



CITY OF FORT LAUDERDALE

FISCAL CAPACITY STUDY





FISCAL CAPACITY STUDY

**City Manager's Office
Division of Budget/CIP and Grants**

April 2013

FORT LAUDERDALE CITY COMMISSION



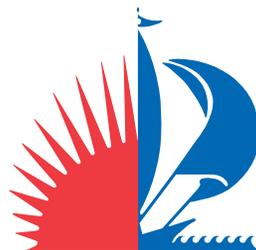
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CITY OF FORT LAUDERDALE

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PREFACE

This report will be used as a tool to define, assess and determine both the fiscal capacity and fiscal health of the City of Fort Lauderdale. It begins with an introduction and definition of fiscal capacity and fiscal health (Chapter I).

Following the introduction is a general explanation of the role and responsibilities of Florida municipal governments (Chapter II). The next chapter provides brief information about the City of Fort Lauderdale’s organizational structure. Also included is an overview of the services provided to Fort Lauderdale’s neighbors (Chapter III). This is followed by an evaluation of Fort Lauderdale’s economic base and the revenue and tax base of Fort Lauderdale (Chapters IV & V). In Chapter VI, the Financial Trend Monitoring System (FTMS) is introduced and used as a tool to evaluate and rate Fort Lauderdale’s fiscal condition. This series of indicators is plotted over a seven year period to identify potential “warning trends” related to Fort Lauderdale’s long-term fiscal health. Next, a comparison and contrast is made between Fort Lauderdale’s legislative policies and management practices (Chapter VII). The final chapter, Chapter VIII, provides a list of recommended strategies to increase Fort Lauderdale’s fiscal capacity while maintaining a reputation of providing high-quality services to neighbors.



EXECUTIVE SUMMARY

The fiscal crisis that city and county governments faced during recent years calls for action from officials at all levels of local government. Municipalities differ in their policies on local self-governance and vary considerably in the legal authority they have to make policy decisions. However, it is important to understand that there is as much art as there is science involved in the promotion and retention of good fiscal health. Most importantly, the key to navigating through tough economic conditions is to be proactive about potential challenges that could impact the fiscal health and revenue raising capacity of a municipality. Maintaining good fiscal health is an indication of a municipality's ability to remain resilient and provide adequate, uninterrupted services to its neighbors even during tough financial times.

Decisions can only be as sound as the information upon which they are based. Therefore, a government's financial condition must be continually monitored and regularly evaluated to help ensure that decisions are fully informed and financially responsible. The purpose of this study was to review and assess the fiscal capacity and fiscal health of the City of Fort Lauderdale.

Data compiled and analyzed for this report came from a variety of sources including the US Census Bureau, the Broward County Property Appraiser, Broward County Government, the State of Florida, the City of Fort Lauderdale's operating departments and the City's financial system. The data was selected and analyzed to reflect a comprehensive picture of the City's fiscal environment and financial condition.

Key Findings

The City's economy is slowly recovering after the downturn that Fort Lauderdale, like the rest of the nation, recently endured. City property values declined rapidly from their peak in 2008. Despite many years of declining taxable property values, the City maintained its 4.1193 millage rate from 2008 through 2013. Due to shrinking property values, the City's ad valorem tax revenue was reduced from approximately \$129.4MM in FY 2008 to approximately \$93.4MM in FY 2012. In order to maintain existing service levels without a tax rate increase to Fort Lauderdale neighbors, the City implemented numerous cost saving measures and relied on fund balance reserves to balance the budget. At this juncture, the City can no longer rely on reserves and is already at minimal staffing levels to maintain existing service levels. Property values are showing a slight uptick and building permit activities point to growth in the taxable valuation, however, this is not sufficient for long term sustainability.

Over the past decade, the Greater Fort Lauderdale region has increased its number of visitors on an annual basis and tourism sales within the City have grown each year. The City's population grew by 8.6% from the 2000 census to the 2010 census, which is also a positive economic indicator for the area. This growth, paired with the steady decline in unemployment rates, provides a positive future economic outlook for the City.

Fort Lauderdale’s tax and revenue base is comprised of a healthy balance of the property tax base, the sales and excise tax base, and the user charge and fee base. The City does not appear to be overly reliant on any one source of revenue. The composition of housing stock by age, residential use, and market value are also well diversified. The City has the opportunity to increase select user charges for services that are only partially recovering City costs.

A major tool used for analysis in this study was the Financial Trend Monitoring System (FTMS). The FTMS is an applied, practical approach developed by the International City Management Association (ICMA) to comprehensively evaluate and monitor the economic health of a city. Out of the 42 indicators available in the ICMA model, 12 were selected for this study because they are most applicable to the City of Fort Lauderdale pertaining to fiscal capacity at this time. More indicators will be added over the coming years.

The Financial Trend Monitoring System does not explain specifically why a problem is occurring; instead it “**FLAGS**” the areas for concern and provides clues about their causes to allow government leaders to take anticipatory action. The FTMS findings in this study are provided below:

City of Fort Lauderdale Financial Trend Monitoring System (FTMS) Results			
Revenue Indicators			
Indicator	Formula	Warning Trend	Rating
Revenue Per Capita	General government revenue/ Population	Decreasing net operating revenues per capita (constant dollars)	Favorable 
Percentage of Restricted Revenue	Restricted operating revenue/ General government revenue	Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues	Favorable 
Intergovernmental Revenue	Intergovernmental revenue/ General government revenue	Increasing amount of intergovernmental operating revenues as a percentage of general government revenue	Favorable 
Tax Revenue	Tax revenues	Decline in tax revenue	Unfavorable 

Expenditure Indicators			
Indicator	Formula	Warning Trend	Rating
User Charge Coverage	Revenue from fees and user charges/ Expenditures for related services	Decreasing revenues from user charges as a percentage of total expenditures for related services.	Favorable 
Expenditures Per Capita	Net operating expenditures (constant dollars)/ Population	Increasing net operating expenditures per capita	Caution 
Expenditures by Function	Operating expenditures for one function/Total net operating expenditures	Increasing operating expenditures for one function as a percentage of total net operating expenditures	Caution 
Employees Per Capita	Number of Full Time Equivalent (FTE)/Population	Increasing number of municipal employees per capita	Favorable 
Fringe Benefits	Fringe Benefit Expenditures/ Salaries and Wages	Increasing fringe benefit expenditures as a percentage of salaries and wages	Unfavorable 
Operating Position Indicators			
Indicator	Formula	Warning Trend	Rating
Operating Deficit or Surplus	Operating deficit or surplus/Operating revenues	Increase in general fund operating deficit or surplus as a percentage of net operating revenues	Unfavorable 
Enterprise Operating Position	Operating income (constant dollars)	Recurring operating income losses	Caution 

Capital Plan Indicator			
Indicator	Formula	Warning Trend	Rating
Capital Outlay	Capital outlay/ Total operating expenditures	A three or more year decline in capital outlay from operating funds as a percentage of net operating expenditures	Unfavorable 

Study Recommendations

The overall fiscal health of the City of Fort Lauderdale has a significant impact on the neighbors it serves. Fort Lauderdale neighbors are actively involved in the budget preparation process and share in the goal of implementing financial practices that ensure the sustainability of City services. Therefore, exploring policies that promote revenue diversification, continuing our pre-emptive review/preview budget process, solid debt management, cash investments and the recommended actions in the final chapter of this study will assist in establishing good fiscal health and ultimately increase the City of Fort Lauderdale’s fiscal capacity.

The evaluation and analysis of the City’s economic, revenue, and tax base, coupled with the results of the FTMS indicator ratings, provided a sound platform for the following recommendations.

Recommendations focused on ensuring that **appropriate financial controls** are in place to secure the City’s financial future:

- The City should formalize Financial Integrity Policies and Principles to ensure the long-term fiscal health of the City.
- The City should continue to participate in long-range budgetary planning and financial forecasting.
- The City should develop and track additional key performance measures to monitor key financial trends from the Financial Trend Monitoring System (FTMS)

Recommendations focused on **increasing the City’s revenue** base:

- Programs aimed at increasing valuation of residential and commercial properties within the City of Fort Lauderdale should be researched and developed.
- Fort Lauderdale should develop and adopt a formalized policy related to standardizing user fees to ensure an appropriate level of cost recovery for City programs.

- City staff should actively search for and pursue intergovernmental and other grants as well as other grant related opportunities to capitalize on funds available from sources outside of the City.
- The City should increase its efforts to lobby for tourism revenues that are currently being generated in Fort Lauderdale.
- The City should create a committee to focus on developing ways to capitalize on the City's growing tourism base and further leverage associated tourism tax revenues from the County.

Recommendations focused on **cost cutting strategies**:

- The City should continue to engage in a comprehensive budget analysis instead of simply utilizing incremental budgeting strategies.
- The City should explore the possibility of privatization with the aim of lowering costs to the City while retaining quality of service level.
- The City should engage in additional pension reform.

This study and the associated recommendations are meant to serve as a starting point in encouraging more informed and deliberate financial decisions that will result in high-quality service being delivered to our neighbors *smarter, faster, and cheaper*.



CHAPTER I

INTRODUCTION

Private firms can easily determine if they are financially sound by reviewing their profits. For cities, profit is not a motive and efficiency is only one of many competing objectives which can make reviewing the fiscal condition of a city difficult. The primary purpose of this study is for City stakeholders to gain a better understanding of the financial condition of the City of Fort Lauderdale through the merging of divergent data, to paint a complete picture of the City of Fort Lauderdale's fiscal capacity.

Fiscal capacity is the potential ability of a government to generate taxes and other revenues from all of its available sources in relation to the cost of its service responsibilities. It is a vital concern to all public officials because it is an integral component of a government's short and long-term financial plan. This concern is reflected in deliberations over budgets, revenue proposals, and financial plans. To make any sound financial policy decision, whether the decision entails potential new bond issues, new operating programs, or an extension of existing programs – a key step in the decision-making process is an assessment of the fiscal resources potentially available to support that decision.

Fiscal capacity is the potential ability of a government to generate taxes and other revenues from all of its available sources in relation to the cost of its service responsibilities.

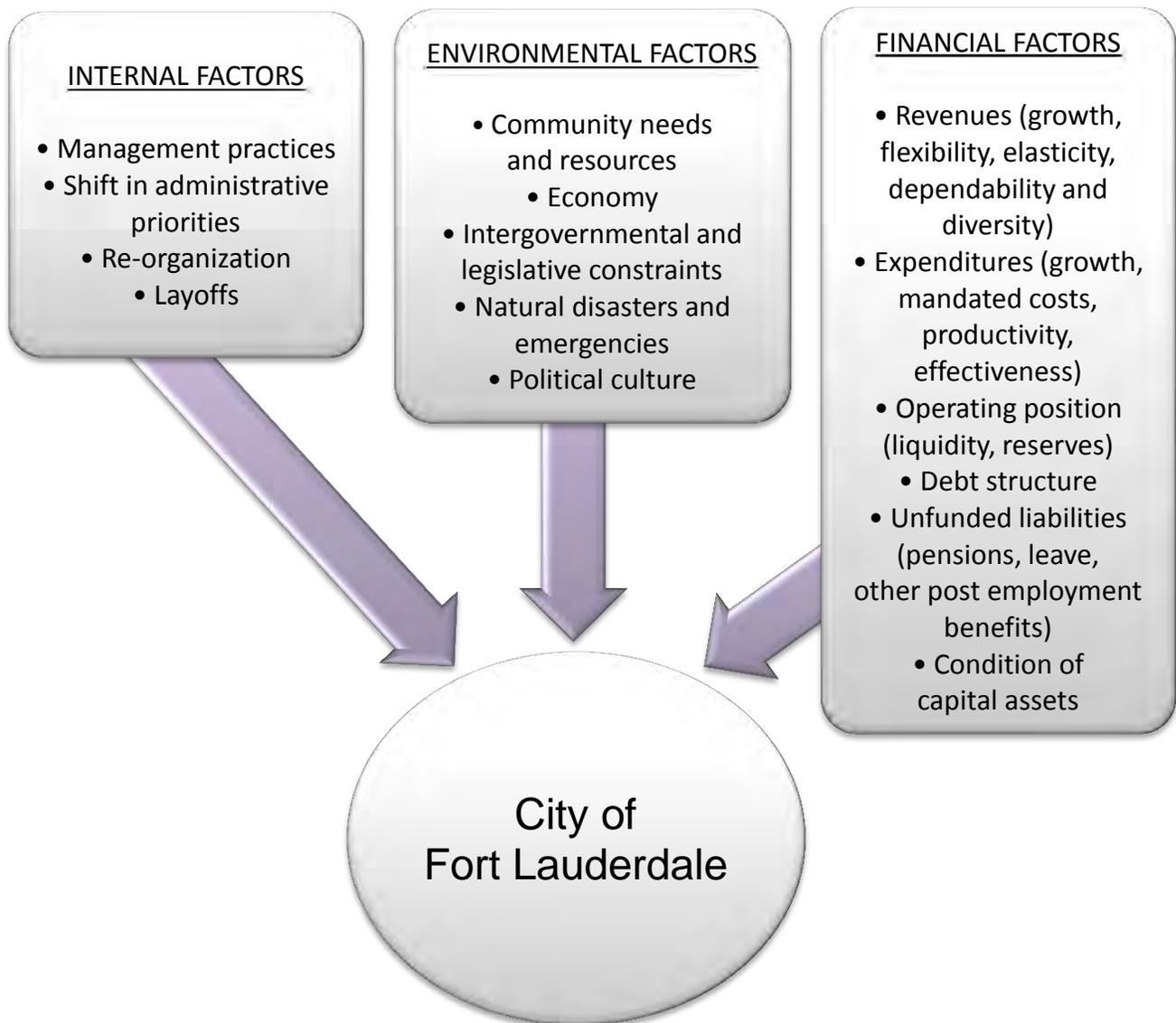
Fiscal capacity is not simply the hypothetical revenue a municipality can raise. The determination of fiscal capacity also entails analyzing the relationship that exists between a municipality's revenue-raising ability and our neighbors' desire to pay for the services it provides. This concept is also closely connected with the fiscal health of an organization, which is discussed later in this section. A fiscal capacity study attempts to quantify a jurisdiction's tax and revenue base, which ultimately defines which fiscal resources are available for the community to use to finance its needs (Johnson and Roswick).

The evaluation of a community's fiscal capacity requires a series of analytical assessments based on qualitative as well as quantitative factors. Many variables should be considered when measuring local fiscal capacity, most of which are interrelated. The community's tax and revenue base, its unique socioeconomic framework, and any legal, political, and practical constraints which reduce the ability of a community to use its resources must all be addressed. A major aspect of fiscal capacity is the ability of a government to generate taxes and other revenues from diverse sources. A local government's revenue base primarily includes property taxes, public service taxes, communication taxes, franchise or sales and excise tax base, and the user fee base. A summary of the City's major revenue sources is included as Appendix A and provides a description of the major categories of revenues within the City of Fort Lauderdale. These categories include Ad Valorem Taxes, Franchise Fees, Sales and Use (Excise) Taxes, Utility Taxes, Charges for Services, Licenses and Permits, Intergovernmental, Fines and Forfeitures, and Miscellaneous revenue sources. These revenue sources play a key role in determining Fort Lauderdale's fiscal health.

It is impossible to understand a community’s tax and revenue base without understanding the economic and sociological factors which impact upon a city’s ability to raise revenue. Measurements such as neighbor employment, income, unemployment rates, housing characteristics, and population trends provide the economic framework within which fiscal capacity can be properly analyzed. Also important to the concept of fiscal capacity is an understanding of the traditional roles of local governments in Florida and the primary services that the City of Fort Lauderdale provides to its neighbors. An evaluation of fiscal capacity rests upon interrelated variables, many of which are examined in this study. Table 1-1 below, provides a diagram of key factors that will be examined. These factors affect both the *fiscal capacity* and *fiscal health* of a local government.

Table 1-1

Factors Affecting Fiscal Capacity



What is Fiscal Health?

When attempting to identify the fiscal capacity or revenue raising capability of a local government jurisdiction, fiscal health is a key component. Without a healthy financial condition, the level and quality of public services will suffer. Isolating and resolving fiscal problems before they get out of hand is more efficient than scrambling to find solutions to a full-blown crisis. As a result, local officials must be able to understand and effectively communicate their jurisdiction’s fiscal situation to those who do not necessarily have a public or financial background.

Fiscal health is defined as, “The ability of a city to deliver public services to its residents,” (Ladd & Yinger 1989). This definition is independent of budgetary decisions made by public officials and is distinguished from “actual fiscal health” and “standardized fiscal health.” Actual fiscal health is the difference between the restricted revenue-raising capacity and the actual expenditures needed. Standardized fiscal health is the overall health of a jurisdiction without taking into account state or federal assistance. Fiscal health also measures a municipality’s ability to deliver public services given its economic and social circumstances, the grants it receives, and the fiscal rules under which it must operate.

Local government administrations in strong financial condition are able to provide prime levels of service at acceptable levels of taxation. A strong financial condition relieves the burden of taxation on neighbors. Table 1-2 below identifies key terminology to assist with classifying the fiscal health of local governments:

*Fiscal health is defined as:
“The ability of a city to deliver public services to its residents.”*

Table 1-2

Key Terms and Definitions

Term	Definition
Fiscal Strain	The lack of adaptation by a government to a changing environment.
Fiscal Stress	The inability of a government to balance its budget.
Revenue Burdens	The fiscal sacrifice or effort made by neighbors when governments collect revenue from them.
Revenue Raising Capacity	The amount of money a city could raise (per capita) at a given tax burden to its neighbors.

The fiscal capacity and health of an organization should be evaluated in the context of a jurisdiction's economic role, the extent of its operating and capital needs, and the cost of service delivery. By doing so, City officials would have a thorough understanding of the municipality's ability to support its services, capital related obligations, and strategic goals. This will ensure that they are better prepared to make both short term and long term financial decisions to achieve and maintain an acceptable balance between sufficient revenues and levels of service.



CHAPTER II

ROLE OF FLORIDA MUNICIPAL GOVERNMENTS

In order to put into context the City of Fort Lauderdale’s fiscal capacity, it is important to understand the basic roles that the City has within the State of Florida, along with any limitations. Many states, including Florida, consider their localities to operate under “home rule” meaning that the particular locality has some latitude in deciding which services to provide, how to provide those services, and which services to exclude. However, local governments do not operate in a vacuum and are not sovereign entities; meaning their role can be modified by state and/or federal action. Local government responsibilities develop over time to provide services of immediate importance to the well-being of the community and within the localities ability to pay. Table 2-1 illustrates common areas of responsibility for local governments in Florida.

Table 2-1

Common Responsibilities of Florida Municipal Governments

Responsibility	Service Examples
Public Safety Services	<ul style="list-style-type: none"> • Police and dispatch services • Fire suppression and rescue services • Jails • School safety related programs
Public Works and Utility Services	<ul style="list-style-type: none"> • Water preservation and treatment • Sewage treatment and disposal • Storm water management • Refuse collection and recycling • Maintenance of municipal property • Capital improvements
Recreational Services	<ul style="list-style-type: none"> • Parks and community centers • Green space and facility maintenance • Youth camp and after school programs • Mature adults recreational programs
Planning and Zoning Services	<ul style="list-style-type: none"> • Comprehensive planning and zoning administration • Code enforcement • Building inspections and Permits
Community and Economic Development Services	<ul style="list-style-type: none"> • Community Development Block Grant (CDBG) programming and administration • Recruitment, promotion and retention of industry and enterprise zones
Right of Ways and Transportation	<ul style="list-style-type: none"> • Improvement and maintenance of streets, sidewalks and medians
Administration and Implementation of Community Will	<ul style="list-style-type: none"> • Facilitate representative and elective governmental processes • Neighbors assistance programming

Florida's state government makes decisions about state taxes and laws that apply to everyone in Florida. Decisions that affect municipal districts are made by local government administrations throughout the state. These decisions are very important to neighbors who live in the community. Local governments make decisions pertaining to community streets, schools, parks, and police-protection.

Florida has three types of local government: counties, municipalities, and special districts. Municipal government in Florida gained “home rule” rights in 1968 when Florida adopted a new constitution. The Florida Constitution grants certain powers which allows for the creation of municipalities. It also enables municipalities to carry out the functions of home rule, such as the ability to levy ad valorem taxes and the general right to self-government. The Home Rule Powers Act clarified the State Constitution by stating that, “Municipalities shall have governmental, corporate, and proprietary powers to enable them to conduct municipal government, perform municipal functions and render municipal services and may exercise power for municipal purposes except as otherwise provided by law.”

Despite the broad parameters of municipal power, some limitations do exist. The State Constitution preempts all forms of taxation to the State with the exception of ad valorem taxes upon real or tangible personal property and any taxes given to localities by “general law.” A limit is placed on the ad valorem tax rate of 10 mills which is a significant constraint on fiscal discretion.

The State does not authorize municipalities to levy any other taxes besides the ad valorem tax. Cities do have the ability to levy user charges for activities, such as charging admittance fees at parks or a fee for a child to participate in a city sponsored summer program. Florida localities have generous discretion over their governmental structure, the nature of the services provided, and how services are delivered. However, they are limited by the State from a taxing standpoint, which greatly influences the services that a city can afford to provide.

Each county, city and town also has a governing body, commonly referred to as municipal government. A mayor is elected as the top official. A city council or city commission is elected to make policies and decisions that impact the specific city or town. The city charter and state statutes govern the municipal government. The city hall serves as the centralized location for municipal government and elected officials are supported by city management actions.

CHAPTER III

THE CITY OF FORT LAUDERDALE – PERSPECTIVE

Founded on March 27, 1911, the City of Fort Lauderdale is located on the southeast coast of Florida (including seven miles of golden sand beaches) midway between Miami and West Palm Beach. In addition to the City's border of the Atlantic Ocean, its water features include the Intracoastal Waterway, New River and a canal system reminiscent of Venice, Italy which winds through its interior. Encompassing nearly 36 square miles with a population of 165,912, Fort Lauderdale is the largest of Broward County's 31 municipalities and the seventh largest city in Florida. An advantageous economic climate has helped the City of Fort Lauderdale establish itself as a world-class international business center and one of the most desirable locations for new, expanding or relocating businesses. Once known strictly as a tourism based economy, Fort Lauderdale now supports a diverse range of industries, including marine, manufacturing, finance, insurance, real estate, high technology, avionics/aerospace, as well as film and television production.

Encompassing nearly 36 square miles with a population of 165,912, Fort Lauderdale is the largest of Broward County's 31 municipalities and the seventh largest city in Florida.

The City of Fort Lauderdale is committed to improving productivity, streamlining expenses and developing a stronger, more effective organization. The City has embraced fiscal responsibility, accountability, high ethical standards and quality delivery of services. It is a vision that rewards excellence, not mediocrity, and above all, places the neighbors of Fort Lauderdale first.

Under the Commission-Manager form of government, the elected City Commission sets policies, passes ordinances, adopts resolutions and makes appointments to advisory boards and committees. The City Commission consists of five members: the mayor and four district commission members. The administrative responsibility of the City rests with the City Manager, who is appointed by the City Commission. As Chief Executive Officer, the City Manager is responsible for directing the City's day-to-day operations and carrying out the policies set forth by the Commission. The City's organizational structure is comprised of five charter offices including City Commission, City Manager, City Attorney, City Auditor and City Clerk; and nine supporting departments that serve the neighbors of Fort Lauderdale.

The City of Fort Lauderdale has reduced its workforce from 2,631 full-time equivalent employees down to 2,485 over the last few years. Most of these employees work in the Police Department, Fire Department and Public Works (Utility Services) Department. In Fiscal Year 2012, the City of Fort Lauderdale consolidated and realigned its organizational structure and level of staffing.

Through the cooperative efforts of neighbors, businesses, and local government, Fort Lauderdale has evolved into a City that offers the best of both worlds – an attractive business environment and an outstanding quality of life for neighbors. Fort Lauderdale is a great place to live, work, and raise a family.

Figure 3-1

City of Fort Lauderdale Operating Departments



CHAPTER IV ECONOMIC BASE

One important component of measuring the fiscal capacity and health of Fort Lauderdale is understanding the economic base of the community. The ability to measure a municipality's fiscal capacity depends on variables identified from economic indicators such as population, demographics, taxable assessed value and millage rate, age of housing stock, building permits, taxable sales, new construction, employment and unemployment rates, taxable sales, principal property taxpayers, vacant commercial office space, tourism and per capita income. This data is fundamental for measuring the fiscal capacity or revenue raising capability of a local government administration. This study of fiscal capacity is intended to provide insight into the community's fiscal base, the economic base and select key economic drivers in the City of Fort Lauderdale.

Fort Lauderdale is known as the “Venice of America” due to its expansive canals. The City has transformed from a spring break magnet for college students to a progressive and diverse community, proud of its many different cultures. Today, neighborhoods are valued for their individuality, history, and their ability to bring people together. Neighborhoods play an important role in the City of Fort Lauderdale. They give neighbors a sense of home, belonging, and being a part of something they can put their arms around in a big city. This sense of place has become a hallmark of the appeal of Fort Lauderdale to its 165,912 neighbors, and significant number of annual visitors and tourists.

