Critical Facilities	\$10,000,000			\$10,000,000
Medical Examiner Office Expansion	14,200,000			
Mosquito Control Redevelopment	17,600,000			
Supervisor of Elections Exterior Hardening*	12,500,000			
South County Administrative Complex		\$80,000,000		
Infrastructure Surtax Potential Shortfall				\$40,000,000
<b>TOTAL</b>	<b>\$54,300,000</b>	<b>\$80,000,000</b>	<b>\$0M</b>	<b>\$50,000,000</b>

\* Existing Supervisor of Elections Building



# Debt Service Forecast FY 2023 – FY 2028

	FY 2023	FY 2024	FY 2025	FY2026	FY 2027	FY 2028
\$134M NAV Roger Dean Jupiter Stadium Expansion*		\$9,927,966	\$9,737,038	\$9,737,485	\$9,738,681	\$9,735,120
\$54.3M NAV Various Facilities		3,993,000	3,992,750	3,993,750	3,990,750	3,993,750
\$80M NAV South County Admin. Complex			6,083,750	6,089,250	6,088,750	6,087,250
\$50M NAV Infrastructure Surtax Potential Shortfall					4,100,250	4,103,000
Existing NAV Bonds**	75,451,008	68,794,973	68,646,326	55,084,438	53,156,626	50,708,239
<b>TOTAL</b>	<b>\$75,451,008</b>	<b>\$82,715,939</b>	<b>\$88,459,864</b>	<b>\$74,904,923</b>	<b>\$77,075,057</b>	<b>\$74,627,359</b>

\* Includes debt funded by the State, Baseball Teams, and bed tax as per agreement approved by BCC 05/17/22.

\*\* Includes all debt funded by the General Fund and bed tax.



# Projected NAV Debt Service Forecast By Source

Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
General Fund	\$58,058,518	\$55,541,029	\$61,500,826	\$47,969,448	\$49,864,500	\$47,438,247
Tourist Development Tax	16,357,102	16,363,217	16,344,056	16,325,250	16,608,106	16,592,480
Transportation Improvement Fund	1,035,388	1,031,693	1,024,982	1,020,225	1,012,451	1,006,632
Roger Dean Jupiter Stadium Teams		7,780,000	7,590,000	7,590,000	7,590,000	7,590,000
State Sales Tax Contribution		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>\$75,451,008</b>	<b>\$82,715,939</b>	<b>\$88,459,864</b>	<b>\$74,904,923</b>	<b>\$77,075,057</b>	<b>\$74,627,359</b>

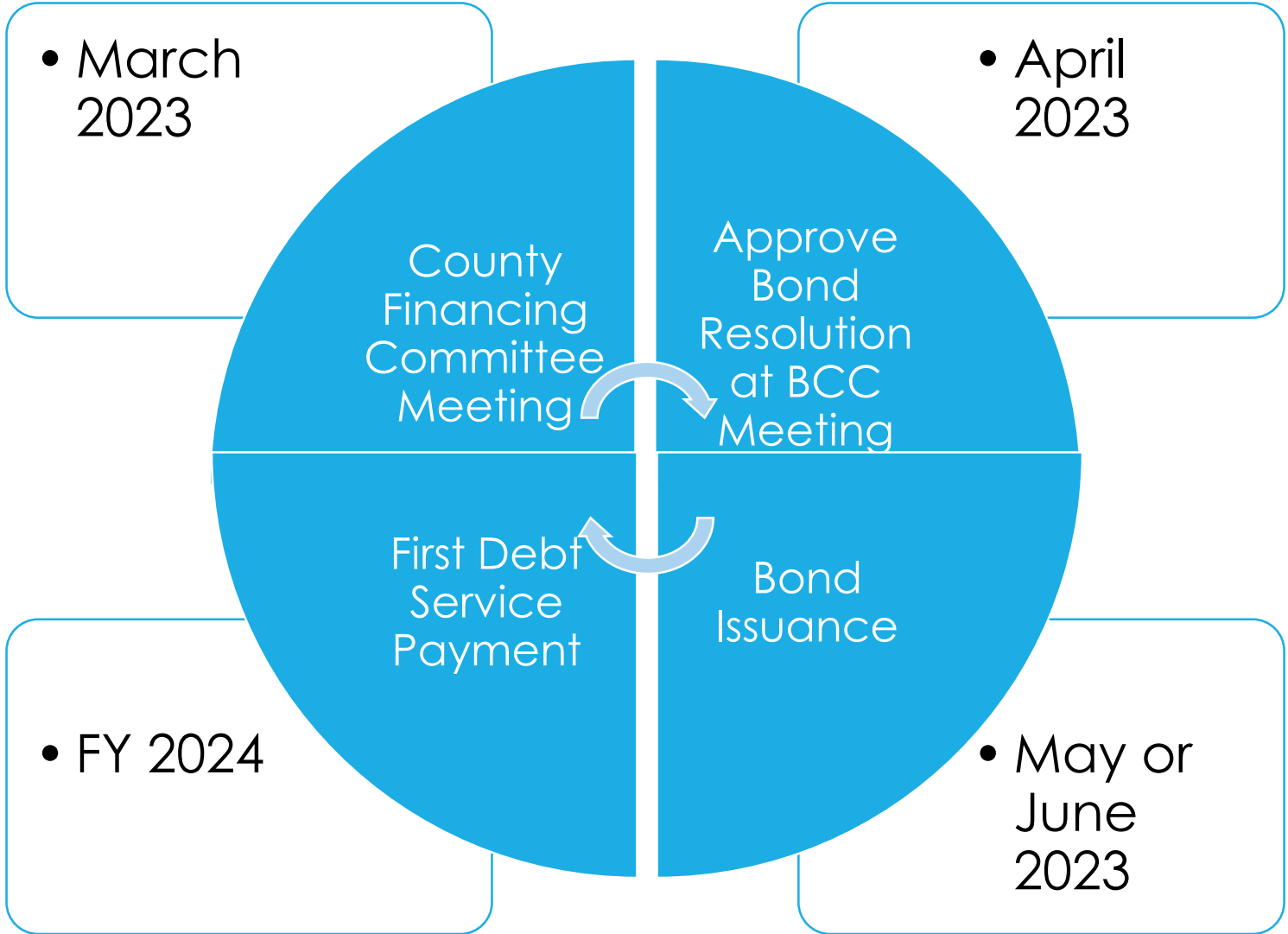


# County Financing Committee

- Reviews and makes recommendations regarding the issuance of debt obligations and management of outstanding debt
- Criteria – all members must be government financial officers or have applicable experience
- Committee Composition
  - Sherry Brown, Office of Financial Management & Budget
  - Paul Guzenski, Clerk & Comptroller's Office
  - Ron Horan, School Board
  - Paul Dumars, Solid Waste Authority
  - Howard Schwartz, BCC appointee
  - County Department Director, if needed
- Meetings are open to public and convene as needed



# Timeline and Next Steps





Questions/Comments