In 2012, CNN Money recognized Fort Lauderdale's advantageous economic climate and exceptional quality of life when it named Fort Lauderdale as one of the nation's "100 Best Place to live and launch a business."

Fort Lauderdale continues to establish itself as a world-class international business center that supports a diverse range of industries including marine, tourism, manufacturing, finance, healthcare, insurance, real estate, high technology, avionics, aerospace, film and television production. In 2012, *CNN Money* recognized the City's advantageous economic climate and exceptional quality of life when it named Fort Lauderdale as one of the nation's “100 Best Places to live and Launch a Business” (CNN Money).

Fort Lauderdale is one of the fastest growing markets for global trade, with more than 40% of local businesses engaged in or supporting international commerce. Fort Lauderdale is home of the Greater Fort Lauderdale International Boat Show, the world's largest boat show, which generates an annual economic impact of half a billion dollars. The City has a marine industry that generates 134,539 jobs and gross wages and earnings of \$3.7 billion in Broward County, along with 162,209 jobs and \$13.6 billion in total economic impact in South Florida.

Fort Lauderdale's growing list of nationally and internationally recognized corporations that have established business operations and/or corporate headquarters in the City includes: AutoNation,

BB & T, CBS-Sports.com, Citrix Systems, ECI Telecom Inc., Hewlett-Packard, Kaplan University, Microsoft Latin America, Republic Services, Seacor Holdings, Inc., South African Airways, Spherion Corporation, and Templeton Worldwide.

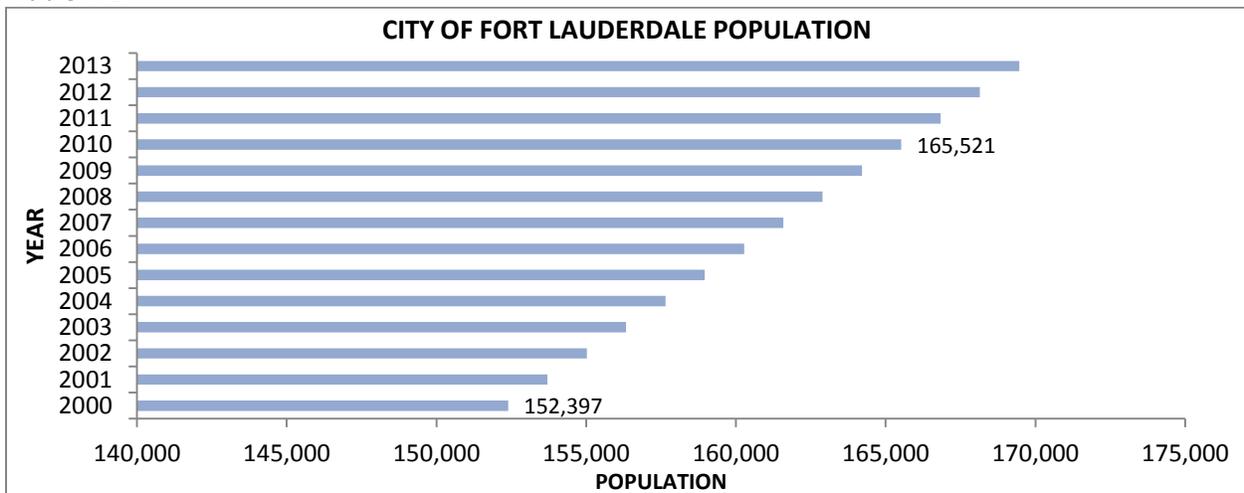
Expanding global business opportunities, access to U.S. and international markets, a pro-business government, low labor rates, a well-educated and diverse work force, a variety of housing options, and an array of business assistance and incentive programs are a few benefits that make Fort Lauderdale a competitive location where both large and small businesses can prosper.

Current key economic characteristics are indicators as to Fort Lauderdale’s fiscal profile. These indicators, coupled with statistical trends, help to evaluate the direction Fort Lauderdale is heading. The four key indicators of population, demographics, per capita income and employment by industry provide an overview of the characteristics of individuals living in the City of Fort Lauderdale whose financial positions could affect the fiscal capacity of the City.

Population

Fort Lauderdale’s total population was 152,397 in 2000. According to the 2010 Census, Fort Lauderdale has increased its population by 8.6% to 165,521 neighbors (US Census Bureau). As economic conditions begin to improve, the number of neighbors in Fort Lauderdale is expected increase by the next census. Population growth, negative or positive, results in a variety of implications for cities. For example, a growing population may dictate investment in new capital infrastructure and a decrease in population may result in a greater tax burden to remaining taxpayers to pay for essential city services. A decrease in population, as defined by the Census Bureau, may not be negative in Fort Lauderdale if it is accompanied by commensurate increase in properties owned by individuals who are not Florida residents. This is another example of why fiscal capacity cannot be measured in a vacuum.

Table 4-1



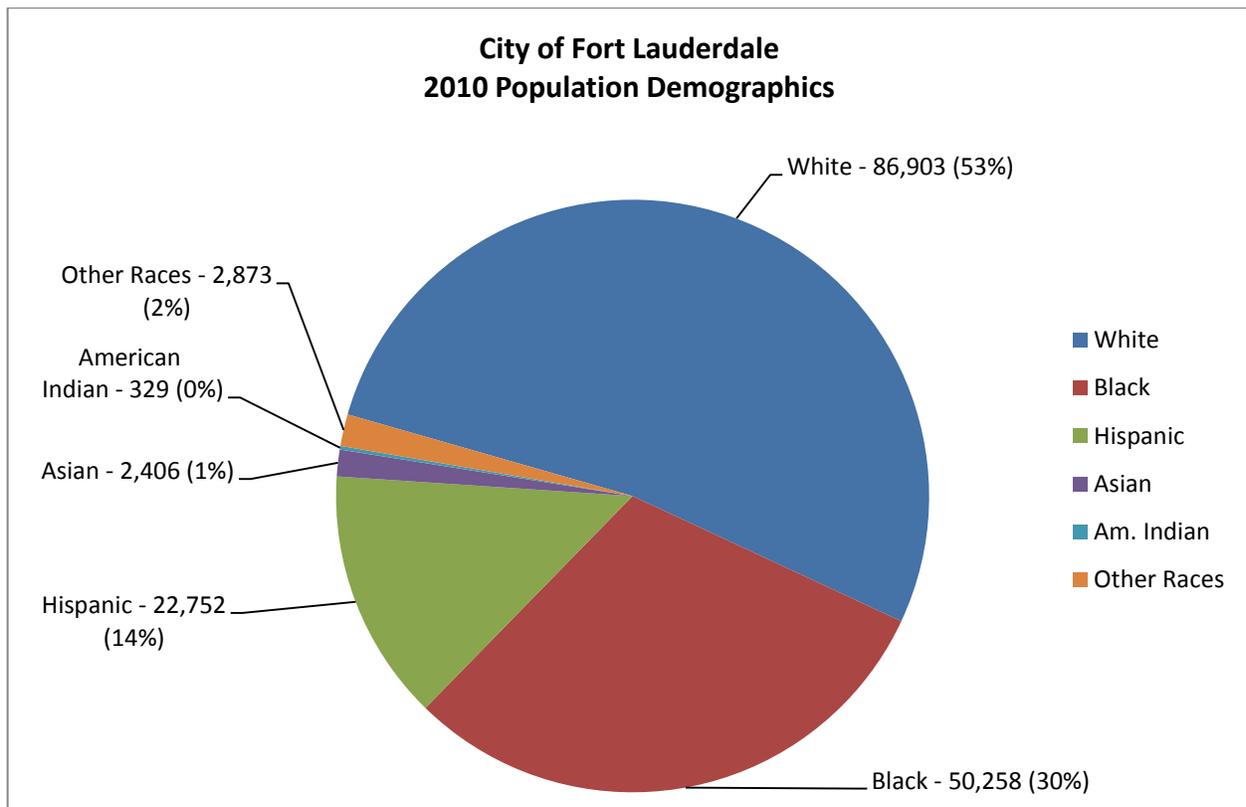
Source: 2010 US Census Bureau

Note: The US Census population data is only available for 2000 and 2010; the population for all other years was estimated assuming a constant incremental population increase.

Population Demographics

Population demographics are used to determine the ethnic background of a region. This indicator is commonly connected with other health, social and statistical computations for local, state and federal agencies. Even when the neighbor population in Fort Lauderdale remains consistent, the population demographics may vary. Shifting population demographics may create additional needs in a City such as a need for programs to overcome language barriers or an increase in adult programming as the population ages. In any case, knowing the demographics of Fort Lauderdale helps in an overall assessment of the needs and services for neighbors.

Table 4-2



Population Demographics Comparison FY 2000 to FY 2010

Table 4-3

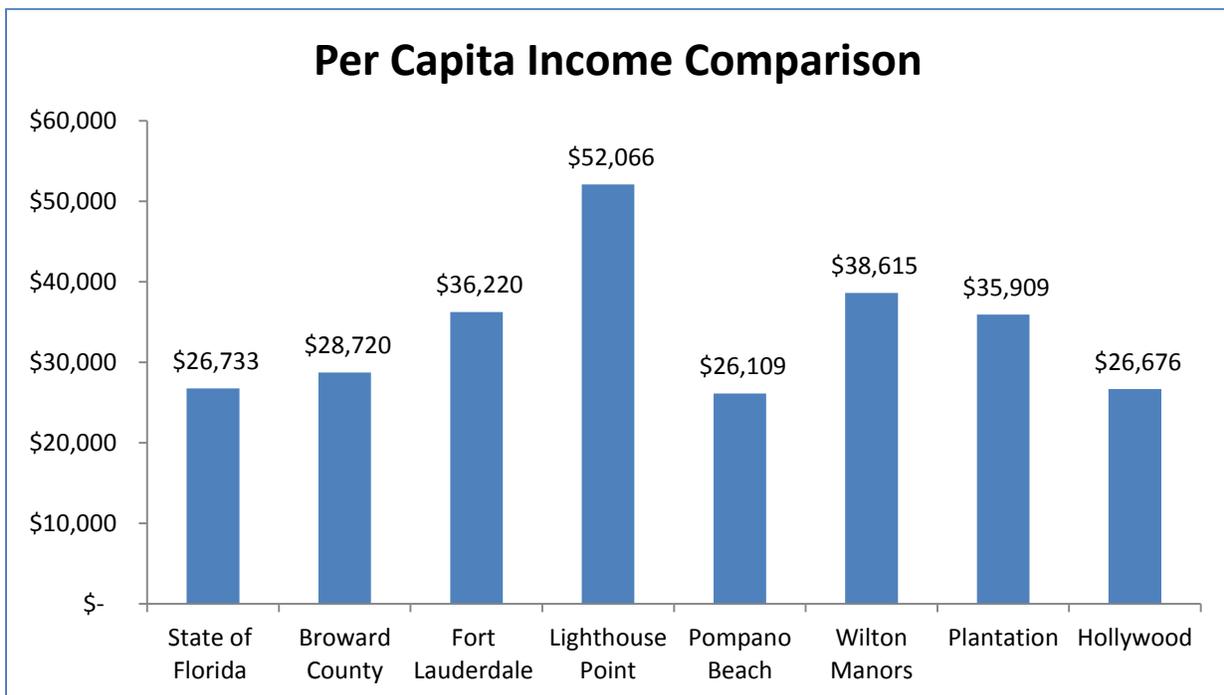
Year	Population	White	Black	Hispanic	Asian	American Indian	Other Races
2000	152,397	97,941	44,010	16,895	1,565	344	2,684
2010	165,521	86,903	50,258	22,752	2,406	329	2,873

Source: 2010 US Census Bureau

Per Capita Income

Per capita income is an economic tool used to describe the wealth and income of a region divided among its population and is often referred to as the average income per person. It is a measure commonly associated with estimation of fiscal capacity. This data is reported by the U.S. Census Bureau every 5 years based on the information received from the public in the American Community Survey. Per capita income is an excellent tool for measuring how the income stream of a municipality may be growing and its subsequent ability to handle its tax burden. Table 4-4 compares the per capita income rate of Fort Lauderdale to that of Broward County and selected neighboring municipalities. The City of Fort Lauderdale's per capita income was greater than both the State of Florida and Broward County overall. A decrease in the per capita income rate affects the fiscal capacity of a City because it hinders the ability of individuals to meet the financial needs of a community. A comparison of indebtedness, the quality and quantity of assets, spending behavior, inheritance, and other variables that affect fiscal capacity should also be taken into consideration.

Table 4-4



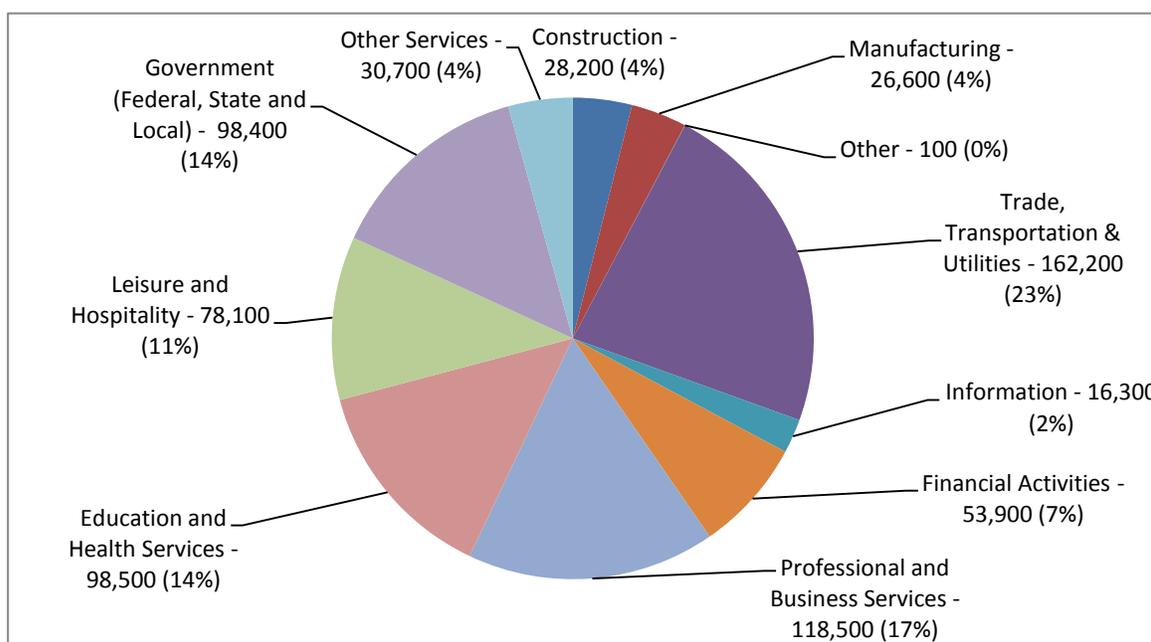
Source: U.S. Census Bureau, 2007-2011 American Community Survey

Employment by Industry

Table 4-5 below provides a general snapshot of the major employment industries by sector in the Broward County/Greater Fort Lauderdale region. The trade, transportation and utility industry is the largest and accounts for almost a fourth of the total regional employment industry including Fort Lauderdale’s preeminent marina industry and its recognition as the “Yachting Capital of the World.” Next is the professional and business service industry with 115,200 workers which equates to 17% of the workers in the Broward County/Greater Fort Lauderdale area and where Fort Lauderdale represents the business and corporate center.

Table 4-5

Greater Fort Lauderdale Non-Agricultural Employment by Industry



Source: Florida Agency for Workforce Innovation

Taxable Property Value and Millage Rate

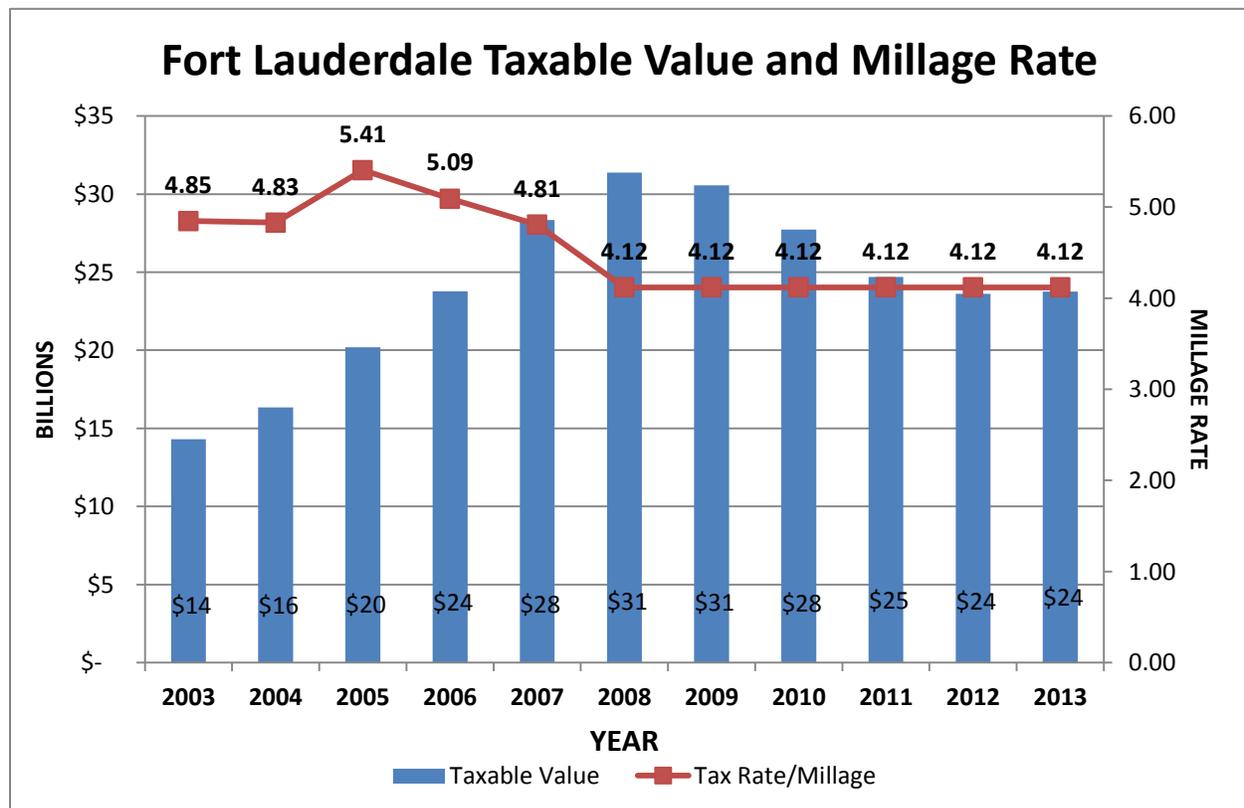
Millage is defined as, “a tax rate that is applied to the assessed value of real estate.” (Tonya Moreno, 2012). As stated in Chapter II, the state does not authorize municipalities to levy any other taxes besides the ad valorem tax. This makes property tax values extremely important to municipal governments. The taxable value of a property is the value used to calculate property tax revenue. The taxable value is the assessed value minus the value of any exemptions that the homeowner may have. The City of Fort Lauderdale property values more than doubled between 2003 and 2008. This increase in property values, coupled with building up City reserves during

better economic times, helped sustain service levels while maintaining a steady millage rate for the last six years. As demonstrated in Tables 4-6 and 4-7, the City of Fort Lauderdale property values have declined rapidly from the peak in 2008. Despite several years of declining taxable property values, the City has continued to maintain its 4.1193 millage rate since 2008. In order to maintain existing service levels without a tax rate increase to Fort Lauderdale neighbors, the City has implemented numerous cost saving measures and relied on fund balance reserves to balance the budget. As stated by the City Auditor in his assessment of the FY 2013 Budget,

“It is important to note that City management has taken several steps to bring expenses in line with revenues including departmental reorganization, staff reductions, early buyout incentives, benefit reductions, pension obligation bonds, and technology efficiencies. While significant, these efforts have not been sufficient to offset the dramatic revenue declines experienced during the economic crisis. Accordingly, the City has relied extensively on the use of fund balance to balance the budget without having to make the difficult choices of revenue increases or service level reductions.”

In the Fiscal Year 2013 Adopted Budget, property taxes account for 35.8% of all revenues used to support general fund expenditures in the City of Fort Lauderdale.

Table 4-6



Source: City of Fort Lauderdale FY 2013 Adopted Budget

Fort Lauderdale Taxable Values and Millage Rates

Table 4-7

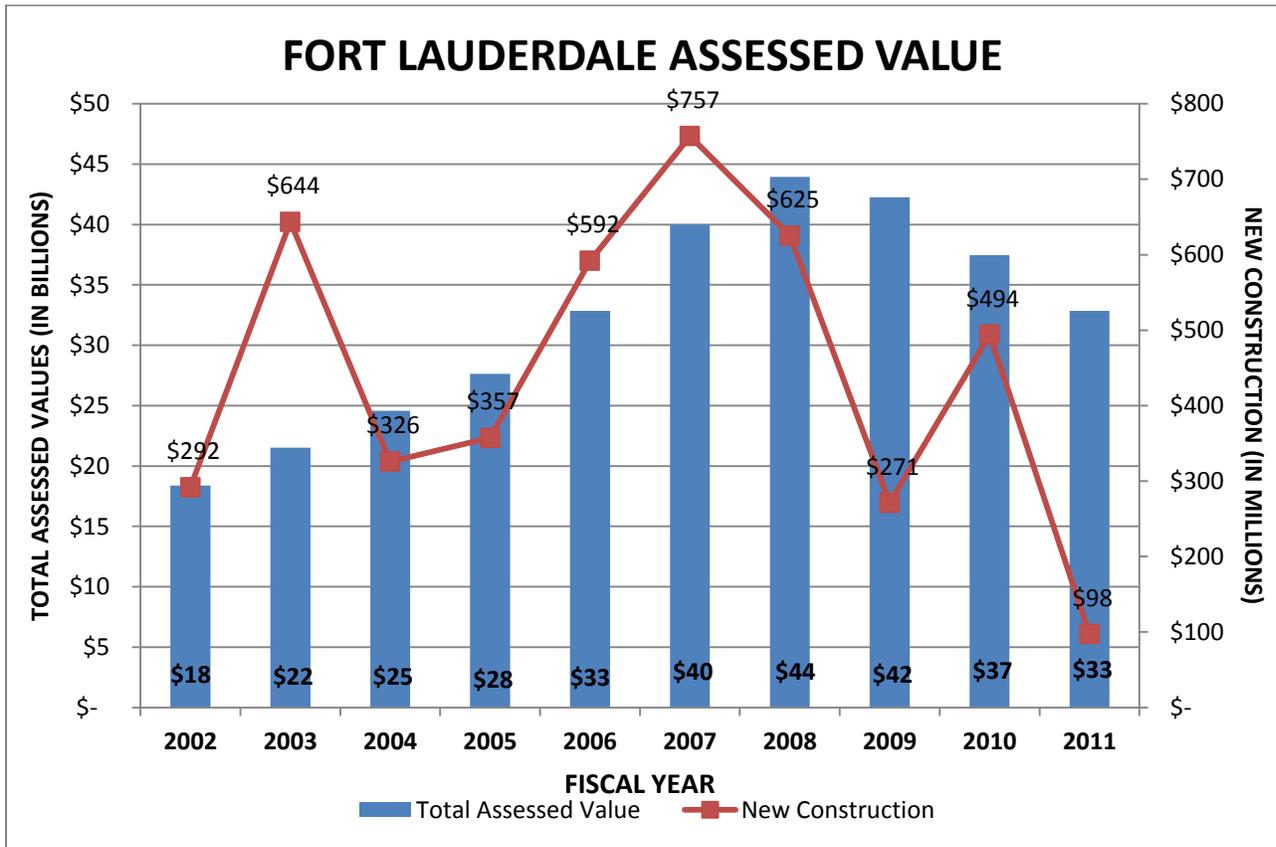
Fiscal Year	Taxable Value	Millage Rate
2003	\$14,308,804,759	4.8472
2004	\$16,341,086,985	4.8288
2005	\$20,191,258,059	5.4066
2006	\$23,768,481,734	5.0924
2007	\$28,333,655,642	4.8066
2008	\$31,373,067,889	4.1193
2009	\$30,562,403,124	4.1193
2010	\$27,735,780,869	4.1193
2011	\$24,691,085,040	4.1193
2012	\$23,619,153,693	4.1193
2013	\$23,752,535,790	4.1193

Source: City of Fort Lauderdale FY 2013 Adopted Budget

Fort Lauderdale Assessed Value

Closely related to taxable values in the City of Fort Lauderdale are assessed values of properties. Assessed value is defined as, “The dollar value assigned to a property for purposes of measuring applicable taxes. Assessed valuation is used to determine the value of a property for tax purposes and takes comparable home sales and inspections into consideration” (Investopedia, 2012). The difference between assessed value and the taxable value are exemptions. Exemptions are specific dollar or percentage reductions in value which are based on certain qualifications of the property owner. Exemption examples include homestead, widow/widower, disabled veteran, disability, and senior citizen. Exemptions can result in large variations between assessed values and taxable values of properties. Within the past decade, the City of Fort Lauderdale has experienced tremendous growth which has steadily increased the total assessed value, except for recent and steep declines. New construction creates new taxable value and is an indicator of growth in an area. Tables 4-8 and 4-9 below provide an overview of the total assessed values and the new construction that has occurred in Fort Lauderdale since 2002.

Table 4-8



Source: City of Fort Lauderdale FY 2013 Adopted Budget

Table 4-9

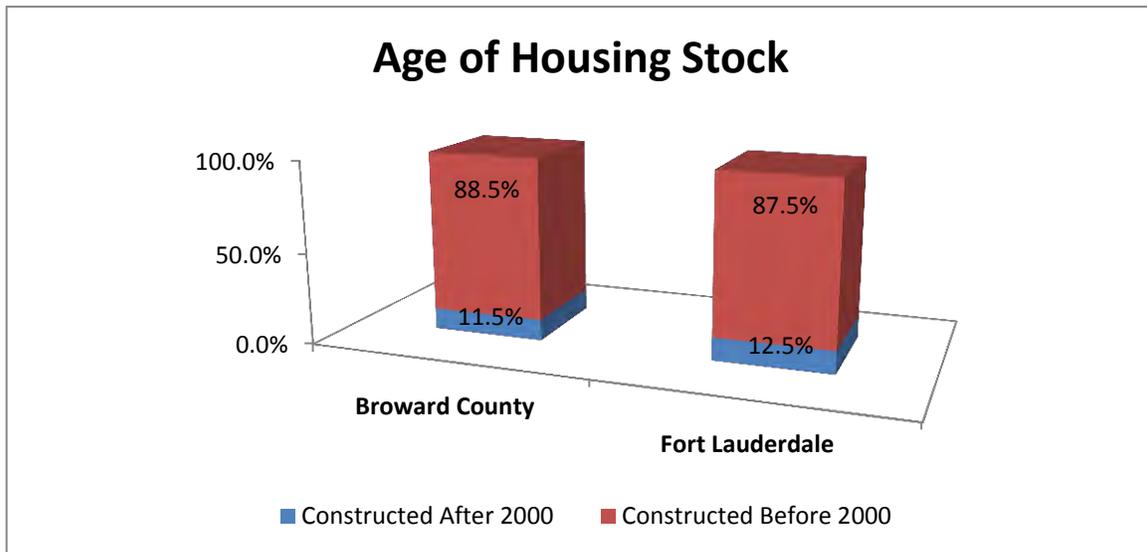
Fiscal Year	Total Assessed Value	New Construction
2002	\$18,379,383,238	\$291,852,170
2003	\$21,510,615,094	\$643,580,610
2004	\$24,566,994,298	\$325,778,310
2005	\$27,640,714,113	\$357,304,900
2006	\$32,838,111,550	\$591,978,061
2007	\$39,986,619,903	\$757,196,779
2008	\$43,936,338,602	\$625,354,578
2009	\$42,266,520,031	\$271,277,218
2010	\$37,452,015,295	\$494,110,613
2011	\$32,846,694,540	\$97,520,210

Source: City of Fort Lauderdale FY 2013 Adopted Budget

Age of Housing Stock

Age of housing stock is an indicator of the type and quality of homes within a region. However, it should not be interpreted as “good” or “bad”. Despite the tendency of older homes to have issues such as asbestos and lead based paint, they can also be an important part of our local history and help preserve historic character. Age of housing stock is also a rough proxy for new construction and growth in a community. Table 4-10 provides a snapshot of Fort Lauderdale housing structures built before and after the year 2000, as it compares to Broward County overall.

Table 4-10



Source: US Census Bureau

Table 4-11

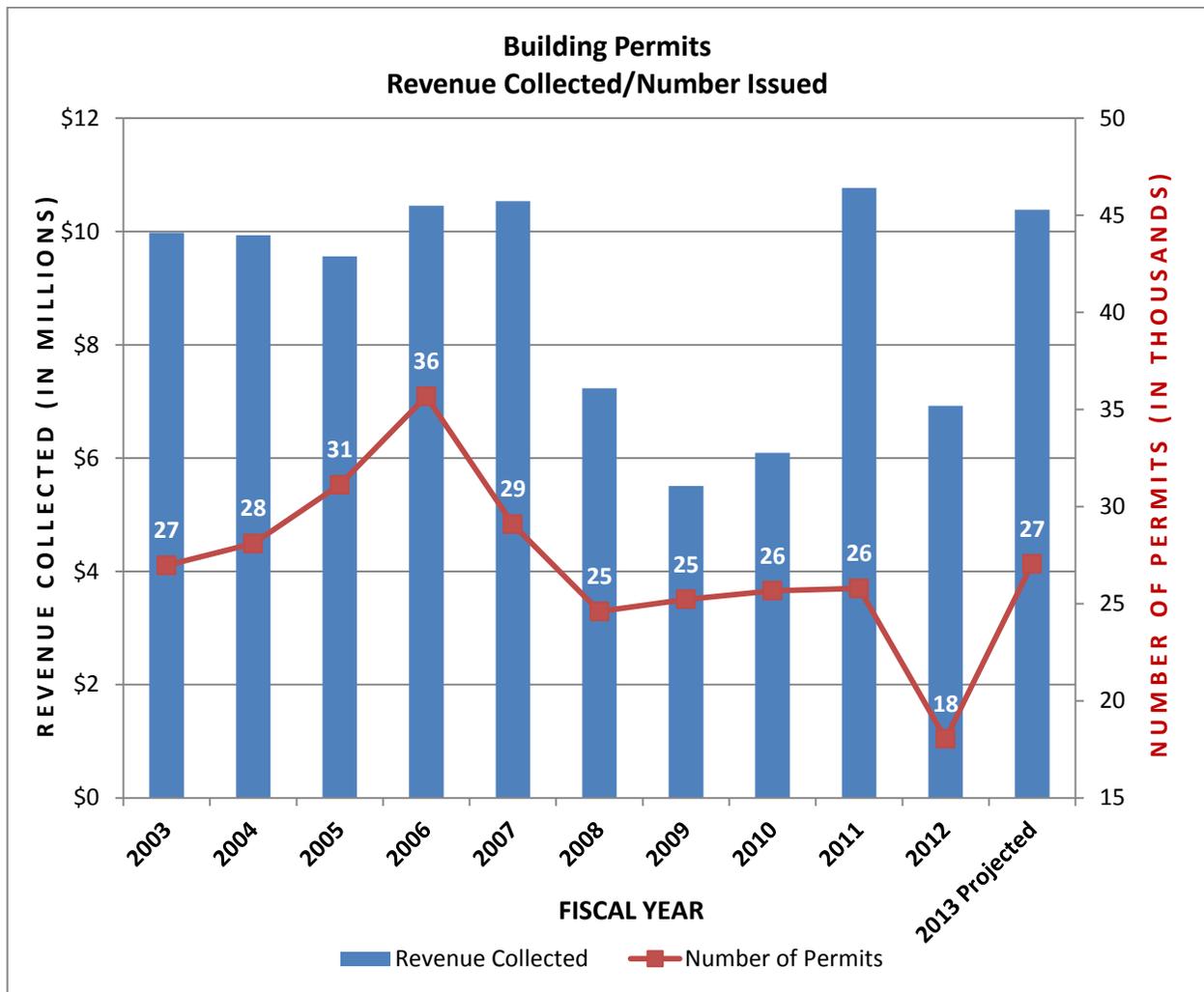
Housing Structures Built		
Year Built	Broward County	Fort Lauderdale
2005 or Later	29,182	5,728
2000 to 2004	64,349	6,024
1990 to 1999	131,830	5,374
1980 to 1989	150,648	5,519
1970 to 1979	221,435	19,006
1960 to 1969	124,399	23,720
1950 to 1959	72,300	22,661
1940 to 1949	9,442	3,455
1939 or Earlier	6,825	3,009
Total	810,410	94,496
Age of Housing Stock	Broward County	Fort Lauderdale
Constructed Before 2000	88.5%	87.5%
Constructed After 2000	11.5%	12.5%

Source: US Census Bureau

Building Permits

Every renovation or construction of a building or structure in Fort Lauderdale requires a building permit. Table 4-12 shows a steady increase in the number of permits issued and/or earned revenue from 2003 to 2007. From 2008 to 2010 revenues decreased from \$11 million to \$6 million due to economic conditions and the decline in the Florida housing market. The Building and Permit Division is now showing signs of recovery and projected to earn \$10 million in revenue for fiscal year 2013. Since building permit revenue is directly influenced by the value of new construction, it is important to factor known anticipated construction projects into future year's revenue projections. This is an important aspect of the overall depiction of fiscal capacity in Fort Lauderdale.

Table 4-12



Source: City of Fort Lauderdale Building and Permits Division

Building Permits Revenue Collected/Number Conducted

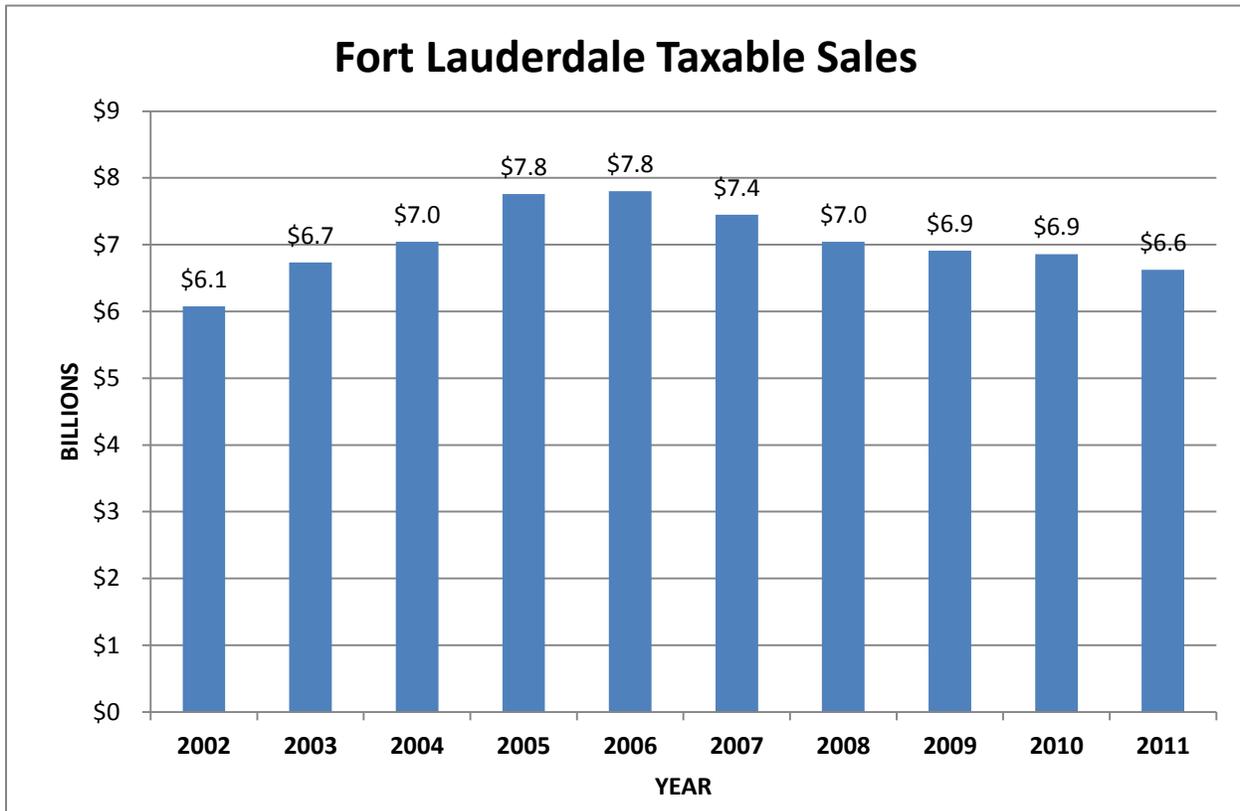
Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Projected
Revenue Generated	\$9.9MM	\$9.9MM	\$9.5MM	\$10.5MM	\$10.5MM	\$7.2MM	\$5.5MM	\$6.1MM	\$10.8MM	\$6.9MM	\$10.3MM
# of Permits	26,972	28,099	31,124	35,681	29,089	24,597	25,224	25,666	25,787	18,035	27,053

Source: City of Fort Lauderdale Building and Permits Division

Taxable Sales

Table 4-13 shows a comparison of annual taxable sales in real dollars. The graph below shows that there has been an annual reduction in taxable sales revenue since calendar year 2006 when taxable sales was at its highest. Taxable sales data are popularly used as an indicator of regional economic activity. A portion of sales tax revenue is shared between County governments in Florida. Once the revenue has been allocated to County governments, the revenue is then distributed to each incorporated municipal government by area population.

Table 4-13

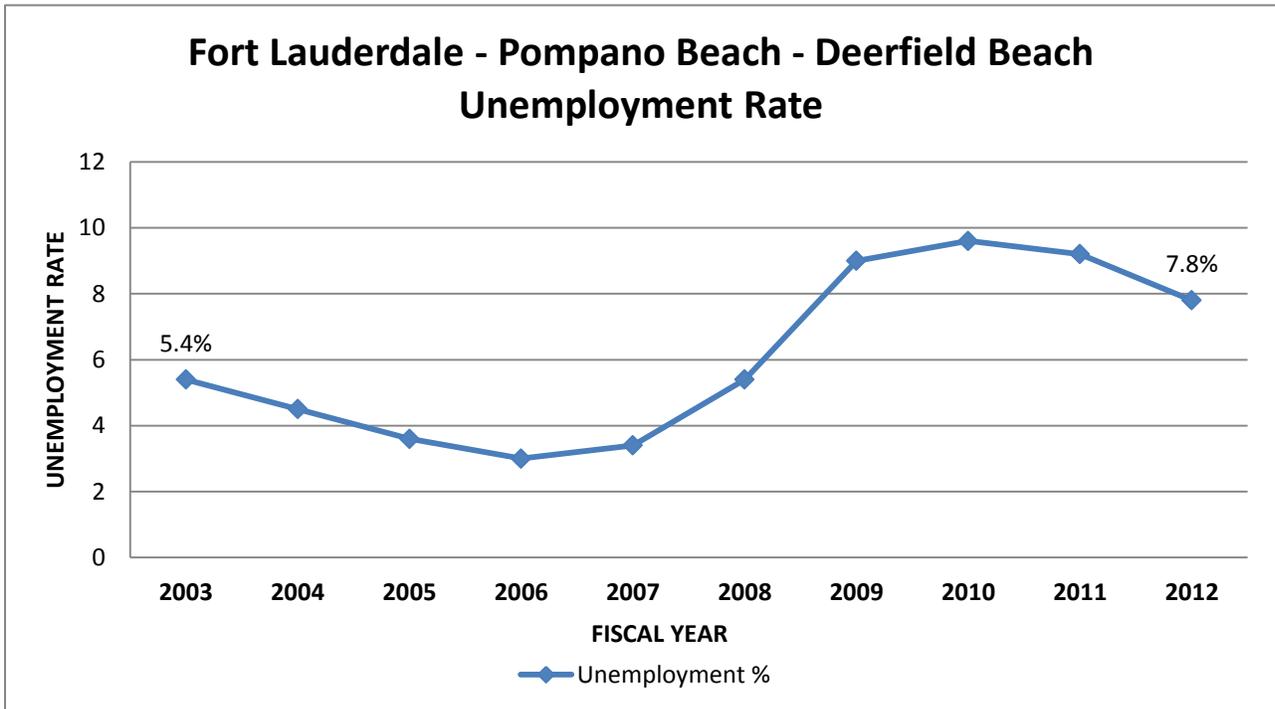


Source: Florida Department of Revenue

Employment and Unemployment Rates

As illustrated in Tables 4-14 and 4-15 below, the unemployment rate in the Fort Lauderdale – Pompano – Deerfield Beach region has declined in comparison to recent years. Tough economic conditions have significantly reduced the availability of employment in public and private organizations across the nation since 2008. Employment and unemployment rates affect the fiscal capacity of the City. As the economy improves and more neighbors become employed, it positively influences the willingness and ability of neighbors to pay property taxes and spend money within the City. Since the peak rate in 2010, the unemployment rate for the region has steadily declined to a reported rate of 7.8% in 2012.

Table 4-14



Source: Bureau of Labor Statistics

Table 4-15

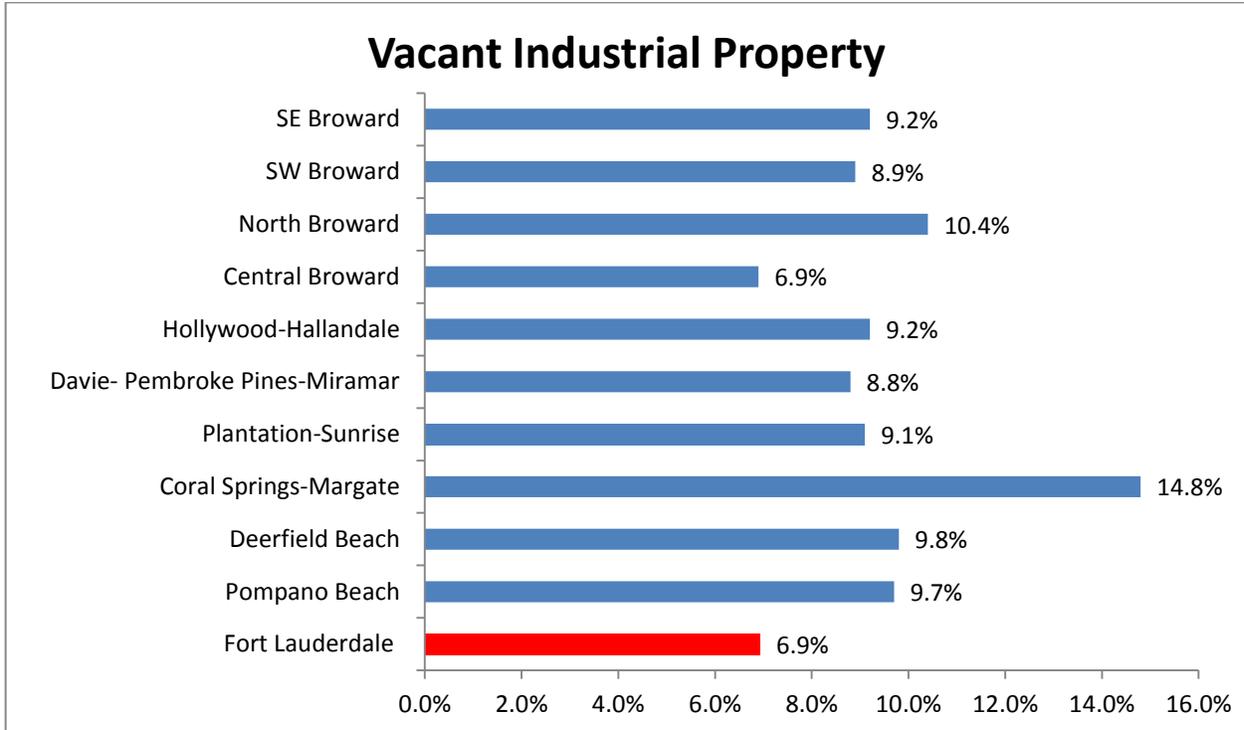
YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012
Labor Force	917,754	949,838	971,824	1,004,440	1,007,614	978,984	977,632	990,714	995,268
Employed	875,999	915,444	942,269	970,022	953,663	891,286	883,719	899,611	917,560
Unemployed	41,755	34,394	29,555	34,418	53,951	87,698	93,913	91,103	77,708
Unemployment Rate	4.5%	3.6%	3%	3.4%	5.4%	9%	9.6%	9.2%	7.8%

Source: Bureau of Labor Statistics

Vacant Industrial Property

Vacant space in the industrial market is used as an indicator of economic growth and development. Lower vacancy rates suggest a stronger local economy, allowing for higher rent and property values. A low vacancy rate also indicates a developing economy as businesses compete for industrial and warehouse space. Compared to surrounding municipalities, Fort Lauderdale’s percent of vacant industrial real estate is the lowest in Broward County.

Table 4-16



Source: Cushman & Wakefield Market Snapshot 4th Quarter 2012

Table 4-17

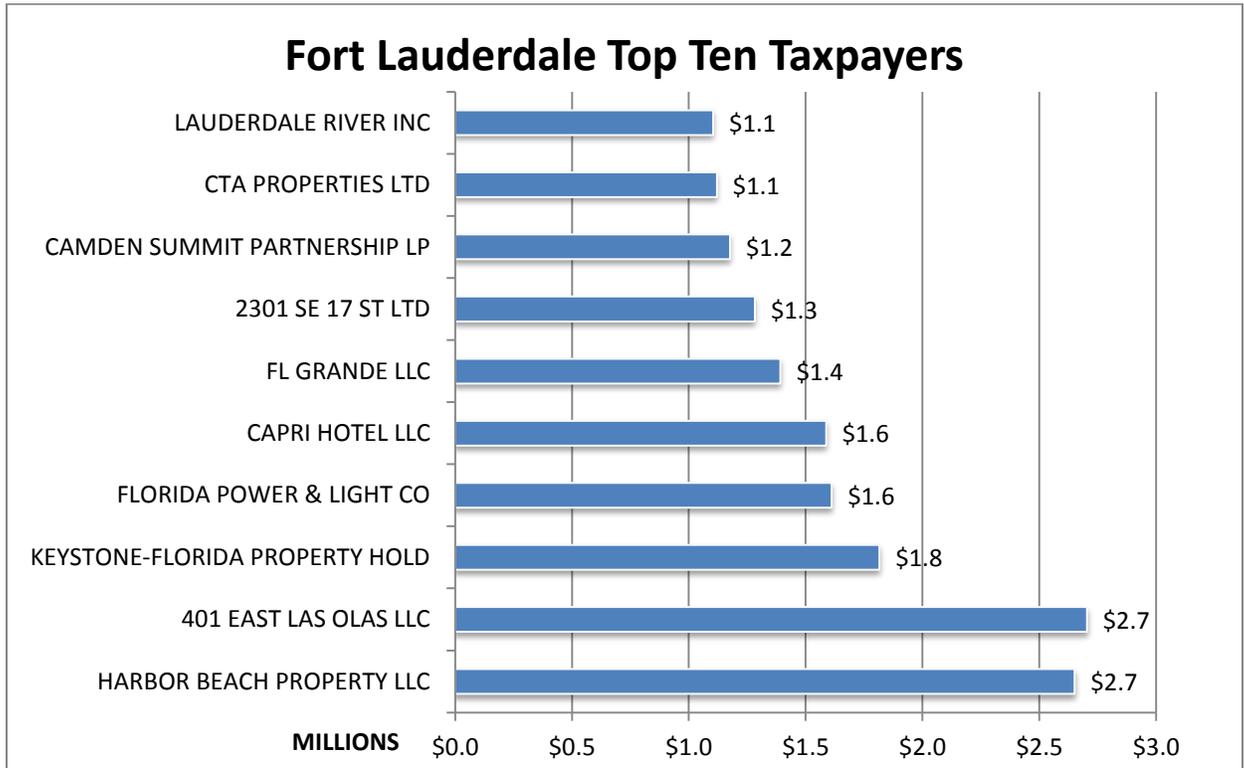
REGIONAL VACANCY RATES										
Fort Lauderdale	Pompano Beach	Deerfield Beach	Coral Springs-Margate	Plantation-Sunrise	Davie-Pembroke Pines-Miramar	Hollywood-Hallandale	Central Broward	North Broward	SW Broward	SE Broward
6.9%	9.7%	9.8%	14.8%	9.1%	8.8%	9.2%	6.9%	10.4%	8.9%	9.2%

Source: Cushman & Wakefield Market Snapshot 4th Quarter 2012

Principal Property Taxpayers

Fort Lauderdale’s principal property taxpayers provide a key clue to understanding the City’s fiscal capacity and health. Table 4-18 shows a comparison of the principal property taxpayers within the City. As shown in the table below, each of the top taxpayers pays a significant amount of property tax for real estate located within the City of Fort Lauderdale boundaries.

Table 4-18



Source: Broward County Property Appraiser (BCPA)

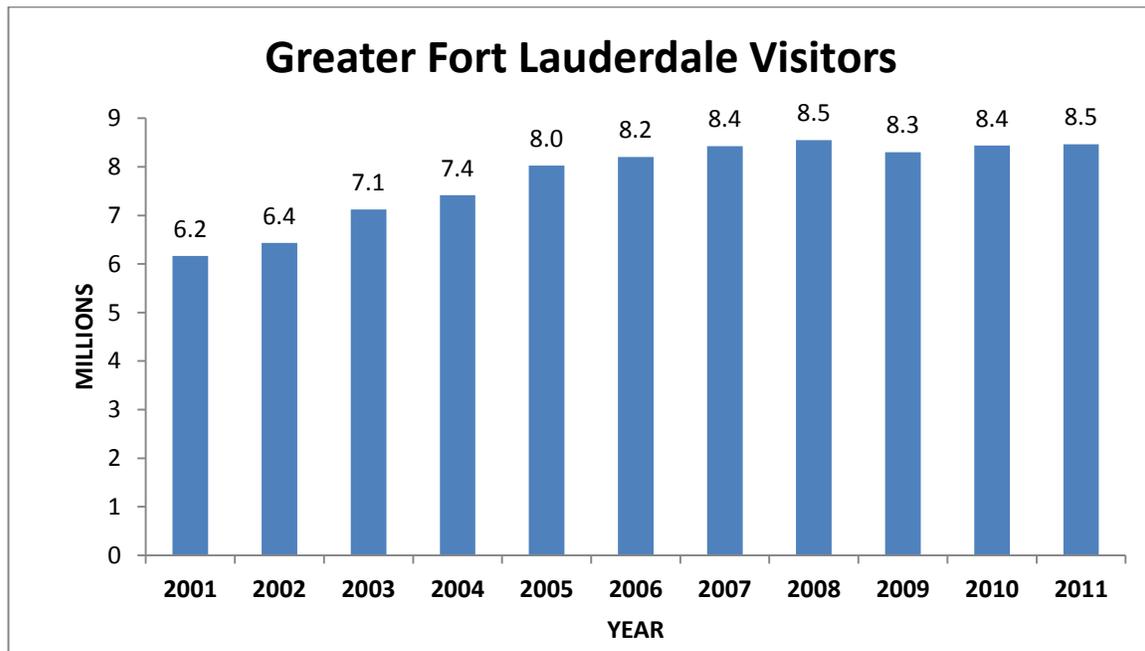
Tourism

Another concept in measuring fiscal capacity is tax and charge exportability. This concept accounts for taxes and charges paid by people or businesses residing outside a government’s jurisdiction (Florida ACIR 3). With more exportability comes greater fiscal capacity because the burden of the neighbors is shared with non-residents. Tourism is the most prominent example of exportability related to Fort Lauderdale.

Over the past decade, the Greater Fort Lauderdale region has increased its number of visitors on an annual basis. This is because of Fort Lauderdale’s reputation for being a great place to live, work and raise a family. Fort Lauderdale represents the hub or “hot spot” for local and out of state tourists. It also has become a prime tourist attraction due to the beautiful beaches, hotels, restaurants, and entertainment. Table 4-19 shows a continuous increase in the number of visitors to the Greater Fort Lauderdale region from 2001 through 2006.

Broward County, which consists of the Greater Fort Lauderdale area, has gradually increased its reputation as a prime area for tourist traffic, cruises and beaches due to its warm climate during the winter months. The Greater Fort Lauderdale area continued to receive a steady number of visitors annually to the area contrary to tough economic conditions. From 2006 to 2011, the Greater Fort Lauderdale area received an average of 8.3 million visitors over a six year period.

Table 4-19



Source: Greater Fort Lauderdale Convention & Visitors Bureau

Table 4-20

YEAR	Number of Visitors
2001	6,162,388
2002	6,435,676
2003	7,118,621
2004	7,414,220
2005	8,022,686
2006	8,199,939
2007	8,426,143
2008	8,546,893
2009	8,304,211
2010	8,440,799
2011	8,464,491

Source: Greater Fort Lauderdale Convention & Visitors Bureau

Visitors to the Greater Fort Lauderdale area contributed over \$9 billion to the local economy through their expenditures during 2011. The revenue generated from tourism plays an important role in feeding Fort Lauderdale’s thriving economy. Table 4-21 below provides a breakdown of the visitor expenditure information by year for the most recent calendar years of 2010 and 2011.

Table 4-21

Greater Fort Lauderdale Visitor Expenditures 2010 and 2011

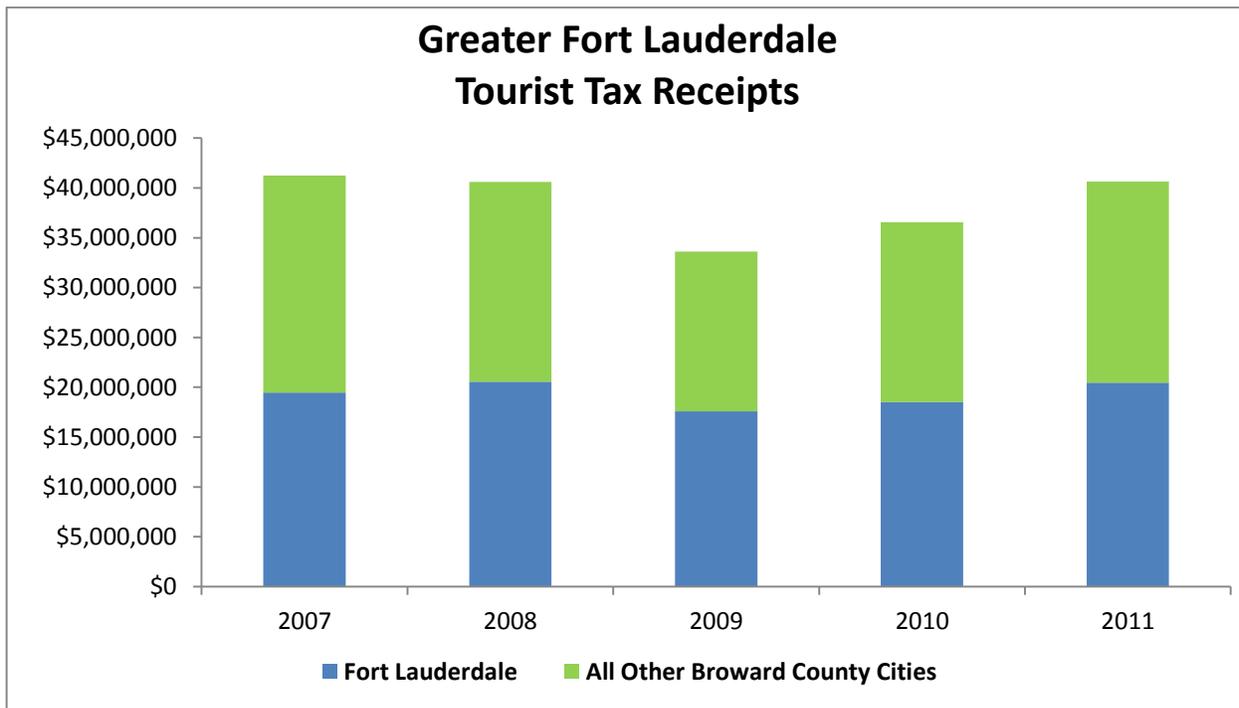
	Expenditures by Foreign Visitors	Expenditures by Domestic Visitors	Total Expenditures by Visitors
2010	\$1,926,936,645	\$6,765,300,399	\$8,692,237,044
2011	\$2,112,654,987	\$6,894,327,920	\$9,006,982,907

Source: Greater Fort Lauderdale Convention & Visitors Bureau

The Tourist Development Tax is sometimes referred to as resort tax, bed tax, local option tourist tax or transient rental tax. This tax is levied by Broward County and used in accordance with Chapter 125.0104 of Florida State Statutes. The Broward County Tourist Development Tax Rate is 5 percent. This tax rate is levied on the total amount charged every person who rents or leases any living quarters or accommodations such as a hotel/motel, apartment, rooming house, mobile home/RV park, condominiums, timeshare or home rented for a period of six months.

In 2011, the total tourist tax revenue collected within the Greater Fort Lauderdale area was \$40,638,096. Fort Lauderdale alone collected \$20,465,841, which is 50.4% of the total tourist tax revenue collected in Broward County. Despite the fact that over 50 percent of the County tourist tax is generated within the City of Fort Lauderdale, the City has very little influence on how this revenue is allocated or spent. The City has only one member on the Tourist Development Council, which makes recommendations to the County Commission on how this revenue should be spent within Broward County. According to Florida State Statute 125.0104, the tax revenue is used at a county level and limited to “authorized uses.” The revenue generated by the tourist tax in Broward County is primarily used to pay the debt service on the Panther's Hockey Stadium, which is located in the City of Sunrise. This revenue is also used to fund operating, marketing, tourism and capital expenditures for the Greater Fort Lauderdale Convention & Visitors Bureau.

Table 4-22



Source: Greater Fort Lauderdale Convention & Visitors Bureau

Greater Fort Lauderdale Tourist Tax Collection

Table 4-23

YEAR	2007	2008	2009	2010	2011
Fort Lauderdale	19,479,144	20,552,873	17,573,884	18,517,786	20,465,821
All Other Broward County Cities	21,779,537	20,068,549	16,050,302	18,031,147	20,172,275
Total	\$41,258,680	\$40,621,422	\$33,624,186	\$36,548,933	\$40,638,096

Source: Greater Fort Lauderdale Convention & Visitors Bureau

As illustrated in this chapter, understanding the economic environment of Fort Lauderdale is important to measuring its fiscal capacity and identifying its overall fiscal health. The data reviewed in this chapter provides readers with the economic framework from which the City operates. The City’s financial position and resources will be evaluated more specifically in the following chapters based on the trends of these economic indicators.



CHAPTER V

REVENUE AND TAX BASE

This chapter focuses on Fort Lauderdale’s revenue and tax base. Previous chapters have established the City of Fort Lauderdale’s local governmental role and its unique social and economic base. It is important to develop an understanding of these factors in order to provide the necessary framework for analyzing the City’s tax and revenue base. A community’s socioeconomic base encompasses all of its resources, but a community’s fiscal capacity stems directly from its tax and revenue base – a sub-unit of the overall economic base. This chapter undertakes the identification of the major components of local government tax and revenue bases, in general, and specifically attempts to quantify those components applicable to the City of Fort Lauderdale’s tax and revenue base. This assessment will ultimately help to determine which fiscal resources are potentially available from Fort Lauderdale’s tax and revenue base to use for financing existing and future needs.

Generally, the components of a local government’s tax and revenue base can be classified into four (4) broad categories: property tax base, the sales and excise tax base, the user charge and fee base, and the income tax base (Johnson and Roswick, p. 183-184). Property taxes, also known as ad valorem taxes, are a significant source of general purpose revenue for most municipalities throughout the country. For Florida municipalities, these ad valorem taxes are indispensable to local governments; not only because of the revenue they generate, but because it is the only local taxing authority not preempted by the constitution to the state.

The sales and excise tax base and the income tax base are both components of Florida Municipalities’ overall tax and revenue bases which are essentially reserved for the State of Florida. As per Article VII, Section 5, (a) of the State Constitution, no state income tax shall be levied in Florida, thereby eliminating this component from Florida municipal tax and revenue bases. In regards to the sales and excise tax base component; relevant constitutional and statutory provisions clearly specify the state-pre-empted revenue sources available to tax (e.g. retail sales, motor fuel, cigarettes, alcoholic beverages etc.). Since the sales and tax base of Florida local governments is primarily the domain of the state; municipalities and counties receive revenue from sales and excise tax through comprehensive state shared revenue programs and local option revenue programs. The various legal constraints establish eligibility criteria for local governments’ receipt of such revenues; delineate the structure and formula used for the redistribution of funds; and identifies the state agency, typically the Florida Department of Revenue, responsible for administering a particular revenue source or program (Florida ACIR, 1993, p. 4-5). In addition to state intergovernmental revenues, state statutes authorize local governments to derive revenues from utility services taxes and franchise fees, both of which may be considered part of a community’s sales and excise tax base. Legal constraints specify what can be taxed and the maximum rate that can be charged.

Local government’s reliance on their user charge and fee bases has increased significantly in recent years. In the face of expanding government service needs, population growth, and diminishing revenue generating options, charging for government services has become an

integral and significant revenue source in many local government budgets. Florida’s Department of Banking and Finance defines user charges and fees, or service charges as “voluntary payments based on direct, measurable consumption of publicly provided goods and services” (Florida ACIR, 1989, p.14). User fees include public utility charges and fees or charges for services such as transportation, public safety, human services, recreation, and culture. Although state statutes do not specifically address local governments’ usage of service charges, Florida case law, in City of Dunedin v. Pinellas County Homebuilders, limits the user charge or fee to the full cost of the service which can include any and all legitimate direct and indirect costs (Small, interview).

Various constitutional and statutory provisions limit the fiscal capacity of municipalities throughout the state of Florida. The legal constraints regarding the components of local government’s revenue and tax base regulates how jurisdictions may: (a) raise revenues, (b) qualify for receiving revenues and (c) expend revenues (Florida ACIR, 1989, p.2). Although the property tax base remains the domain of local government, municipalities and counties must contend with various statutory exemptions and limits up the millage rates local governments may levy. Therefore; Florida’s local governments have been increasingly relying on reserves and the user charge and fee base to meet current budgetary needs and expand new services.

Local government’s reliance on their user charge and fee bases has increased significantly in recent years. In the face of expanding government service needs, population growth, and diminishing revenue generating options, charging for government services has become an integral and significant revenue source in many local government budgets.

The remainder of this chapter begins with an assessment of the property tax base in the City of Fort Lauderdale. The following section is an evaluation of Fort Lauderdale’s sales and excise tax base, primarily in the context of the intergovernmental revenues that it receives through the State of Florida. The third section of this chapter focuses on the user or service charge and fee base, which also includes elements such as licenses and permits, fines and forfeitures, and special assessments. Since the income tax base is not a component of Florida local governments’ fiscal capacity, it is not further addressed in this chapter.

Property Tax Base

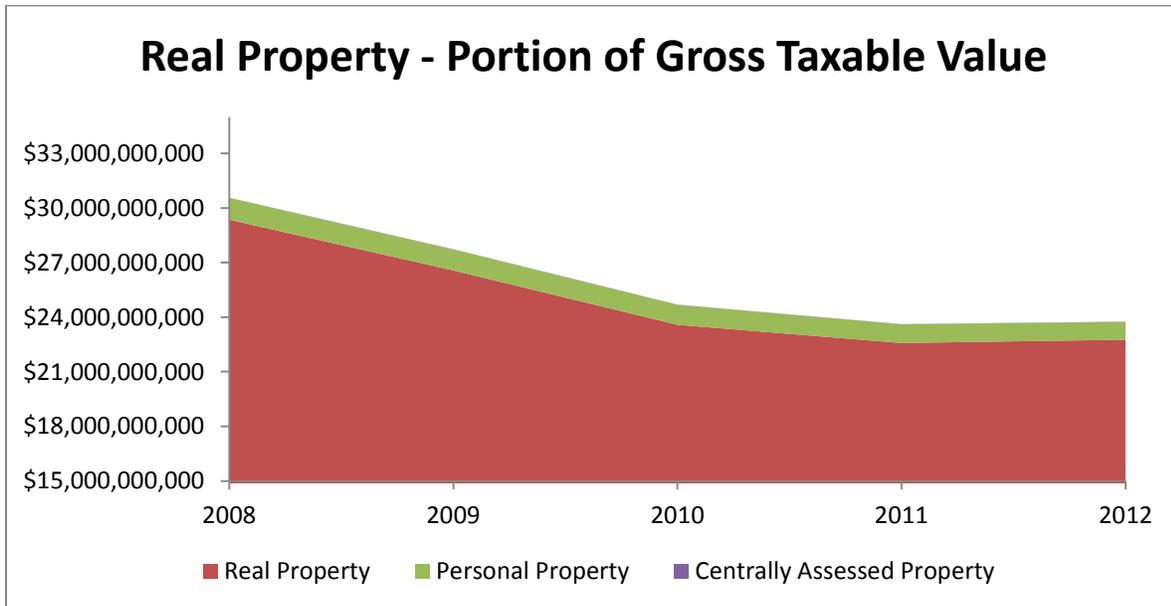
Property taxes (ad valorem taxes) are typically the domain of local governments and it is from this base that most local governments derive the major share of their fiscal capacity. Ad valorem tax is certainly an important component to the City of Fort Lauderdale’s tax base as it comprises almost 36 percent of the City’s general fund operating revenue. This review of property tax will examine the statutory basis and requirements in Florida, assessment practices, and a five year statistical examination of the local property tax base.

Statutory Basis and Requirements

As discussed earlier in the study, the legal basis of the property tax in Florida is the State Constitution which allows municipalities to levy an ad valorem property tax. The Constitution places a limit on the amount levied by municipalities of 1% (or 10 mills) of taxable property value. Florida recognizes both real and personal property. Real property is land and improvements to land, such as buildings. Personal property is divided into four categories including household goods (i.e., common items or goods found in the average home), intangible personal property (i.e., money and similar items with representative value rather than intrinsic value), inventory (i.e., those items held in storage for future distribution or sale to customers) and tangible personal property (i.e., items and goods other than inventory or household goods that have intrinsic value).

The ad valorem tax on real property affects all non-exempt private entities, including individuals and businesses. Taxation of intangible personal property is preempted to the state. The tax on tangible personal property affects mainly businesses. Since inventory and household goods are exempt from ad valorem taxation, taxation on tangible personal property is primarily for business equipment and furniture. Therefore, the majority of property tax levy is on real property. As illustrated in Table 5-1, over the past five years, real property accounted for an average of 96% of taxable property value.

Table 5-1



Source: City of Fort Lauderdale Municipal Tax Roll

	2008	2009	2010	2011	2012
Real Property	\$29,355,426,762	\$26,571,085,860	\$23,584,539,720	\$22,582,979,590	\$22,765,469,930
Personal Property	\$1,192,731,558	\$1,151,222,452	\$1,095,884,815	\$1,024,965,415	\$970,486,276
Centrally Assessed Property	\$14,244,804	\$13,472,557	\$10,660,505	\$11,208,688	\$16,579,584
Total Taxable Value	\$30,562,403,124	\$27,735,780,869	\$24,691,085,040	\$23,619,153,693	\$23,752,535,790

Source: City of Fort Lauderdale Municipal Tax Roll

All property subject to the municipal ad valorem tax is taxed at the current Fiscal Year 2013 adopted City millage rate of 4.1193, exclusive of the debt service levy of .2149 mills. In addition, the City of Fort Lauderdale has a special district which is granted authority to levy an ad valorem tax. Consequently, when the City considers its millage rate cap of 10 mills, it must also account for the incremental millage rates of governmental units that share taxing authority over its constituents.

All legal Florida residents are eligible for a Homestead Exemption on their homes, condominiums, co-op apartments, and certain mobile home lots if they qualify. The Florida Constitution provides this tax-saving exemption on the first and third \$25,000 of the assessed value of an owner/occupied residence.

Another statutory consideration is the Truth Rate in Millage (TRIM) legislation that is addressed in Florida Statutes. This legislation addresses the natural rise in property taxes as valuation increases, assuming that the millage rate remains constant. In essence, TRIM treats the natural increase in taxable value as a tax increase. TRIM is illustrated as follows: in year one City A levies an ad valorem rate of 5.000 mills. Resident A owns a home valued at \$200,000 and pays \$1,000 in property tax. In year two, Resident A's home is reassessed and increases in value to \$250,000. The increase in Resident A's property tax would be \$250 for a total property tax of \$1,250, if the 5.000 mill rate was maintained. In many states, this increase due to the natural rise in assessed value provides political protection as more revenue is collected without increasing the tax rate. However, TRIM requires that the millage rate be "rolled back" in

year two to reflect the increase in valuation. Returning to the example and assuming that Resident A's increased valuation was representative of the entire City, although the rolled back rate is determined by the total property valuation of the City, the "rolled back" rate would only be 4.000 mills (4.000 mills X \$250,000 = \$1,000), ensuring that an increase in the property tax revenue requires a positive action by the municipal legislature (F.S.2000.065).

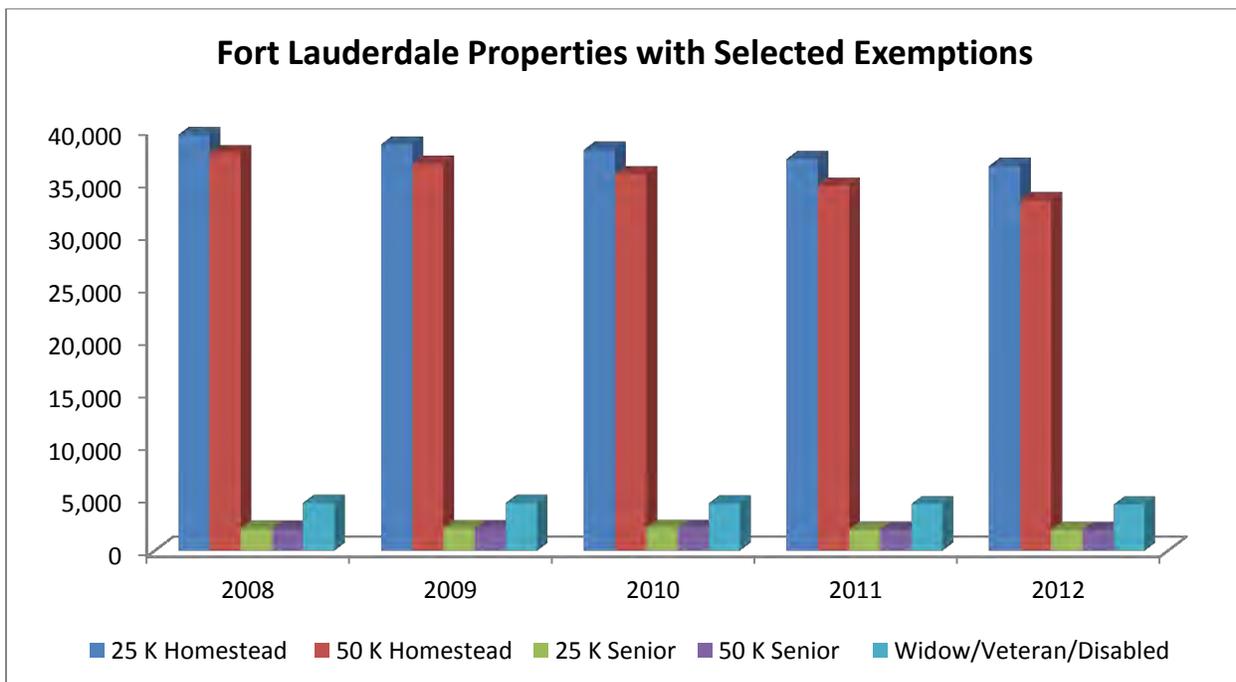
Exemptions of properties are also important to understanding Florida's property tax. All legal Florida residents are eligible for a Homestead Exemption on their homes, condominiums, co-op apartments, and certain mobile home lots if they qualify. The Florida Constitution provides this tax-saving exemption on the first and third \$25,000 of the assessed value of an owner/occupied residence. A complicated formula is used to explain this, as the additional \$25,000 only applies to the non-schools portion of a homesteaded property tax bill. However, for City of Fort Lauderdale taxing purposes, a homesteaded property valued at \$100,000 has a taxable value of \$50,000. While the Homestead exemption is the most common, other exemptions available to residents who meet specific criteria of the exemption include the following (a Homestead Exemption is required by law as a pre-condition for obtaining any of the following additional exemptions):

- \$500 Disability Exemption
- \$500 Widows/Widower's Exemption

- Additional \$25,000 Low-Income Senior Exemption
- \$5,000 Veteran's Disability Exemption:
 - Full Exemption for Veteran's Service-Connected Total and Permanent Disability
- Deployed Military Exemption
- Additional Exemption for Combat-Wounded Florida Disabled Veterans
- \$500 Disability Exemption for Blind Persons
- Full Exemption for Totally and Permanently Disabled Persons
- "Granny Flat" Exemption (Taxpayers who build additions onto an **existing** Homestead or perform extensive renovations to an existing Homestead to provide living quarters for a parent or grandparent may be entitled to a special exemption equal to the amount of the new construction (up to 20% of the homestead value). To be eligible, the property owner must have a Homestead Exemption on the property where the parent or grandparent quarters are constructed.)
- Historic Property Exemption
- Non-Profit, Religious, Educational & Governmental Exemptions

Table 5-2 illustrates selected common exemptions granted to Fort Lauderdale property tax payers over the past five years.

Table 5-2



Source: City of Fort Lauderdale Municipal Tax Roll

CITY OF FORT LAUDERDALE PROPERTIES WITH SELECTED EXEMPTIONS					
EXEMPTION TYPE	2008	2009	2010	2011	2012
25 K Homestead	39,502	38,592	38,075	37,200	36,534
50 K Homestead	37,755	36,731	35,768	34,662	33,261
25 K Senior	2,082	2,119	2,161	1,987	1,978
50 K Senior	2,082	2,119	2,161	1,987	1,978
Widow/Veteran/Disabled	4,533	4,534	4,478	4,421	4,361

Other large exemptions that affect the property tax base are governmental properties used in pursuit of governmental purposes and educational properties. These properties are completely exempt from taxation. As long as governmental holdings remain fairly constant, the tax base is affected at a consistent rate from year to year. However, if a governmental entity purchases, leases, or sells a large amount of property within a municipality; the tax base will be affected by that amount. Private, profit-making enterprises that lease government owned property are subject to, and must pay ad valorem tax on that property during the lease period.

The last major exemption that affects the City’s tax base is property belonging to non-profit organizations that can show a “charitable, religious, scientific, or literary purpose” (F.S. 196.195). These would include certain clinics, hospitals, churches and other institutions which qualify under these purposes and are non-profit making enterprises.

Closely related to exemptions are credits, which are discounts, provided to taxpayers for early payment of their property tax. The tax bills are mailed every year on or before November 1. These are due by March 31 the following year. If property owners pay their taxes early, they are entitled to a discount of 4% during the month of November, 3% during December, 2% in January and 1% in February. This discount cost the City of Fort Lauderdale \$3.2 million in Fiscal Year 2012 and over \$18 million in property tax revenue over the last five years. All other exemptions and credits do not have a significant impact on the City’s ad valorem tax base.

Assessment Practices

The assessment practices of the Broward County Property Appraiser and the frequency with which reassessments take place are important to the City of Fort Lauderdale’s ad valorem tax base. In Broward County, property assessment is performed by an elected Property Appraiser with substantial oversight by the State of Florida. The State has very specific instructions as to how property assessments are to be handled. By state law, the Property Appraiser’s Office must personally view each property in Broward County at least once every five years. Florida law also requires yearly assessments of real and personal property that represents the fair market value of the property in an “arm’s length” sale. An arm’s length sale occurs when the buyer has no legal relationship to the seller. The Broward County Property Appraiser keeps track of each sale during a given year and uses a computer program designed by the State to approximate reassessed property values. In addition, the County and State use property sales as a comparison against the previously assessed value of the sold properties to generate a report detailing the degree of accuracy of the assessment. The Property Appraiser is expected to stay within an

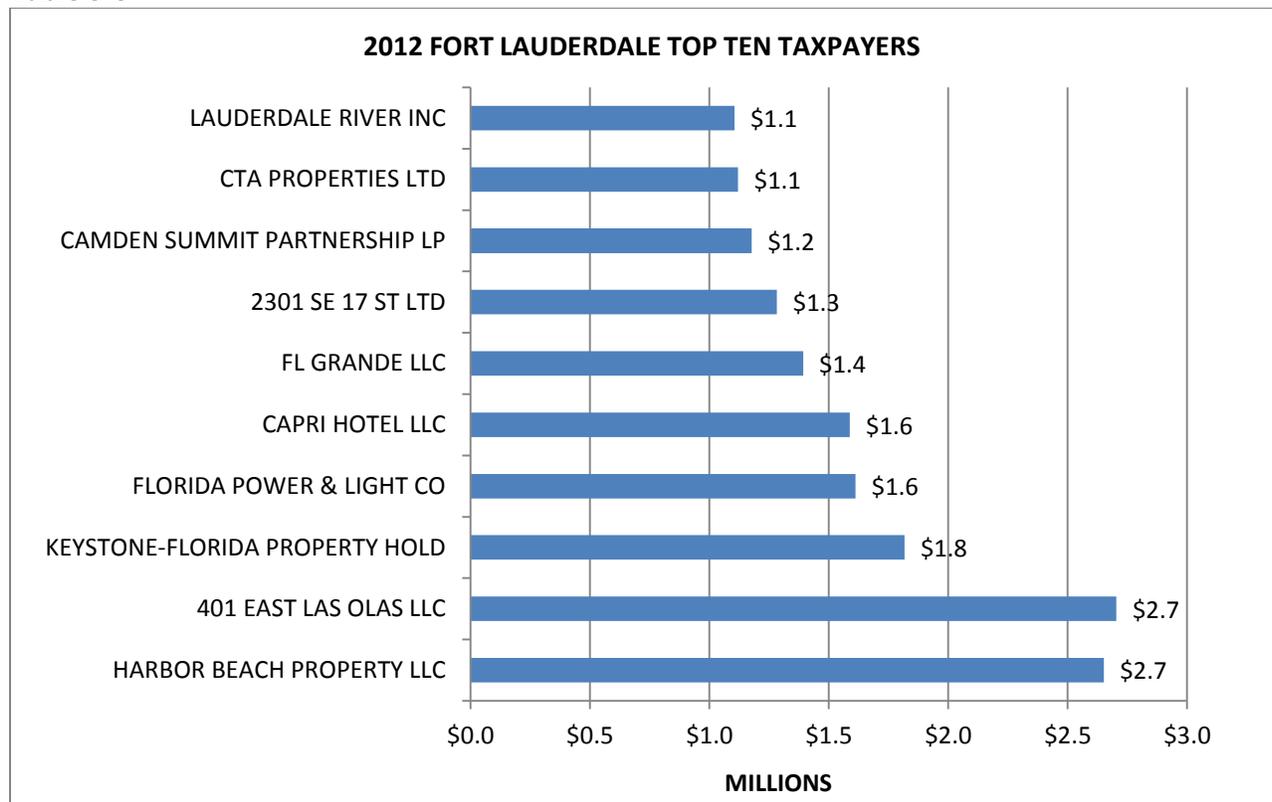
acceptable variance of the actual value. Assessment practices in Broward County are probably as consistent as possible, suggesting that their relative impact on revenue capacity is negligible.

Local Property Tax Base

Identifying the property base from which the ad valorem tax is derived will help determine how close the City comes to its revenue capacity for this source. As presented earlier in this chapter, real property represents the predominant portion of the ad valorem tax base in Fort Lauderdale. It is, therefore, the focus of the analysis that follows.

There are several components involved with defining the property tax base. Among them are determining the major tax payers and their influence over the tax base; the relative composition of land use (i.e. residential, commercial, or industrial) since property use has a direct impact on valuation; quality and nature of housing stock; and an estimation of the impact of annexation.

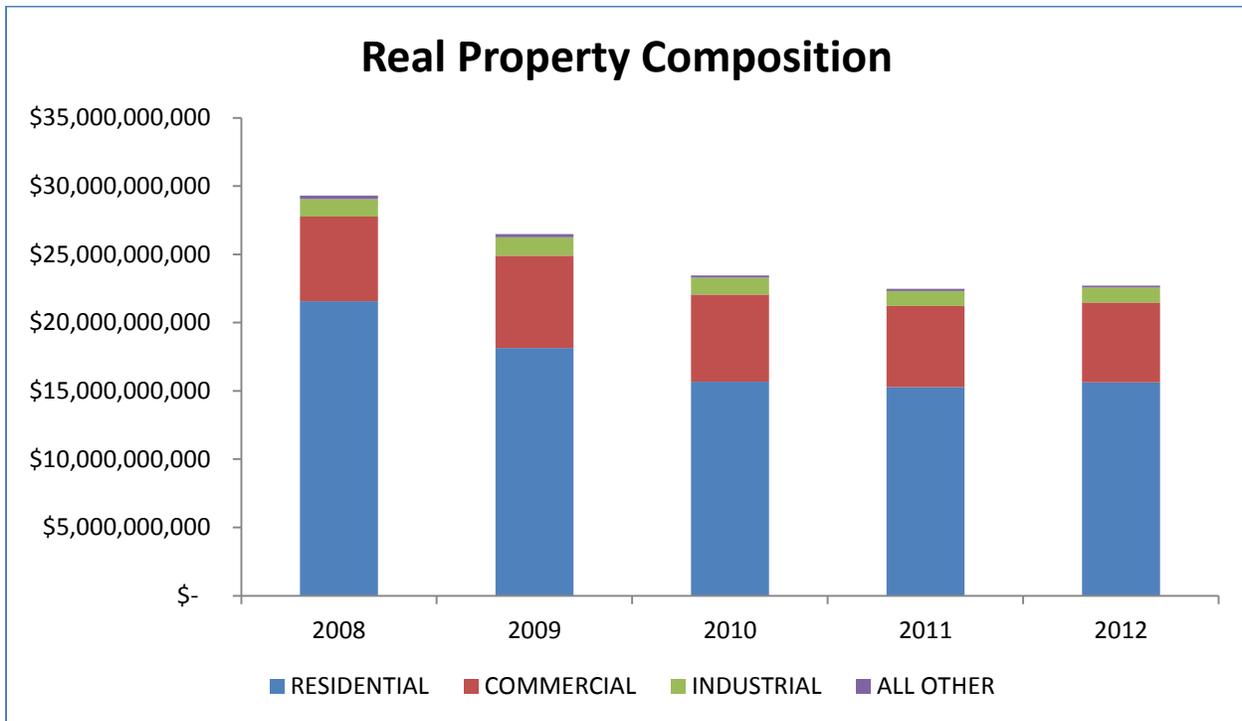
Table 5-3



Source: City of Fort Lauderdale 2012 Municipal Tax Roll

Fort Lauderdale’s principal property taxpayers play a key role in the City’s fiscal health and fiscal capacity. Table 5-3 shows a comparison of the principal property taxpayers in the City of Fort Lauderdale in 2012. Each corporation owns real estate with a significant taxable value within the City of Fort Lauderdale. The City is not overly dependent on any particular taxpayer, which is a positive factor for revenue capacity.

Table 5 -4

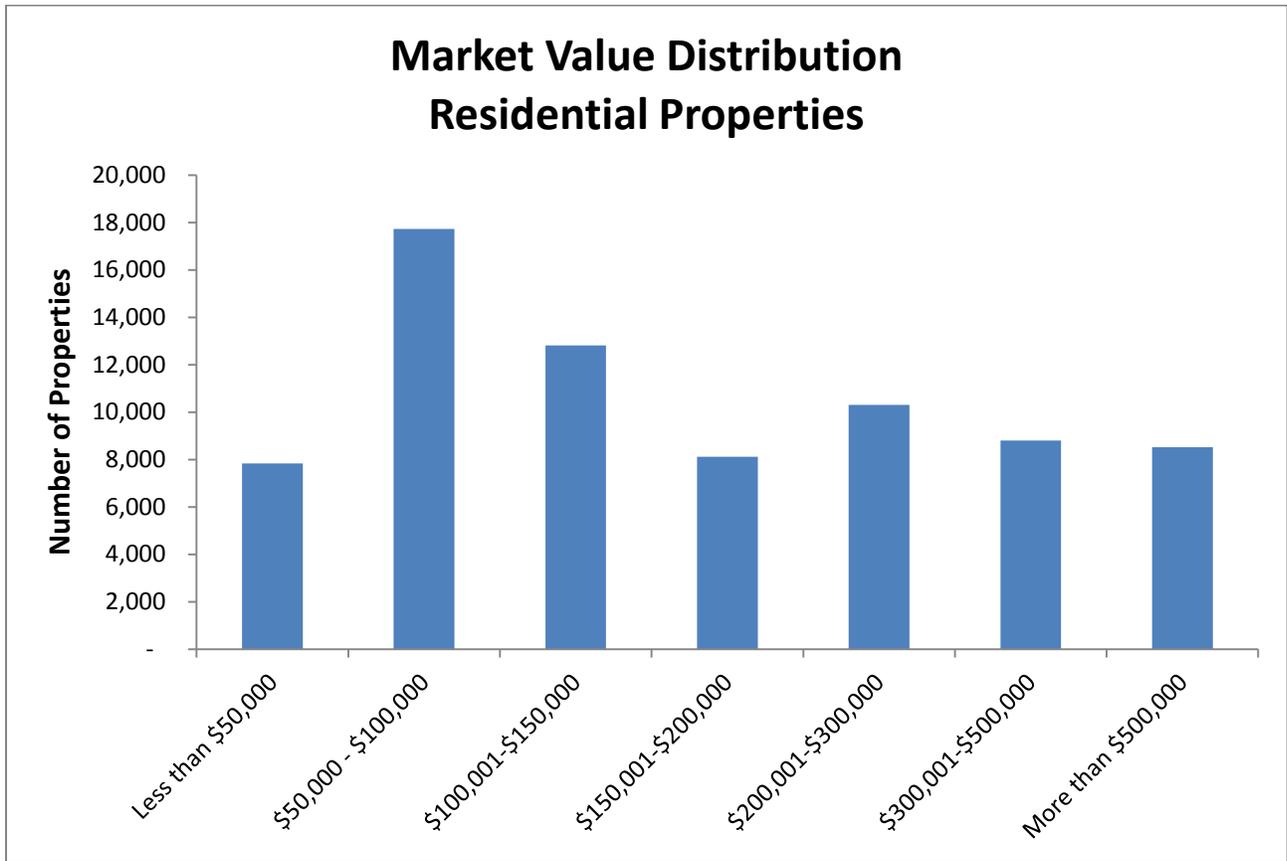


Source: City of Fort Lauderdale 2012 Municipal Tax Roll

REAL PROPERTY	2008	2009	2010	2011	2012
RESIDENTIAL	\$21,561,997,540	\$18,146,277,730	\$15,663,193,610	\$15,283,855,180	\$15,635,321,420
COMMERCIAL	\$6,196,614,400	\$6,753,649,380	\$6,394,410,890	\$5,924,895,470	\$5,840,511,020
INDUSTRIAL	\$1,301,371,860	\$1,360,021,390	\$1,238,097,390	\$1,104,660,990	\$1,099,986,820
ALL OTHER	\$235,330,870	\$227,046,300	\$171,052,450	\$163,661,600	\$145,941,700

Table 5-4 above shows the relative composition of the real property portion of Fort Lauderdale’s property valuation over the past five years. Residential property is, by far, the largest portion of the tax base. In 2012, residential property accounted for approximately \$15.6 billion of the \$22.7 billion total or 69 percent. As the graph shows, the composition has remained relatively consistent over time. This ratio can protect the City from serious commercial and industrial devaluation during times of economic stress as experienced by Texas and New York in the early 1990s. However, residential property is traditionally lower in value than commercial and industrial properties and qualifies for more exemptions. The City may be able to raise its property valuation and associated ad valorem revenue through strategic promotion of commercial and industrial development.

Table 5-5



Source: City of Fort Lauderdale 2012 Municipal Tax Roll

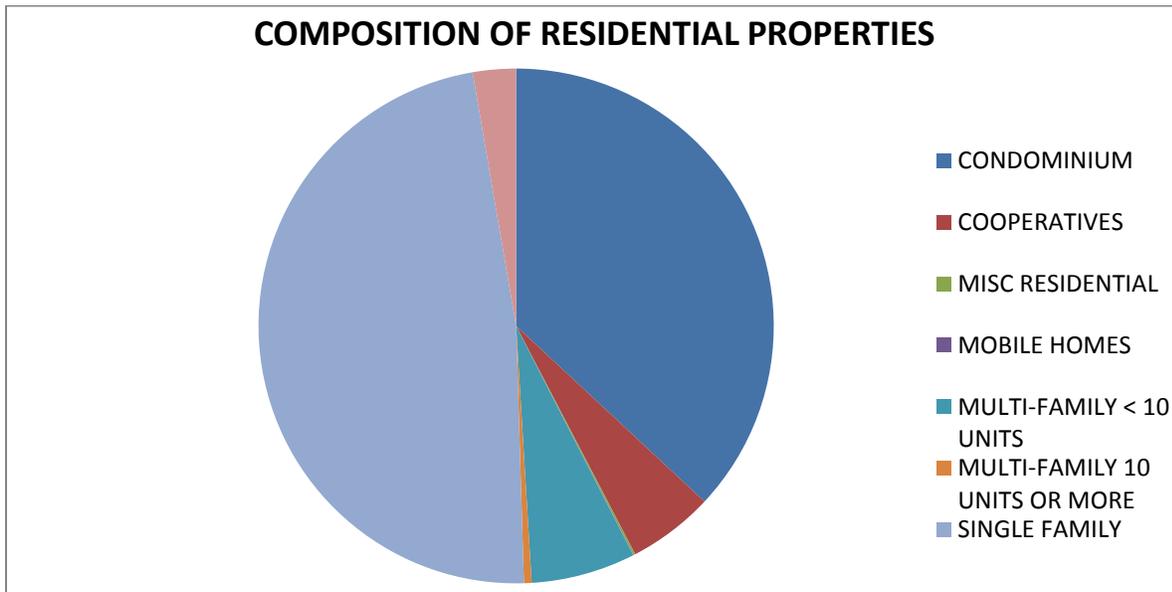
Market Value	Properties	Percentage	Cumulative Percentage
Less than \$50,000	7,829	11%	11%
\$50,000 - \$100,000	17,734	24%	34%
\$100,001 - \$150,000	12,810	17%	52%
\$150,001 - \$200,000	8,120	11%	63%
\$200,001 - \$300,000	10,305	14%	77%
\$300,001 - \$500,000	8,794	12%	89%
More than \$500,000	8,513	11%	100%
Total	74,105	100%	

Source: City of Fort Lauderdale 2012 Municipal Tax Roll

Table 5-5 on the previous page shows the distribution of values of the City of Fort Lauderdale’s residential housing stock as of the 2012 tax roll. The median home value was \$143,460. Approximately 45% of homes have market values of \$100,000 or less, which means that there are affordable starter homes. However, it also means that, with homestead exemptions, the taxable values on almost half of Fort Lauderdale properties would be less than \$50,000. At the City’s Fiscal Year 2013 millage rate of 4.1193 mills, a home with a taxable value of \$50,000 would equate to only \$206 in annual property tax revenue to the City each year. The lower valued properties are offset by 23% of properties that are valued at \$300,000 or more. The City’s diverse residential tax base is a valuable resource as higher valued properties contribute additional resources to the tax base to offset those with lower values.

Table 5-6 below provides additional detail regarding the City’s residential tax base, the largest portion of the property tax base. The largest portions, approximately 48%, of Fort Lauderdale’s residential properties, are single family homes followed closely by 37% that are condominiums.

Table 5-6

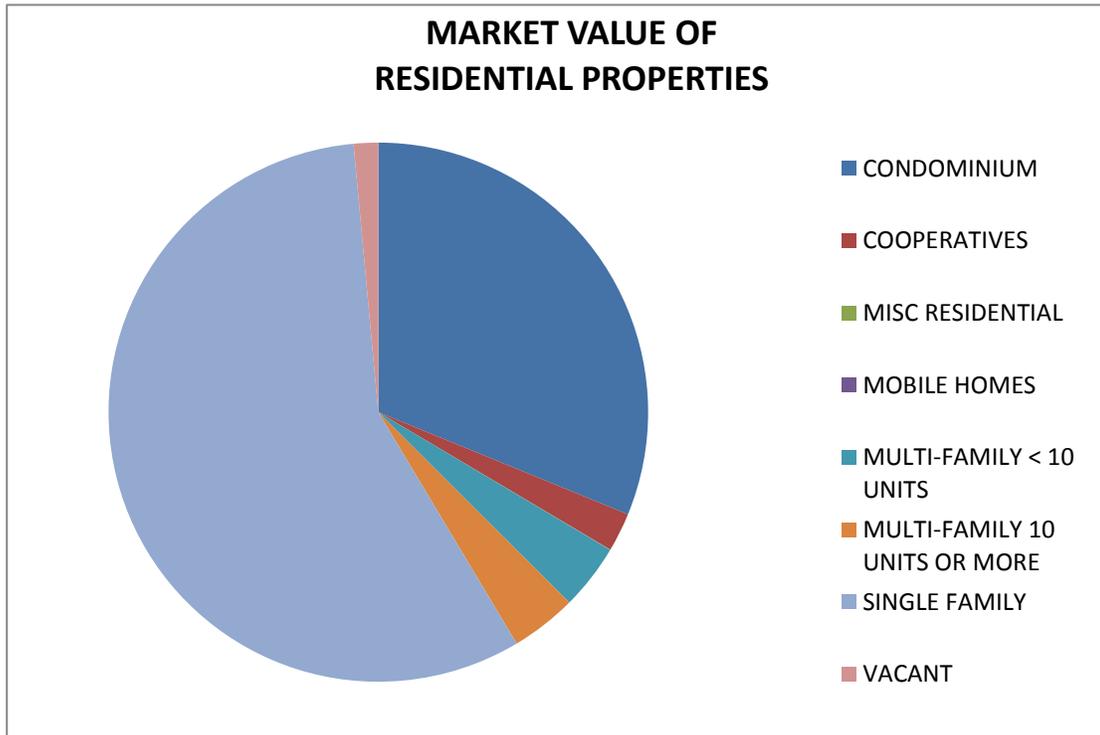


Source: City of Fort Lauderdale 2012 Municipal Tax Roll

RESIDENTIAL USE	NUMBER OF PROPERTIES	PERCENTAGE
Condominium	27,381	37%
Cooperatives	4,005	5%
Miscellaneous Residential	84	0%
Mobile Homes	14	0%
Multi-Family < 10 Units	4,855	7%
Multi-Family 10 Units or More	356	0%
Single Family	35,405	48%
Vacant	2,005	3%
TOTAL	74,105	100%

Source: City of Fort Lauderdale 2012 Municipal Tax Roll

Table 5-7



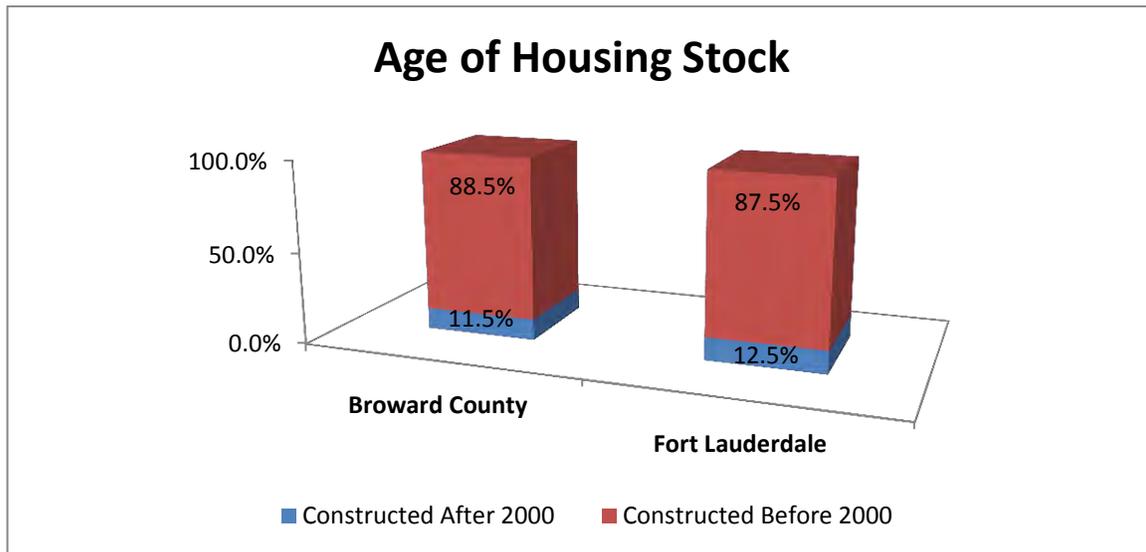
Source: City of Fort Lauderdale 2012 Municipal Tax Roll

RESIDENTIAL USE	MARKET VALUE	PERCENTAGE
Condominium	\$ 6,152,808,880	31%
Cooperatives	460,782,220	2%
Miscellaneous Residential	3,008,770	0%
Mobile Homes	463,280	0%
Multi-Family < 10 Units	777,710,900	4%
Multi-Family 10 Units or More	778,390,810	4%
Single Family	11,266,046,170	57%
Vacant	289,495,170	1%
TOTAL	\$ 19,728,706,200	100%

Source: City of Fort Lauderdale 2012 Municipal Tax Roll

Table 5-7 is similar to Table 5-6 in that it shows the composition of the City of Fort Lauderdale’s residential real estate. However, table 5-7 focuses on the market value of each type of property instead of the number of properties in each category. The market value of single family homes equate to 57% of the market value of all residential properties, which is significantly higher than the 48% that they represent as percentage of properties. Condominiums equate to only 31% of the market value although they represent 37% of all properties. This means that the market value of single family homes tends to be higher than the value of condominiums. The value of mobile homes and multi-family homes is very small in comparison to that of condominiums and single family homes.

Table 5 -8

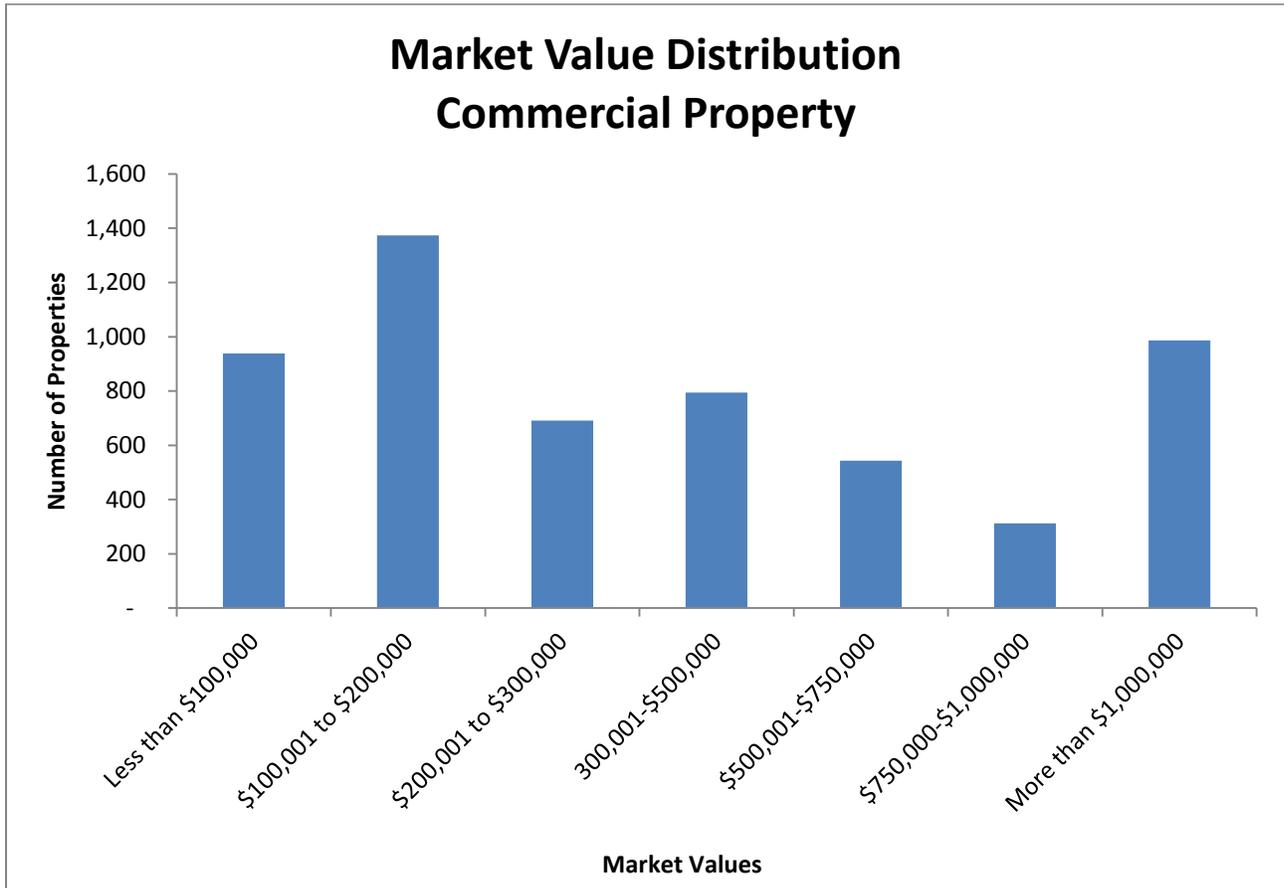


Source: US Census Bureau 2010 American Community Survey

Approximately 88% of the City of Fort Lauderdale’s housing stock was constructed prior to 2012. The age of housing stock is an indicator of the type and quality of homes within a region. However, it should not be interpreted as “good” or “bad”. Despite the tendency of older homes to have issues such as asbestos and lead based paint, they can also be an important part of our local history and help preserve historic character. Age of housing stock is also a rough proxy for new construction and growth in a community. Table 5-8 provides a snapshot of Fort Lauderdale housing structures built before and after the year 2000, as it compares to Broward County overall. The City of Fort Lauderdale continues to attract new development, which will cause a shift in this proportion.

The market value of commercial real estate property was 26% of all real property as of 2012. Shifts in commercial property types and values can have major impacts on a community. Therefore, additional information about commercial properties in the City is presented in the tables that follow. As Table 5-9 shows, The City has a commercial real estate base with diverse market values. Approximately 41% of commercial properties had market values less than \$200,000 and 33% had market values over \$500,000 in 2012. Having a diverse commercial base is good for a City. It prevents a City from becoming overly reliant on a few very large commercial properties for its tax base. Attracting additional commercial properties to the City or encouraging the smaller commercial businesses to expand are strategies that the City should use to increase its tax base.

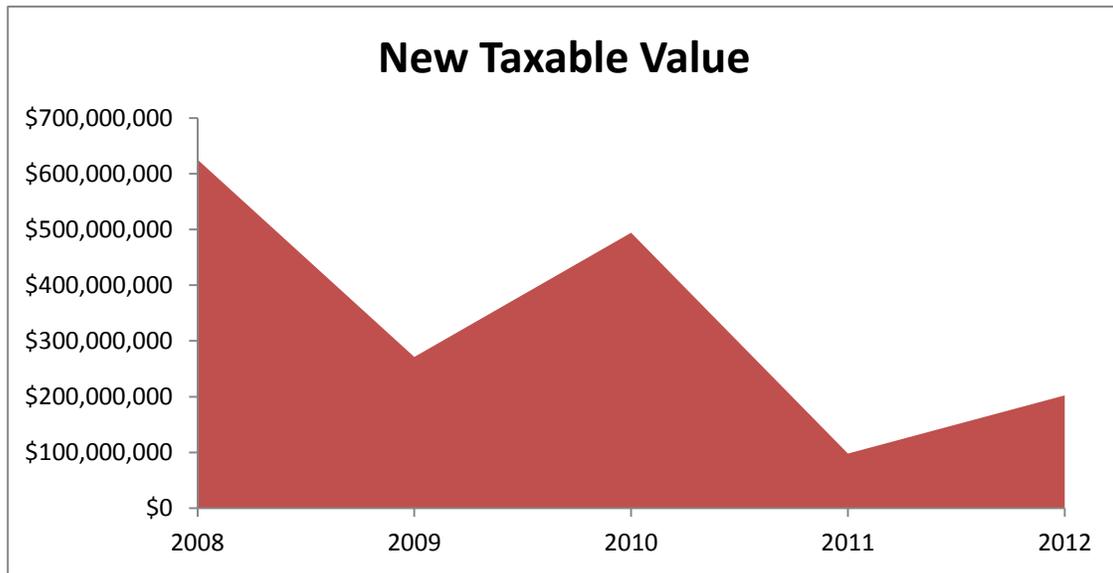
Table 5-9



Source: City of Fort Lauderdale 2012 Municipal Tax Roll

Market Value	Properties	Percentage	Cumulative Percentage
Less than \$100,000	939	17%	17%
\$100,001 to \$200,000	1,374	24%	41%
\$200,001 to \$300,000	691	12%	53%
300,001-\$500,000	794	14%	67%
\$500,001-\$750,000	543	10%	77%
\$750,000-\$1,000,000	313	6%	83%
More than \$1,000,000	986	17%	100%
Total	5,640	100%	

Table 5-10



Source: City of Fort Lauderdale Certification of Taxable Value DR-420

Taxable Value	2008	2009	2010	2011	2012
New Taxable Value	\$625,354,578	\$271,277,218	\$494,110,613	\$97,950,210	\$202,371,590

Source: City of Fort Lauderdale Certification of Taxable Value DR-420

Table 5-10 shows the new taxable value that was added to the property tax rolls for each of the past five years. While the amounts vary significantly during this time, the average new taxable value added each year was \$338,212,842, which equates to approximately \$1.4 Million in additional revenue to the City at the current millage rate (excluding any new exemptions associated with this increase). The addition of new construction and the renovation of existing structures are key ways that the City can increase its fiscal capacity without increasing ad valorem tax rates.

Even with the new growth in the City’s taxable valuation, the total Ad Valorem tax revenue decreased from a high of \$129.4MM in FY 2007 down to a low of \$93.4MM in FY 2012. That is a \$36MM loss in revenue in FY 2012 alone. There was a slight uptick for FY 2013 of 1.7% which equated to an increase in revenue of about \$500k and the preliminary estimate for FY 2014 is an increase of approximately 3% in the property valuation. These increases are nominal compared to the loss in revenue since FY 2008.

City of Fort Lauderdale Annexations

Annexations represent a common method municipalities use to increase their population and property bases. Recent annexations have had an impact on the City’s current base and account for over 10% of its current population. Table 5-11 below provides an overview of the City’s recent annexations.

Table 5-11

City of Fort Lauderdale Annexed Areas 2000 - 2005		
Effective Year of Annexation	Annexed Area*	Population
2000	Palm Aire CDP	1,539
2000	Golden Heights CDP	392
2001-2002	Melrose Park	7,114
2001-2002	Riverland Village CDP	2,108
2001-2002	Chula Vista CDP	573
2001-2002	Other Unincorporated	2,698
2004-2005	Rock Island CDP	3,076
2004-2005	Twin Lakes CDP (North)	926
Total		18,426

* “CPD” indicates Census Designated Place

Source: Broward County Department of Urban and Redevelopment Planning Services Division – Broward-by-the-Numbers December 2005

Annexations in Broward County have occurred incrementally through municipal and state legislative actions resulting in a patchwork of 31 municipalities interspersed with disconnected older, urban unincorporated neighborhoods. For various reasons, several small areas in central Broward County still remain unincorporated resulting in a burden for the County to continue to provide services. These areas, Broadview Park, Boulevard Gardens, Franklin Park, Roosevelt Gardens, and Washington Park, have been previously considered for annexation by other cities, however, it was determined that there is not enough property tax revenue to support the necessary services. These five areas are contiguous to the City of Fort Lauderdale and are currently being evaluated to determine the feasibility of annexing these areas into our City.

Annexations in Broward County have occurred incrementally through municipal and state legislative actions resulting in a patchwork of 31 municipalities interspersed with disconnected older, urban unincorporated neighborhoods.

Table 5-12

Areas Under Consideration for Annexation by Fort Lauderdale

	Boulevard Gardens	Broadview Park	Franklin Park	Roosevelt Gardens	Washington Park	Totals
Tax Value	\$44MM	\$117MM	\$20MM	\$45MM	\$39MM	\$266MM
Acres	239	688	83	207	169	1,386
Square Miles	0.40	1.10	0.10	0.30	0.30	2.20
*Population	1,274	7,125	860	2,456	1,672	13,387
Housing Units	606	2,385	438	1,092	695	5,216
Parks	1	1	1	1	1	5

*Population based on 2010 Census

Table 5-12 presents an overview of the characteristics of the neighborhoods that are being considered for annexation by the City of Fort Lauderdale. If these areas are found to be feasible, they would expand the City's population base and geographical area. These changes would likely result in the City receiving larger portions of Federal, State and local funds. However, these areas are essentially the last remaining unincorporated areas in the County so additional expansion through annexation for the City is unlikely. The City will instead have to focus efforts on attracting development and creating areas with dense population.

Sales and Excise Tax Base

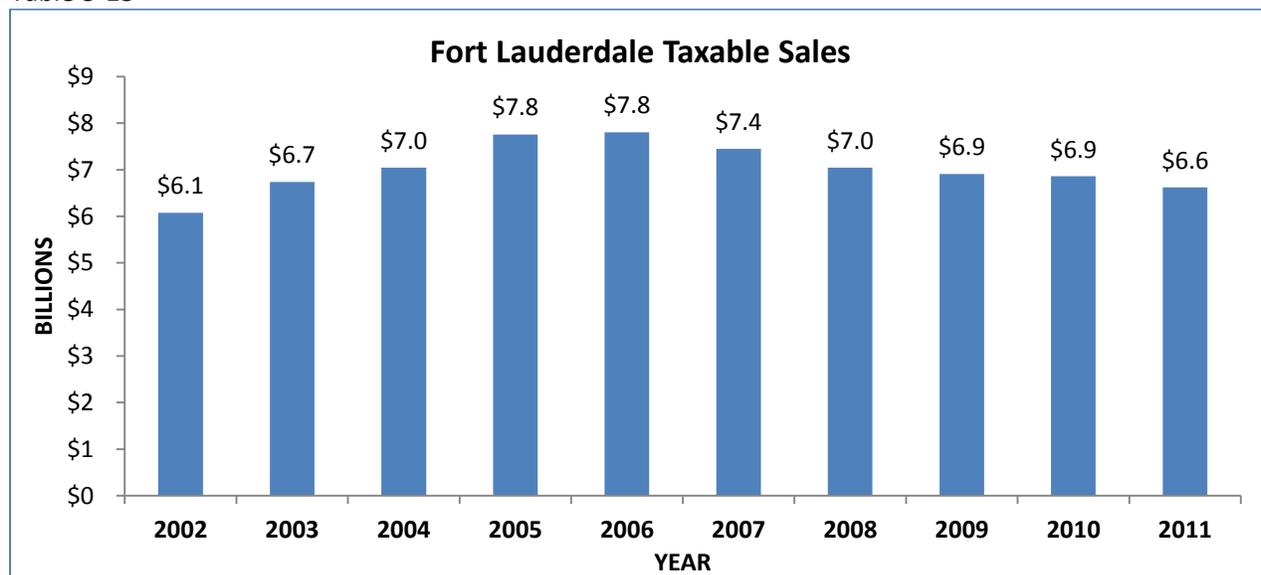
Apart from property tax, there are other potential sources of fiscal capacity available to communities. Although Florida has imposed a wide range of legal limitations on its local governments' use of the sales and excise tax, this tax base still provides the City of Fort Lauderdale with a significant source of revenue. This section begins by broadly defining the sales and excise tax base for Florida's municipalities followed by an analysis of the various components that comprise the City of Fort Lauderdale's sales and excise tax base.

Definition of Sales/Excise Tax Base

Defining the sales and excise tax base is important to determining how much fiscal capacity it actually provides. Generally, an excise tax is a tax on the use or consumption of certain products. Excise taxes are sometimes included in the price of a product, such as motor fuels, cigarettes, and alcohol. Excise taxes may also be imposed on some activities, like gambling. Excise taxes may be imposed by the federal government or by a state (biztaxlaw.about.com). The most common type of excise tax levied throughout the country is the retail sales tax. The underlying base for a retail sales tax may be extremely broad. In the most comprehensive sense, the retail sales base may include all goods and services sold at retail in any community. However, in reality, certain classes of goods and services are usually exempt from taxation including medicines and food.

Other types of excise taxes include those levied on specific items such as cigarettes, alcoholic beverages, gasoline and other types of motor fuel. Since the taxation authority for levying such taxes is constitutionally preempted to the state, the state must formally authorize local governments to levy, receive, or use specified revenue sources. These specified revenues are commonly referred to as intergovernmental revenues.

Table 5-13



Source: Florida Department of Revenue

Table 5-13 shows a comparison of annual taxable sales in the City of Fort Lauderdale. The graph illustrates that there has been an annual reduction in taxable sales since calendar year 2006 when taxable sales were at their highest. Taxable sales data are popularly used as an indicator of regional economic activity. A portion of sales tax revenue is shared between County governments in Florida. Once the revenue has been allocated to County governments, the revenue is then distributed to each incorporated municipal government by area population. For Fort Lauderdale this means that increased retail sales related to tourism do not equate to a commensurate increase in the intergovernmental tax.

The public service tax, or municipal utility service tax, is one of the most common, yet significant, types of sales tax throughout the country. These are taxes levied by a unit of local government on the purchase of utility services within the boundaries of a jurisdiction. Examples of the types of utility services include electricity, telephone, water, gas, and cable television. Generally, municipal utility service taxes rank third in importance as a governmental revenue source for Florida municipalities, behind revenues accrued from ad valorem taxes and state shared revenues (Florida ACIR).

A broader definition of excise taxes may include any of various taxes on privileges often assessed in the form of a license or other fee. In general, licenses and fees (e.g. recreation fees and fire assessment fees) are not included in this report’s definition of the City of Fort Lauderdale’s excise

tax base. Instead, they are addressed in the user charge and fee base section. This report, however, does use the broader definition of excise taxes as it pertains to franchise taxes.

Franchise taxes, also known as franchise fees, are included as components of the City's sales and excise tax base because they are, "Fees levied on a corporation or individual by a local unit of government in return for granting a privilege, sanctioning a monopoly, or permitting the use of public property, usually subject to regulation" (Florida ACIR).

Typically, a franchised corporation remits to the municipality a portion of its revenue derived from the sale of its services (e.g. electricity, telecommunications, cable television, etc.) to customers within the jurisdiction. For the purposes of this report, the City of Fort Lauderdale's sales and excise tax base includes various state intergovernmental revenues as well as those revenues obtained from utility service taxes and franchise fees.

State intergovernmental revenues are a significant revenue source to the City of Fort Lauderdale's general operating budget. In Fiscal Year 2013, intergovernmental revenues accounted for \$18,780,975 (6.7%) of the City's General Fund adopted operating revenues, excluding balances. The Florida Legislature's Office of Economic and Demographic Research publishes an annual report entitled, Local Government Financial Information Handbook. This report includes detailed county and municipal revenue estimates calculated by the Florida Department of Revenue's Office of Tax Research and is a guide for local governments to both understand and predict revenues that are derived from the State.

The State of Florida has numerous state imposed fees and taxes that are shared with local governments. These revenue programs are relatively complex in their structure and difficult to administer. Administration of the proceeds associated with shared revenues is typically managed by the Florida Department of Revenue. Virtually all of the formulas used to distribute state shared revenues to local governments rely on measures of population to determine allocations. The benefits of the state revenue sharing programs for some municipalities are that they:

- Take advantage of greater revenue generating capacity of the state
- State initiatives can promote goals of benefit to the entire state citizenry
- Can provide a form of aid that is aimed at addressing the differing fiscal capacities and needs of local governments

However, from a local government perspective, there may also be some disadvantages associated with the state revenue sharing programs, which could include:

- The revenue sharing programs often have conditions which limit a local government's discretion regarding expenditure.
- Local governments are often required by the state to meet specific criteria to be eligible to receive funds.
- The programs may redistribute the taxes in ways that are unfavorable to certain municipalities.

It is important to recognize that sales and excise tax revenues are sensitive to economic cycles. Whether the tax is a value-base tax which is derived from a percent of revenue collections (e.g.

the Half-Cent Sales Tax), or whether it is a unit-based tax which stems from the number of units sold (e.g. gallons of gasoline or packs of cigarettes), these taxes are very sensitive to economic trends and the fiscal capacity provided by these tax bases will fluctuate. Therefore, evaluation of the sales and excise tax base should include adjustments for inflation, as well as factoring in economic trends.

Local Option Revenue Programs are another form of state intergovernmental revenues in Florida which contribute to a City’s revenue base. The key distinction between this alternative and the other state shared revenues is that the state, through enabling or permissive legislation, provides statutory authority for municipalities and counties to initiate or impose a tax that is generally considered a state tax. The passage of a local ordinance, resolution, and possibly a referendum is required before the tax associated with a given local option revenue program can be levied. Administration of these taxes may be carried out by “piggybacking” the local tax levy into an existing statewide tax. Alternatively, the entire administration of such taxes may be carried out at the local level.

Table 5-14 provides a summary of select intergovernmental revenues, including local option revenue taxes, which the City of Fort Lauderdale receives from the State of Florida or Broward County. Additional information about intergovernmental revenues is included in the Major Revenue Categories section of this study, Appendix A.

Table 5-14

Revenue	Fiscal Year 2012 Actual	Fiscal Year 2013 Projected
Motor Fuel Tax-Revenue Sharing	\$1,334,778	\$1,200,000
State Gas Tax Refund	220,000	225,000
Alcoholic Beverage License Fees	252,039	250,000
State Sales Tax Revenue Sharing	3,482,095	3,196,503
Half Cent Sales Tax	9,085,424	9,552,666
E 911 Fee Revenue Sharing	528,504	720,000
E 911 Fee Wilton Manors Rev Sharing	0	300,000
Mobile Home Licenses	29,909	32,000
Firefighters Supplemental Compensation	157,623	160,900
County Shared Occupational Licenses	188,551	127,750
County Shared Gas Tax	1,754,049	1,972,378
Total	\$17,033,379	\$17,737,197

Source: City of Fort Lauderdale Financial and Management Information System (FAMIS)

Municipal Utility Service Taxes and Franchise Fees

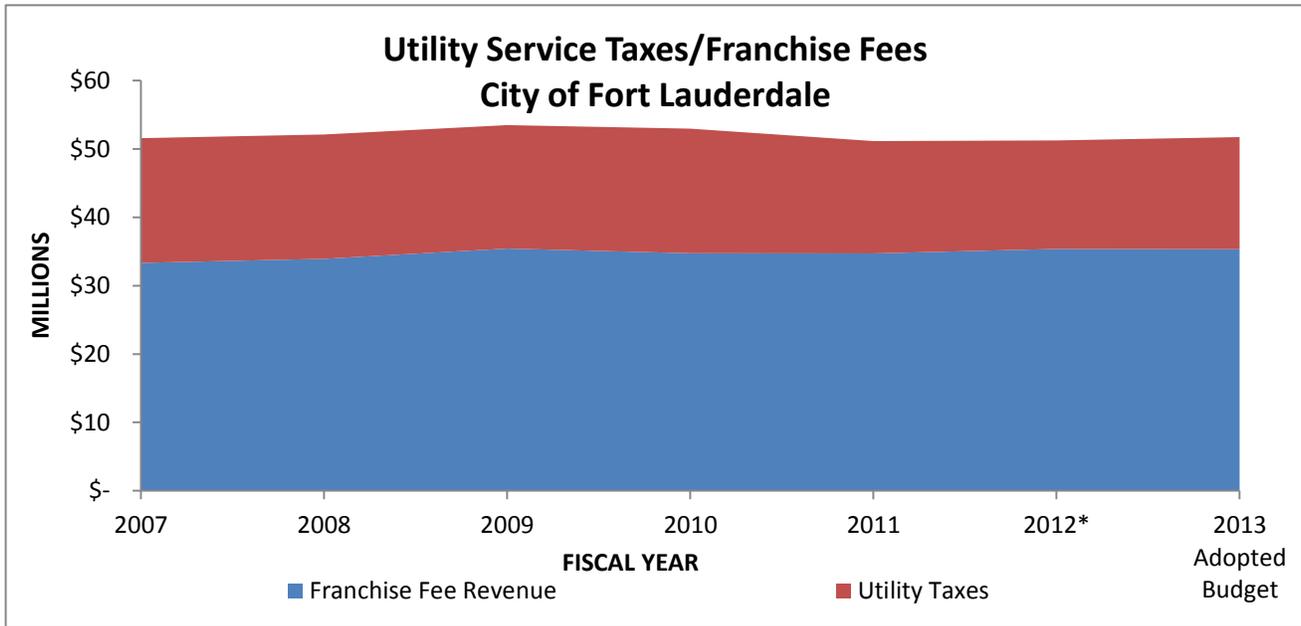
Municipal utility services taxes are an important component of Florida municipalities' sales and excise tax bases authorized by state statutes. Florida Statutes allow municipalities to levy a tax on the consumption of utility services within the boundaries of its jurisdiction. Florida State Statutes 166.231 states, "A municipality may levy a tax on the purchase of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service...the tax shall be levied only upon purchases within the municipality and shall not exceed 10 percent of the payments received by the seller of the taxable item from the purchaser for the purchase of such service." Fort Lauderdale assesses the maximum fee of 10 percent from the sale of electricity, gas, and water to customers within its boundaries. Without a change in State law, the only way that this revenue source will grow for the City is through an increase in the use of the taxed utilities, an increase in the price of the taxed utilities, or an increase in the population to generate additional accounts and sales.

Franchise Fees

In Florida, municipalities are authorized by the state to levy franchise fees. A franchise fee is created when a local government (franchisor) negotiates a contract with a service provider (franchisee) to provide a specialized, designated service. Sometimes this involves granting the franchisee the exclusive right to perform the franchised function within the limits of the city. In return, the franchisor (the city) receives both the benefit that the public derives from the service provider's operation of the franchise and the monetary consideration for the franchise. Typically, franchise fees are levied on electricity, telecommunications, water, gas, sewer, solid waste, and cable television. The City of Fort Lauderdale has franchise agreements with Florida Power and Light and People's Gas. These companies each remit to the City a 6% fee assessed on the sale of gas or electricity to customers within City limits for the privilege of constructing upon and operating within City owned property. These agreements are governed by City Ordinance and long term contracts with these companies. The City can negotiate an increase to the 6% fee in 2017, when these long term contracts are up for renegotiation.

Table 5-15 illustrates the City of Fort Lauderdale's receipts of Utility Service Taxes and Franchise Fees over the past several years. Further information on each of these revenue sources is included in Appendix A to this study.

Table 5-1



Source: City of Fort Lauderdale Financial and Management Information System (FAMIS)

DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Utility Taxes	\$33,343,709	\$33,935,730	\$35,441,037	\$34,754,319	\$34,725,638	\$35,386,473	\$35,346,075
Franchise Fees	\$18,246,991	\$18,192,005	\$18,059,429	\$18,224,861	\$16,439,174	\$15,871,932	\$16,400,000

Source: City of Fort Lauderdale Financial and Management Information System (FAMIS)

User Charges and Fee Base

Over the past 30 years, local governments have become increasingly reliant on their own revenue sources. This has occurred partly because of fiscal problems of national and state governments. The economic problems that have occurred at state and national levels resulted in diminished funds to municipalities. Despite the reduction in funds, mandates from the state and national governments have continued requiring increased local governmental expenditures. These mandates have contributed to the revenue difficulties of municipalities across the nation.

As costs increased and revenues declined, one of the strategies that have been used by Florida localities to bridge this gap has been to establish user fees and charges as a method to cover particular expenditures. User charges and fees, more technically known as proprietary fees, can be defined as direct assessments for exclusive services that a government provides. According to The Local Government Financial Information Handbook 2012 published annually by Florida’s Office of Economic and Demographic Research, “proprietary fees are based on the assertion that local governments have the exclusive legal right to impose such fees. Examples of proprietary fees include admissions fees, franchise fees, user fees, and utility fees. The guiding legal principle is that the imposed proprietary fee is reasonable in relation to the government-provided

privilege or service or the fee payer receives a special benefit.” These fees are usually justified by the relative appropriateness and need to recover the cost government incurs for the provision of the service. Florida case law limits the user charge to the full cost of the service, which can include any and all legitimate direct and indirect costs. Countless surveys have shown the public preference of user charges and fees to new taxes.

Many neighbors prefer charges and fees because those who benefit from a service pay for the service, while those who do not benefit, do not pay.

User charges, where practical, are popular due to their exclusive nature. Many neighbors prefer charges and fees because those who benefit from a service pay for the service, while those who do not benefit, do not pay. In addition, the existence of fees allows government officials to better gauge public desire for a particular service, which in turn allows existing general fund resources to be distributed more effectively. Charges and fees also export some of the burden of service costs to those non-citizens utilizing service as well as those citizens who are exempt from property taxes. If a service provided by the municipality is also provided by the private sector, user charges can also allow citizens to measure the efficiency of government service delivery.

The three primary challenges with user fees are outlined below:

- Charges and fees often are placed on services utilized by economically disadvantaged persons in a community. These charges tend to be regressive since those individuals with lesser spending power rely upon the service and a higher portion of their income is spent compared to more affluent neighbors using the service.
- In some cases, user fees do not cover the full cost of the program due to hidden costs or miscalculations of indirect costs. In other cases, the subsidy results from policies which may include political considerations.
- Many municipal services may not be suitable for a user fee structure and user fees cannot be used to subsidize ancillary governmental obligations.

Charges for services are a significant revenue source to the City of Fort Lauderdale’s general operating budget. In Fiscal Year 2013, charges for services accounted for \$20,096,159 (7.2%) of the City’s General Fund adopted operating revenues, excluding balances.

There are four factors that govern the extent of user fees and charges; these factors may cause the City to choose a user fee or charge that recovers less than the full cost of service provision. They include elasticity of demand (i.e., the degree that volume is affected by fee level), subsidization policy (i.e., those instances where society benefits from general revenue covering some portion or all of the cost of a program), economic incentives (i.e., use of fees to discourage or encourage certain behavior), and competitive constraints (i.e., those concurrent services that the City chooses to provide where private competitors are cheaper).

The page that follows provides a listing of the City of Fort Lauderdale’s primary charges for services. Additional information on charges for services is included in Appendix A to this study.

City of Fort Lauderdale Charges for Services

Building Contractor Registration Fees
Lobbyist Registration Fees
Candidate Filing Fee
Development Review Fees
Encroachment Licenses
Traffic Study Fees
Lien Research Fees
Photocopies and Print Sales
Planning and Zoning Fees
Historic Preservation Board
Dishonored Check Fees
City Commission Development Review
Engineering Inspection Fees
Zoning Review & Inspection
Zoning Reinspection
Administrative Review
Information Processing Data (IPD) Fees
Alarm Monitoring Fees
Alarm Response Fees
Alarm User Registration Fees
Miscellaneous Police Fees
Nuisance Abatement Fees
School Resource Officer Program
Pawn or 2nd Hand Inspection Fees
Fire Inspection Fees
Fire Hi-Rise Test Fees
Fire Plan Review Fees
Fire Re-Inspection Fees
Special Fire Test Fees
Hazardous Material Fees
Wilton Manors – Fire Rescue Service
Miscellaneous Fire Fees
Emergency Medical Services (EMS) Service Fees
Lazy Lakes Fire Emergency Medical Services (EMS)
Fire Rescue Transport Fees
Fire/Rescue Interfacility Transport Fees
Culture & Recreation – Park & Recreation
Culture & Recreation – Special Facilities
Culture & Recreation – Pools

For purposes of illustration, the next section will provide a detailed outline of how the Parks and Recreation Department Fees are determined, an overview of the Planning and Zoning Fee Schedule, and the Fire-Rescue Department's current cost recovery. The intent of this overview is to provide context to the reader as to the City's fee setting process.

Parks and Recreation User Fees

The City of Fort Lauderdale's Parks and Recreation Department offers hundreds of programs and services to our neighbors. According to the City of Fort Lauderdale's municipal code 19-3, the City Manager or his designee is empowered to establish all Parks & Recreation fees. There are also contractual arrangements that govern various fees.

The City of Fort Lauderdale Parks & Recreation Department uses the Pricing and Cost Recovery Pyramid Model to identify its philosophy for setting fees. This model assists management in classifying the various facilities, programs, and services offered to neighbors into an approved philosophy for subsidy or cost-recovery. The more the community benefits by the program, the more subsidy it receives. Community programs, facilities, and services benefit the community as a whole and can increase property values, provide safety, address social needs, and enhance quality of life for the City's neighbors. Examples of a community benefit would be a swimming pool or a neighborhood park. These have a higher general fund subsidy than individual programs at the top of the pyramid, which have a full cost recovery and a profit built into the fee. An example of a highly individual program would be a private tennis lesson or the men's softball league.

Other factors are taken into consideration when setting fees. The department is aware of pricing in other surrounding communities. There are also a number of other tennis facilities and adult sports complexes in the county. Pricing must be comparable with other locations to retain our customers. The City realizes the importance of recreational programs and provides a youth enrichment scholarship (YES fee) for those who are not able to afford the full program price. YES fees are discounted to 75% of the program costs. The City also charges non-resident fees which equal 150% of the resident fee or the full program cost recovery. There is no YES fee for non-residents.

Table 5-16 is the Cost Recovery Pyramid utilized by the Parks and Recreation Department, including the associated definitions for each program type.

Table 5-16



5 - Mostly Individual Benefit:

At the top of the pyramid, the fifth and smallest level represents activities that have a profit center potential, and may even fall outside of the core mission. In this level, programs and services should be priced to recover full costs plus a designated profit percentage.

Examples of these activities could include elite diving teams, golf lessons, food concessions, company picnic rental and other facility rentals, such as for weddings, or other services.

4 - Considerable Individual Benefit:

The fourth and smaller pyramid level represents specialized services generally for specific groups, and may have a competitive focus. In this level, programs and services may be priced to recover full cost, including all direct and indirect expenses.

Examples of these services might include specialty or fitness classes, and outdoor adventure programs. Examples of these facilities might include camp sites with power hook-ups.

3 – Individual/Community Benefit:

This level represents services that promote individual physical and mental well-being, and provides an intermediate level of recreational skill development. This level provides more INDIVIDUAL benefit and less COMMUNITY benefit and should be priced accordingly. This individual fee is higher than the programs and services that fall in the lower pyramid levels.

Examples of these services could include summer recreational day camp, summer sports league, and year round swim teams.

2 – Considerable Community Benefit:

This level represents programs, facilities and services that are generally the more traditionally expected services and beginner instructional level. These programs, services, and facilities are typically assigned fees based on a specified percentage of direct and indirect costs. These costs are partially offset by both a tax subsidy to account for the COMMUNITY benefit and participant fees to account for the INDIVIDUAL benefit.

Examples of these services could include the ability of teens and adults to visit facilities on an informal basis, ranger led interpretive programs, and entry level instructional programs and courses.

1 – Mostly Community Benefit:

The foundational level of the pyramid is the largest, and includes those programs, facilities, and services that benefit the COMMUNITY as a whole. These programs, facilities, and services can increase property values by providing safety, addressing social needs, and enhancing the overall quality of life for neighbors. The community generally pays for these basic services and facilities through taxes. These services are offered to residents for free or for a very minimal fee. A large percentage of general fund revenue would fund this level of the pyramid.

Examples of these services include the existence of the community parks and recreation system, the ability for children to visit facilities on an informal basis, development and distribution of marketing brochures, holiday or other special events, low income or scholarship programs.

Planning and Zoning User Fees

The fees assessed to applicants for planning and zoning were adopted by the City Commission in September, 2010. All applications for development permits are established by the City Commission, as set forth by resolution and amended from time to time. In addition to the application fee, any additional costs incurred by the City including review by a consultant on behalf of the City, or special advertising costs, are paid by the applicant.

Development Review Committee

The Development Review Committee is made up of City staff representing various departments and divisions including Urban Design & Planning, Engineering, Transportation, Sanitation, Police, Fire-Rescue and others who provide their respective discipline's input regarding development applications, subject to the development review provisions of the City's Code. The cost associated with the City staff time is charged to applicants based on the fee schedule adopted by the Commission in 2010.

In general, the applications fall into four levels in order to consistently and appropriately charge each applicant. These four levels are described below:

Site Plan Level II

Development Review Committee (DRC)

- *New non-residential development greater than 5,000 SF*
- *Residential 5 units or more*
- *Non-residential use within 100' of residential property*
- *Redevelopment proposals (if threshold met)*
- *Change in use (if greater impact)*

Site Plan Level III

Planning and Zoning Board (P&Z)

- *Conditional use*
- *Parking reduction*
- *Flex allocation*
- *Cluster development*
- *Modification of yards (RMM-25, RMH-25, RMH-60)*
- *Waterway use (some exceptions)*

Site Plan Level IV

City Commission (CC)

- *Rezoning*
- *Right-of-way vacation*
- *Plat approval*
- *Public purpose use*
- *Land use amendment*
- *Specified development, yard modifications in certain beach districts*

City Commission (no P&Z review)

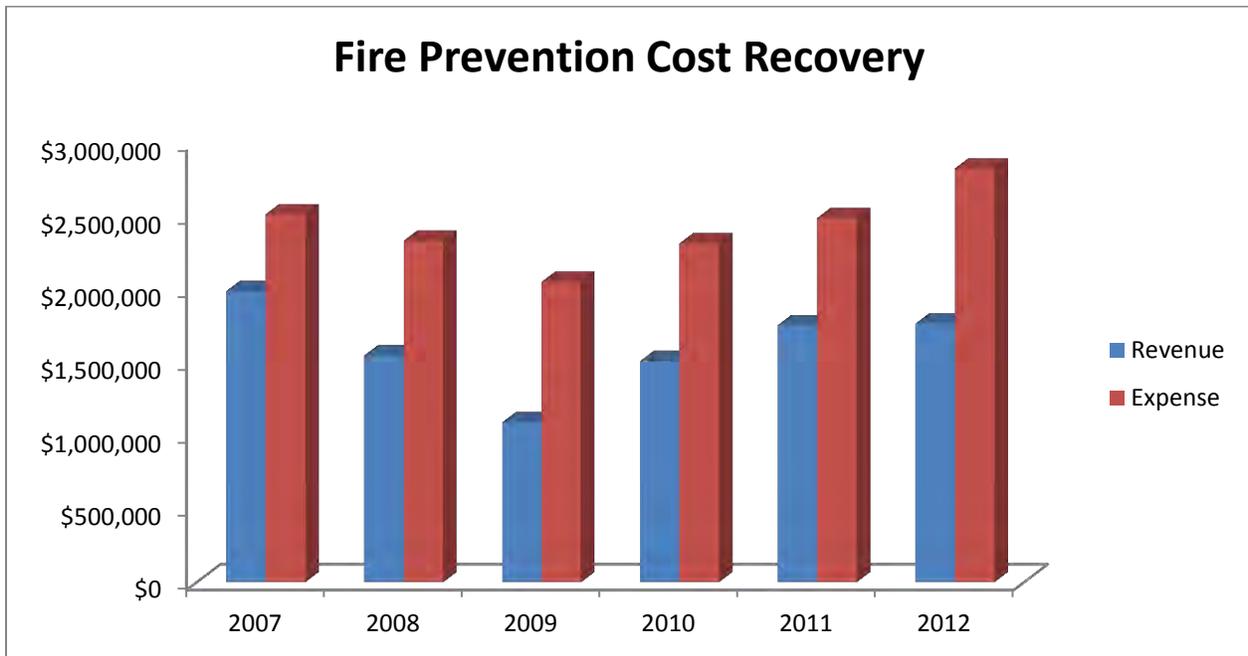
- *Plat amendment*
- *Vacation of easement*

Based on the classification into the categories described above, Table 5-17 is used to determine the appropriate charge for each respective Planning and Zoning service.

Table 5-17

CITY OF FORT LAUDERDALE DEPARTMENT OF SUSTAINABLE DEVELOPMENT Urban Design & Planning Division						
FEE SCHEDULE						
Development Application Review Fees	Other	DRC	PZB	CC	FINAL	TOTAL
Land Use Plan Amendments - City & County Plans	\$10,030	\$0	\$0	\$0	\$0	\$10,030
Development of Regional Impact Approvals	\$21,520	\$0	\$0	\$0	\$0	\$21,520
Development of Regional Impact Amendments	\$6,430	\$0	\$0	\$0	\$0	\$6,430
Development of Regional Impact Restissions	\$4,670	\$0	\$0	\$0	\$0	\$4,670
Planned Unit Development (PUD)	\$6,380	\$12,760	\$7,580	\$2,640	\$3,710	\$33,070
Site Plan Level IV (DRC, PZB, CC)	\$0	\$4,590	\$2,730	\$950	\$1,330	\$9,600
Site Plan Level III (DRC, PZB)	\$0	\$3,500	\$2,110	\$0	\$980	\$6,590
Site Plan Level II (DRC)	\$0	\$2,470	\$0	\$0	\$650	\$3,120
Site Plan Level II for DRAC / SRAC-SA (DRT, DRC, CC)	\$1,380	\$4,290	\$0	\$1,920	\$1,330	\$8,920
Development Review Committee (DRC) Pre-Application (*)	\$0	\$370	\$0	\$0	\$0	\$370
Flex Rezoning Site Plan (in addition to Site Plan Fee)	\$0	\$60	\$0	\$0	\$0	\$60
Plat	\$0	\$630	\$480	\$430	\$110	\$1,650
Easement Vacation	\$0	\$680	\$0	\$470	\$90	\$1,240
ROW Vacation	\$0	\$780	\$610	\$730	\$100	\$2,220
Rezoning	\$0	\$0	\$1,010	\$800	\$110	\$1,920
Sidewalk Café - Application fee & Annual fee	\$100	\$0	\$0	\$0	\$0	\$100
Parking Facility - Commercial & Retail (per space)	\$4,000	\$0	\$0	\$0	\$0	\$4,000
Parking Facility - Hotel, Motel, Timeshare (per space)	\$12,000	\$0	\$0	\$0	\$0	\$12,000
Developer Agreement Review	\$89/hr	\$0	\$0	\$0	\$0	\$89/hr
Change of Use Requiring DRC Review	\$0	\$930	\$550	\$360	\$170	\$1,100-\$2,010
Parking Reduction (in addition to Site Plan Fee)	\$970	\$0	\$750	\$0	\$100	\$1,820
Off Site Parking Agreement	\$360	\$0	\$0	\$0	\$0	\$360
Appeal and De Novo Hearing	\$0	\$0	\$950	\$1,180	\$0	\$950-\$1,180
Site Plan Extensions to DRC, PZB or CC	\$0	\$89	\$730	\$670	\$0	\$670-\$730
Site Plan Deferrals to PZB or CC	\$0	\$0	\$510	\$490	\$0	\$490-\$510
City Commission Request for Review (30-Day Call-Up)	\$0	\$0	\$0	\$800	\$0	\$800
AR - Plat Note Amendment	\$500	\$0	\$0	\$450	\$90	\$1,040
AR - Site Plan Level I - Change of Use, Non-Conf. Use, etc.	\$550	\$0	\$0	\$0	\$0	\$550
AR - Amended DRC Site Plan Level II	\$750	\$0	\$0	\$0	\$0	\$750
AR - Amended DRC Site Plan Level III or IV (<5%)	\$1,240	\$0	\$0	\$0	\$0	\$1,240
AR - Amended DRC Site Plan Level III (PZ)	\$0	\$0	\$2,330	\$0	\$0	\$2,330
AR - Amended DRC Site Plan Level IV (CC)	\$0	\$0	\$0	\$2,270	\$0	\$2,270
BOA - Variance/Special Exception/Interpretation: Before	\$480	\$0	\$0	\$0	\$0	\$480
BOA - Variance/Special Exception/Interpretation: After	\$600	\$0	\$0	\$0	\$0	\$600
BOA - Parking Variance (per space)	\$530	\$0	\$0	\$0	\$0	\$530
BOA - Request for continuance	\$190	\$0	\$0	\$0	\$0	\$190
BOA - Rehearing before the Board	\$70	\$0	\$0	\$0	\$0	\$70
BOA - Request for Rehearing	\$240	\$0	\$0	\$0	\$0	\$240
HPB - Minor Alteration / Review & Comment	\$230	\$0	\$0	\$0	\$0	\$230
HPB - Major Alteration / Addition to Existing	\$310	\$0	\$0	\$0	\$0	\$310
HPB - New Construction ≤ 2000 SF GFA	\$310	\$0	\$0	\$0	\$0	\$310
HPB - New Construction > 2000 SF GFA	\$560	\$0	\$0	\$0	\$0	\$560
HPB - Demolition - Accessory	\$230	\$0	\$0	\$0	\$0	\$230
HPB - Demolition - Primary	\$560	\$0	\$0	\$0	\$0	\$560
HPB - Relocation	\$490	\$0	\$0	\$0	\$0	\$490
HPB - Designation of Historic District	\$2,450	\$0	\$0	\$0	\$0	\$2,450
HPB - Designation of Landmark, Landmark Site or Building	\$650	\$0	\$0	\$0	\$0	\$650
Hourly Rate for services not listed above	\$89/hr					\$89/hr
Public Notice Signs	\$75/per property (\$50 refund when signs are returned)					\$0
Newspaper Advertisements	Actual Cost / \$2.25 per line (excluding regular agenda ads)					\$0
Permit Application Review Fees						
Zoning Review & Inspection	\$99					\$99
Zoning Reinspection/Job Check	\$45					\$45
Landscape Review & Inspection	Refer to ULDR Sec. 9-52 Landscaping and tree removal permit fees					
Tree Removal/Relocation & Inspection	Refer to ULDR Sec. 9-52 Landscaping and tree removal permit fees					
Landscape Code Compliance Review & Inspection	Refer to ULDR Sec. 9-52 Landscaping and tree removal permit fees					
Landscape Reinspection/Job Check	Refer to ULDR Sec. 9-52 Landscaping and tree removal permit fees					
OTHER - One time fee (and/or) application fee for review that occurs before DRC or occurs outside of the standard site plan review process.						
DRC - Development Review Committee		FINAL - Final-DRC Sign Off			AR - Administrative Review	
CC - City Commission		HPB - Historic Preservation Board			PUD - Planned Unit Development	
SRAC - SA - South Regional Activity Center - South Andrews		BOA - Board of Adjustment			SF GFA - Square Feet Gross Floor Area	
DRAC - Downtown Regional Activity Center		PZB - Planning & Zoning Board				10/1/2010

Table 5-18



Source: City of Fort Lauderdale Financial and Management Information System (FAMIS)

	2007	2008	2009	2010	2011
Revenue	\$1,990,400	\$1,550,500	\$1,093,400	\$1,512,000	\$1,758,000
Expense	\$2,516,200	\$2,334,500	\$2,053,900	\$2,316,600	\$2,490,900
Percent of Cost Recovery	79%	66%	53%	65%	71%

Source: City of Fort Lauderdale Financial and Management Information System (FAMIS)

Table 5-18 shows cost recovery in the area of fire prevention. Fire prevention services in the City of Fort Lauderdale include fire prevention support, fire safety inspections, fire plans review, high rise and sprinkler support services. Over the past five years, the City has recovered 66.5% of the costs associated with fire prevention services. Increasing fees in areas such as fire prevention, which are not operating at full cost recovery, could provide the City with additional resources without increasing ad valorem assessments.

The City has been successful in its concentrated efforts to increase the general effectiveness of municipal services and enhance the quality of life for Fort Lauderdale neighbors. Critical to Fort Lauderdale’s fiscal stability is multi-year financial planning. By calculating baseline expenditures, planned capital improvements, and future anticipated revenues, Fort Lauderdale can obtain a clear understanding of impending fiscal needs and create a plan for long-term sustainability. A community’s socioeconomic base encompasses all its resources, but a community’s fiscal capacity stems directly from its tax and revenue base – a sub-unit of the overall economic base.

Revenue Manual Overview

The City of Fort Lauderdale Revenue Manual is a companion document to this Fiscal Capacity Study. The Revenue Manual was developed to provide a comprehensive reference source for all revenue collected by the City.

The Revenue Manual provides detailed information regarding the City's revenue sources that are used to provide important public services to the community. It provides an in-depth view of each revenue source within the City including the legal authority, how it is calculated or charged, and how it is collected. It includes the following information for each revenue source presented:

- Major category of the revenue
- Which fund collects it
- Detailed revenue description
- Graphs and charts showing trends
- The relevant legal authority to impose the tax or fee
- The capacity for increasing the revenue

The Revenue Manual is organized by governmental fund. Fort Lauderdale's fiscal and budget policy conforms to the Generally Accepted Accounting Principles (GAAP) and financial statements are prepared in accordance with the standards set by the Governmental Accounting Standards Board (GASB), applicable to local governments for accounting and financial reporting. City accounts are organized and operated on the basis of funds. Each fund is an independent fiscal and accounting entity and is segregated according to their intended purpose. Governmental funds are those through which most government functions of the city are funded. Table 5-19 on the following page provides a description of Fort Lauderdale's major funds which will assist the reader in understanding the various types of funds within the City of Fort Lauderdale. The funds highlighted in bold are funds that make up the City of Fort Lauderdale's 2013 budget.

Detailed knowledge of the type of revenue sources used to provide public services to Fort Lauderdale neighbors is presented in the Revenue Manual. The fiscal capacity of each individual revenue source is discussed which further defines the City's fiscal capacity and brings greater transparency to long-term financial forecasts and sustainability.

Table 5-19

GOVERNMENTAL FUNDS	
<p>General Fund is the general operating fund of the city. All general tax revenues and other receipts that are not allowed by law or contractual agreement to another fund are accounted for in this fund.</p>	
SPECIAL REVENUE FUNDS	
<p>Special revenue funds are used to account for the proceeds of special revenue sources (other than major capital projects) requiring separate accounting because of legal and/or regulatory provision or administrative action.</p>	<p>Community Redevelopment Agencies (CRA) Beach Business Improvement District Housing and Community Development State Housing Initiative Program (SHIP) Sunrise Key Neighborhood Improvement District *Building Permits *Building Certification Maintenance *Building Technology Funds</p>
DEBT SERVICE FUNDS	
<p>Debt service funds are used to account for the annual payment of principal, interest, and other expenditures on general long-term debt, other than bonds payable from the operations of the enterprise funds.</p>	<p>General Obligation Bonds Special Obligation Loans Tax Increment Revenue Bonds</p>
CAPITAL PROJECT FUNDS	
<p>Capital Project funds are used to account for financial resources separated for the acquisition or construction of major capital facilities other than those financed by enterprise operations.</p>	
PROPRIETARY / ENTERPRISE FUNDS	
<p>Proprietary funds are used to account for the City’s ongoing organizations and activities, which are similar to those often found in the private sector.</p>	
<p>These funds are used to account for operations that provide a service to neighbors, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for CIP, public policy, management control and accountability.</p>	<p>Sanitation Water and Sewer Central Regional Wastewater System Parking System Executive Airport Storm Water Management</p>
INTERNAL SERVICE FUNDS	
<p>Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City or to other governmental units.</p>	<p>City Insurance Health Benefit Insurance Central Services Vehicle Rental (Fleet Management)</p>
FIDUCIARY FUNDS	
<p>Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.</p>	<p>General Employees Pension Police & Fire Pension Arts and Science District Garage Cemetery Perpetual Care</p>

**Funding is appropriated in “Building Funds” for the 2012 All Funds Budget.*

CHAPTER VI

FINANCIAL TREND MONITORING SYSTEM

EVALUATION OF FORT LAUDERDALE'S FINANCIAL CONDITION

As the previous chapters have demonstrated, an evaluation of a community's fiscal capacity is crucial for effective local government financial planning. This report discusses the traditional roles of Florida local government and identifies the major components of Fort Lauderdale's tax and revenue base to present the primary revenue sources available for the community to use. With Fort Lauderdale's unique socioeconomic base, quantitative factors such as neighbor employment, income, taxable sales, gross taxable property values and population trends help to provide the social and economic framework needed to properly analyze the City's tax and revenue base. This report also discusses the various legal constraints which limit Fort Lauderdale's full access to its tax and revenue base. The necessary qualitative factors combined with quantitative analysis contribute to an overall understanding of Fort Lauderdale's fiscal capacity.

The Financial Trend Monitoring System (FTMS) is an applied, practical approach developed by the International City Management Association (ICMA) for comprehensively monitoring the economic health of a city. This fiscal management tool assembles a municipality's historical financial data and combines it with economic and demographic information. It then creates a series of financial indicators that, when plotted over time, illuminate trends which can be used to monitor changes in the community's fiscal condition and alert government officials to future problems. The FTMS was designed to help local governments make sense of the many factors that affect the financial condition of local governments and develop quantifiable indicators. Many of the analytical techniques included in the FTMS mirror approaches used by credit rating agencies.

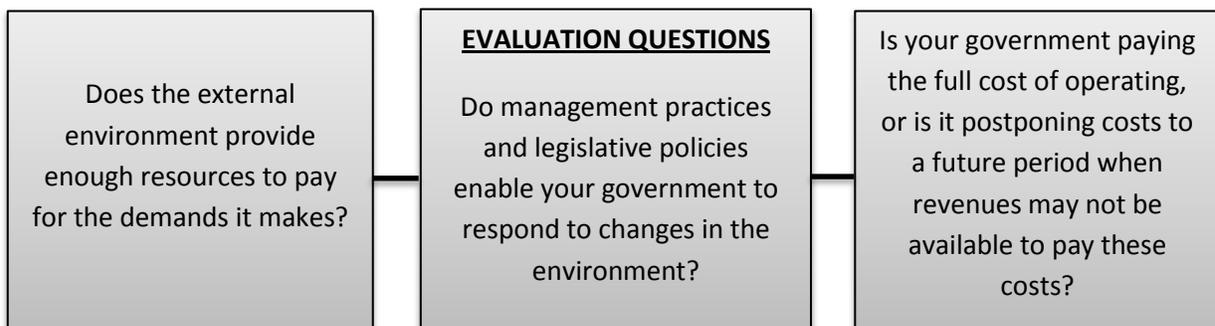
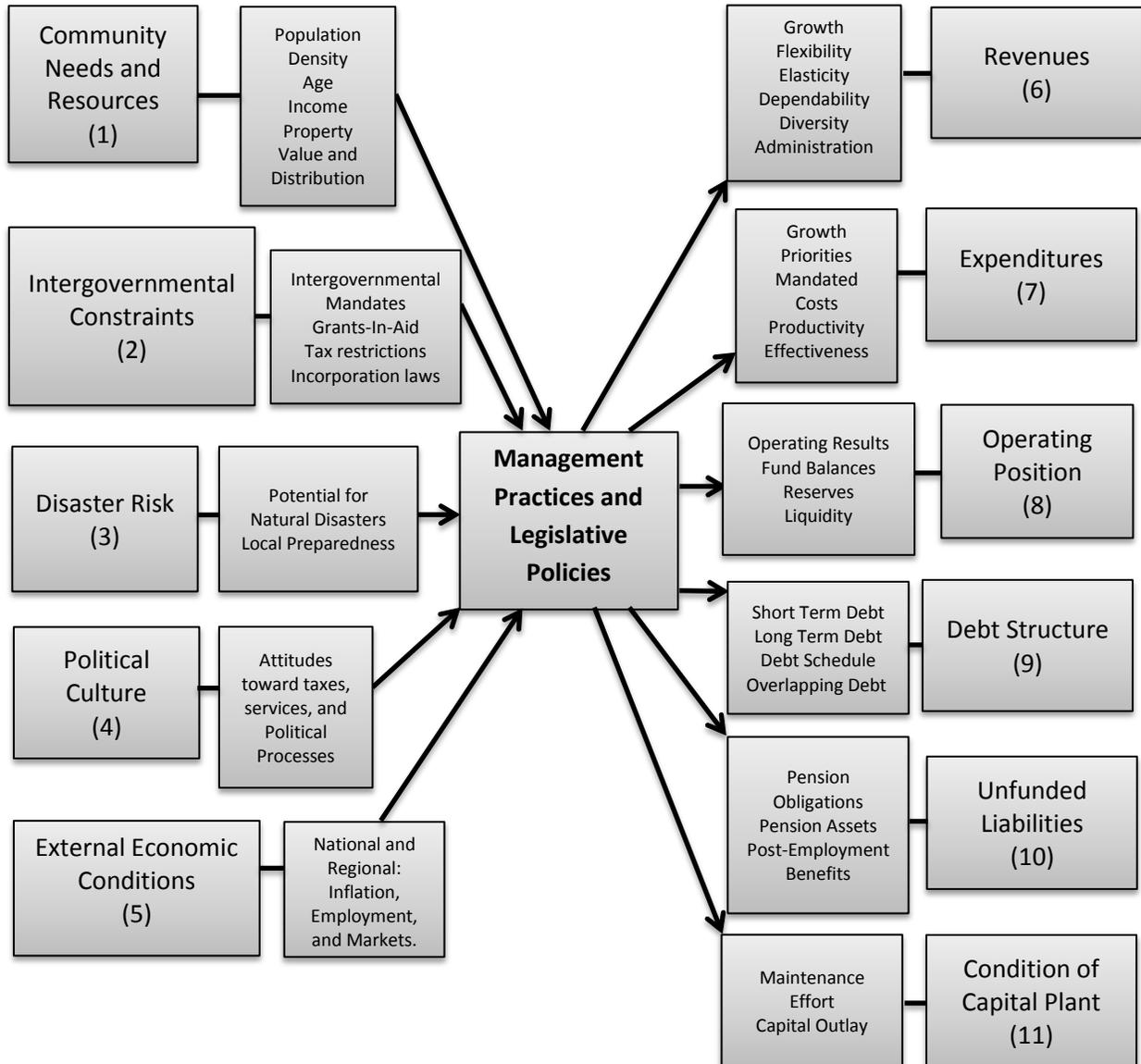
The Financial Trend Monitoring System is based on three conditional factors representing the primary forces that influence financial condition as presented in Figure 6-1. The factors are classified as one of the following:

- Environmental (external influences on a government such as population increase, which creates demand, provides resource, or both);
- Organizational (management practices and legislative policies); or
- Financial (reflect the condition of the government's finances).

These factors are then associated with financial indicators that measure different aspects of the factors. Some of the factors (i.e. external economic conditions, intergovernmental constraints, natural disasters and emergencies, political culture, management practices and legislative policies) are not quantifiable and therefore do not have indicators.

Figure 6-1

FACTORS AFFECTING FINANCIAL CONDITION



Each fiscal year, a variety of financial management practices are evaluated and implemented with a continuous effort to regain or maintain good fiscal health. However, it is possible to assess quickly whether a local government is relying on practices that, while not inherently bad, can damage its financial condition if they are used for too long. These practices fall into three categories:

- Repeated use of one-time revenue sources, such as prior year’s reserves or proceeds from the sale of assets, to balance the budget.
- Deferring a large amount of current costs to the future: for example, deferring maintenance of capital assets or to defer pension liabilities.
- Ignoring long-range or full-life costs of a liability: for example, to purchase a capital asset without calculating the full-life costs of owning, operating and maintaining that asset.

Most governments recognize the danger of such practices and would not ordinarily use them. In times of stress caused by financial problems or political pressures, local officials may find themselves tempted or even forced to use them. As interim strategies, these practices can resolve temporary problems and provide time to find long term solutions to financial troubles.

Financial condition, as defined by the FTMS is the ability of a locality to maintain existing service levels, withstand local and regional economic disruptions and meet the demands of natural growth, decline and change. These conditions are examined by looking at four areas of a city’s fiscal condition indicated in Table 6-2 below:

Table 6-2

FISCAL CONDITION	
Cash Solvency	The ability to pay bills over a short-term period.
Budgetary Solvency	The ability to cover expenditures with revenue and other resources over the budgetary cycle.
Long-Run Solvency	The ability to meet expenditures as payments are required in the future.
Service Level Solvency	The ability to provide services at the level and quality vital for the health, safety and prosperity of the community that neighbor’s desire and expect.

The trend analysis recommended by the ICMA covers various scenarios associated with the type of fiscal condition described above.



International City Management Association (ICMA) Model

The Financial Trend Monitoring System cannot explain specifically why a problem is occurring, nor does it provide a single number or index to measure financial health. It does provide “**FLAGS**” for identifying problems and clues about their causes to allow leaders to take anticipatory action. The indicators selected for this report are modeled after the International City/County Management Association (ICMA) guidelines. There is a standard set of 42 indicators that are used for monitoring the financial well-being of a municipality. Out of these 42 indicators, 12 were selected for this report (presented by factor in Table 6-3 below) because they are most applicable to the City of Fort Lauderdale pertaining to fiscal capacity.

Table 6-3

FINANCIAL TREND MONITORING SYSTEM (FTMS)	
Revenue Indicators	Revenue Per Capita Percentage of Restricted Revenue Intergovernmental Revenue Tax Revenue
Expenditure Indicators	User Charge Coverage Expenditures Per Capita Expenditures by Function Employees Per Capita Fringe Benefits
Operating Position Indicators	Operating Deficit or Surplus Enterprise Operating Position
Capital Plan Indicators	Capital Outlay

Each of the indicators elaborated upon is based on seven years of statistical trend data, with the appropriate warning indicators selected for each indicator.

Constant Dollars

Adjusting for inflation converts current dollars into constant dollars. The conversion from actual dollars to constant dollars allows analysts to take into account the appearance of growth that may be due to inflation. Adjusting for inflation involves three steps: The first step is selecting a price index. For this study the National Consumer Price Index (Urban, All Consumers) (CPI) was used. The CPI tracks the prices of goods and services used by average wage earners. The goods and services include items such as food, housing, clothing, transportation, health, and recreation. The second step is selecting a base year as the starting point for comparison. 2007 is used as the base year in this report. The third step is the actual conversion from actual to constant dollars by multiplying the actual dollar amount by the conversion factor. The conversion factor is equal to the 2007 CPI divided by the CPI of following years.

The following example converts \$1,000 dollars to constant 2007 dollars in 2012:

$$\text{Conversion Factor} = (2007 \text{ CPI} / 2012 \text{ CPI}) \text{ or } (121.295 / 131.633) = 0.9215$$

$$\text{Constant Dollar} = (\text{Actual Dollar} \times \text{Conversion Factor}) \text{ or } (\$1,000 \times 0.9215) = \$921.50$$

This means that \$1,000 in 2007 would be worth \$921.50 in 2012 without inflation.

Table 6-4

CONSTANT DOLLAR VALUATION (ADJUSTING FOR INFLATION)							
YEAR	2007	2008	2009	2010	2011	2012	2013*
Consumer Price Index (CPI)	121.295	121.557	124.544	126.143	129.586	131.633	131.633
Conversion Factor	1	0.9978	0.9739	0.9616	0.9360	0.9215	0.9215

*2013 Constant factor based on the 2012 Consumer Price Index (CPI).

Rating System

Assignment of ratings to specific indicators displays the favorability of an existing trend or the severity of a negative trend. Indicators may also receive two different ratings at the same time. This demonstrates non-compliance with either of the two ratings. The rating system below is used in the pages that follow to identify the trend of each indicator selected for review.



Favorable: The trend is in compliance with the stated goals and policies of the City.



Caution: The trend is in compliance with adopted fiscal policies or anticipated results. However, results may be below the target threshold for a favorable rating or have received positive ratings for an insufficient time period.



Warning: The trend has changed from a positive trend to a potentially negative trend that may result in adverse effects on the City's financial condition. A warning rating may also indicate that a potentially positive trend is not yet in compliance with the City's adopted fiscal policies.



Unfavorable: The trend is unfavorable and there is an immediate need for the City to take corrective action. Indicators receiving this rating exhibit severe negative ratings or have exhibited the specific warning trend for three or more years.

Revenue Indicators

Revenue determines the capacity of a local government to provide services to its neighbors. Important issues to consider in reviewing this analysis are growth, flexibility, elasticity, dependability, diversity and administration. Ideally, revenues would grow at a rate equal to or greater than the combined effects of inflation and expenditures. Monitoring and analyzing revenues will help to identify the following types of problems:

- Deterioration of the revenue base
- Practices or policies that may adversely affect revenue yields
- Poor revenue estimating practices
- Inefficiency in the collection and administration of revenues
- Overdependence on obsolete or intergovernmental revenue sources
- User fees that are not covering the cost of services
- Changes in the tax burden on various segments of the population

This analysis presents twelve indicators that are used to monitor changes in revenues and expenditures in the pages that follow.

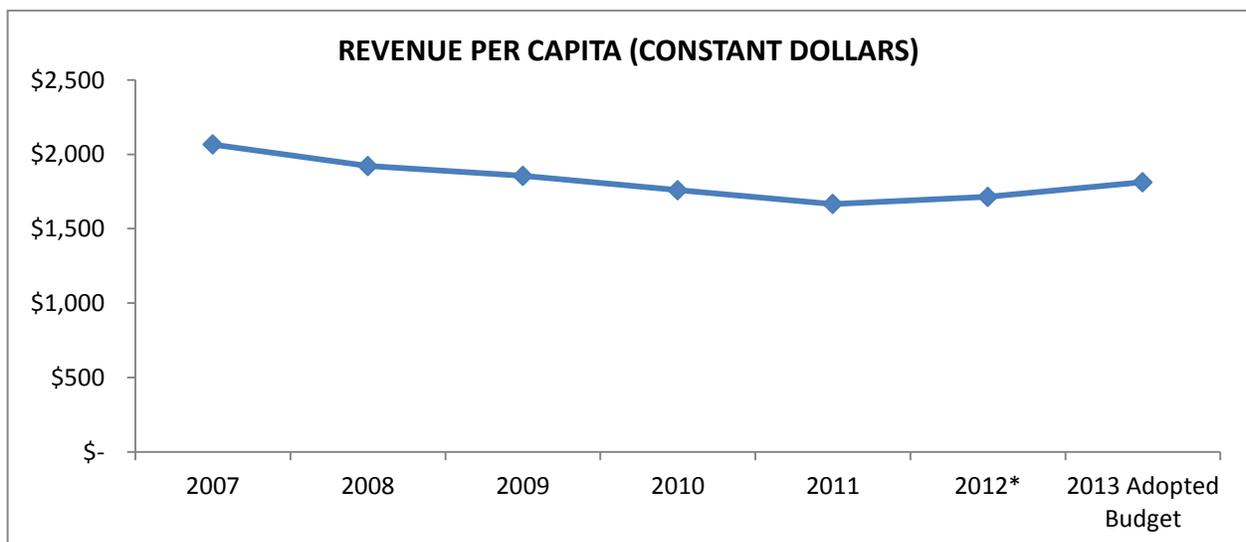
REVENUE PER CAPITA

Description: Revenue per capita reveals changes in revenue relative to changes in population size. Assuming that service costs and population size are directly related; change in population should increase the amount of revenue collected and the level of service provided should also increase proportionately. General government revenue is collected from property taxes, utility taxes, franchise taxes, insurance premium taxes, licenses and permits, fines and forfeitures, charges for services, intergovernmental revenue, and revenue from other sources.

Warning Trend: Decreasing net operating revenues per capita (constant dollars)

Formula: General Government Revenues / Population

Data Source: 2010 US Census Bureau, FY 2013 Adopted Budget, Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report*.



*The Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

Rating



Favorable: The trend is in compliance with the stated goals and policies of the City.

REVENUE PER CAPITA (ACTUAL DOLLARS)							
DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
General Government Revenue	\$333,848,863	\$313,721,238	\$312,899,079	\$302,773,548	\$296,916,257	\$312,789,922	\$333,368,706
Population	161,584	162,896	164,209	165,521	166,833	168,146	169,458
Revenue Per Capita	2,066	1,926	1,905	1,829	1,780	1,860	1,967

*Data based on 2012 preliminary Comprehensive Annual Financial Report (CAFR).

REVENUE PER CAPITA (CONSTANT DOLLARS)							
DESCRIPTION	2007	2008	2009	2010	2011	2012	2013* Adopted Budget
General Government Revenue	\$333,848,863	\$313,031,051	\$304,732,413	\$291,147,044	\$277,913,617	\$288,235,913	\$307,199,263
Population	161,584	162,896	164,209	165,521	166,833	168,146	169,458
Revenue Per Capita	2,066	1,922	1,856	1,759	1,666	1,714	1,813

*2013 Constant Value based on the 2012 Consumer Price Index (CPI).

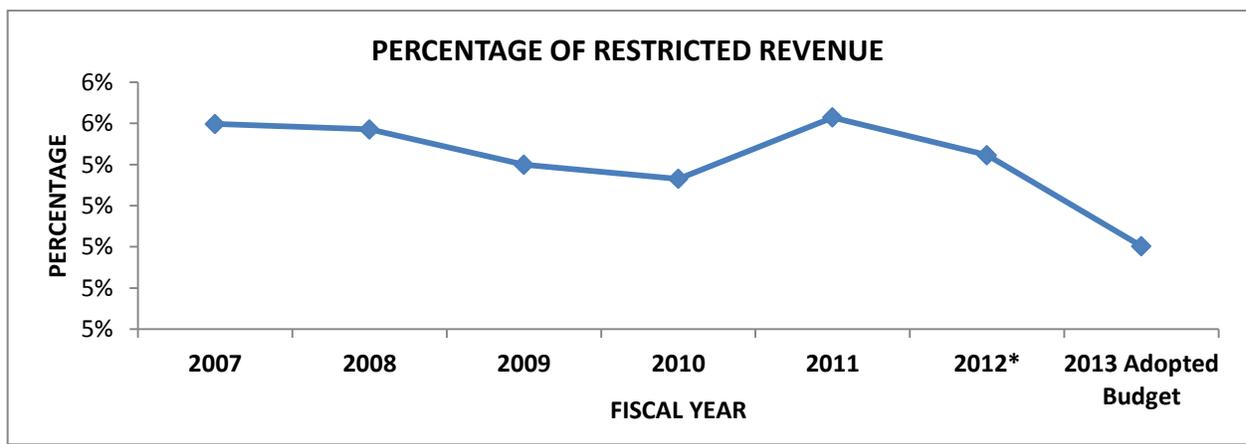
RESTRICTED REVENUE

Description: Restricted revenues are legally allocated for specific use as indicated by state law, bond covenants or grants requirements. For example, the state of Florida requires that gas tax revenues be used for only street maintenance or construction. However, as the percentage of restricted revenue increases, local government administrations lose their ability to respond to changing conditions and to citizen’s needs and demands.

Warning Trend: Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues.

Formula: Restricted operating revenue / General government revenue

Data Source: Fiscal Year 2013 Adopted Budget, Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Restricted Revenue	\$18,684,204	\$17,474,674	\$16,892,495	\$16,137,890	\$16,711,894	\$17,033,379	\$16,680,838
General Government Revenue	\$333,848,863	\$313,721,238	\$312,899,079	\$302,773,548	\$296,916,257	\$312,789,922	\$333,368,706
Percent of Restricted Revenue	6%	6%	5%	5%	6%	5%	5%

* The Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data

Rating



Favorable: The trend is in compliance with the stated goals and policies of the City.

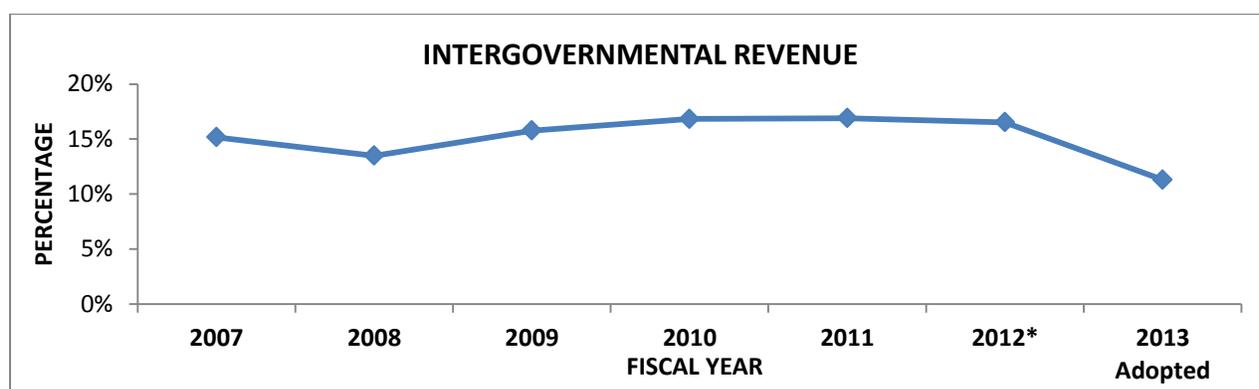
INTERGOVERNMENTAL REVENUE

Description: Federal and State funding received by local municipalities can be harmful if the revenue is mismanaged. An overdependence upon this type of income can be harmful, as Federal and State governments struggle with fiscal problems during economic downturns. Often times local municipalities are challenged with strict spending deadlines and are assessed a penalty or required to pay back funds received as a penalty.

Warning Trend: Increasing amount of intergovernmental operating revenues as a percentage of general government revenue.

Formula: Intergovernmental revenue / General government revenue

Data Source: Fiscal Year 2013 Adopted Budget, Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



The reduction of intergovernmental funds leaves municipal governments with the dilemma of cutting programs or funding from general fund revenues. Nevertheless, a municipality should maximize its use of intergovernmental revenues, consistent with its service priorities and its existing financial condition.

DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Intergovernmental Revenue	\$50,649,813	\$42,314,742	\$49,338,512	\$50,969,453	\$50,170,757	\$51,665,965	\$37,683,236
General Government Revenue	\$333,848,863	\$313,721,238	\$312,899,079	\$302,773,548	\$296,916,257	\$312,789,922	\$333,368,706
Percent of Intergovernmental Revenue	15%	13%	16%	17%	17%	17%	11%

*The Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.



Rating

Favorable: The trend is in compliance with the stated goals and policies of the City.

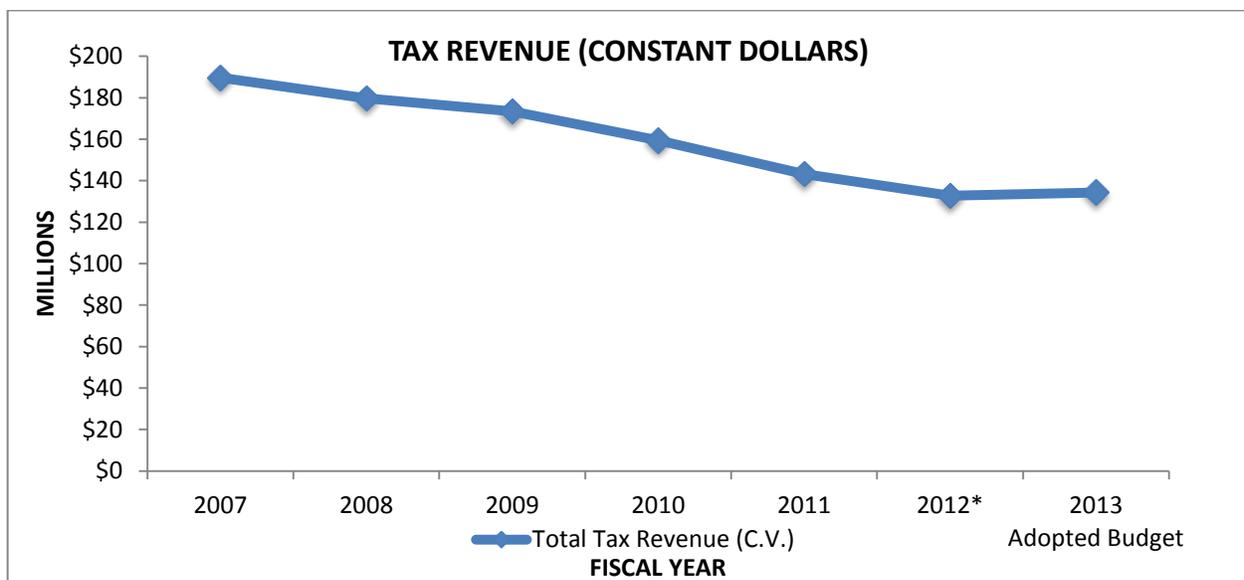
TAX REVENUE

Description: Depending on State Statutes and home rule charters, local governments overwhelmingly use property tax, sales tax, and income taxes as a major sources of general governmental revenue. However, Fort Lauderdale does not receive income tax revenue. If property tax, sales tax, utility, and franchise fees are a large source of revenue for a local government, it's important to pay close attention to any changes in this indicator and try to understand the cause. In most cases, poor economic conditions create reductions in market values of property sales within the community. Reductions in the residential, commercial, and industrial industries can negatively impact the revenue raising capacity of a municipal administration.

Warning Trend: Decline in tax revenue

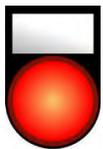
Formula: Tax revenues

Data Source: Fiscal Year 2013 Adopted Budget, Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



*The Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

Rating



Unfavorable: The trend is unfavorable and there is an immediate need for the City to take corrective action. Indicators receiving this rating exhibit severe negative ratings or have exhibited the specific warning trend for three or more years.

* The Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

TAX REVENUE (ACTUAL DOLLARS)							
DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Property Taxes	\$138,103,588	\$127,981,444	\$124,597,389	\$112,811,703	\$101,787,647	\$92,799,634	\$93,930,068
Utility Taxes	33,343,709	33,935,730	35,441,037	34,754,319	34,725,638	35,386,473	35,346,075
Franchise Taxes	18,246,991	18,192,005	18,059,429	18,224,861	16,439,174	15,871,932	16,400,000
Total Tax Revenue	189,694,288	180,109,179	178,097,855	165,790,883	152,952,459	144,058,039	145,676,143

TAX REVENUE (CONSTANT DOLLARS)							
DESCRIPTION	2007	2008	2009	2010	2011	2012	2013* Adopted Budget
Property Taxes (C.V.)	\$138,103,588	\$127,699,885	\$121,345,397	\$108,479,734	\$95,273,238	\$85,514,863	\$86,556,558
Utility Taxes (C.V.)	33,343,709	33,861,071	34,516,026	33,419,753	32,503,197	32,608,634	32,571,408
Franchise Taxes (C.V.)	18,246,991	18,151,983	17,588,078	17,525,026	15,387,067	14,625,985	15,112,600
Total Tax Revenue (C.V.)	189,694,288	179,712,939	173,449,501	159,424,513	143,163,502	132,749,483	134,240,566

*2013 Constant Value based on the 2012 Consumer Price Index (CPI).



Expense Indicators

Expenditures are a rough measure of a local government's service output. Generally, the more a government spends in constant dollars, the more services it is providing. This does not, however, take into account the efficiency or effectiveness of service delivery. Monitoring and analyzing expenditures will help to identify the following types of problems:

- Excessive growth of overall expenditures as compared to revenue growth or growth in community wealth
- An undesirable increase in fixed costs
- Ineffective budgetary controls
- A decline in personal productivity
- Excessive growth in programs that create future liabilities



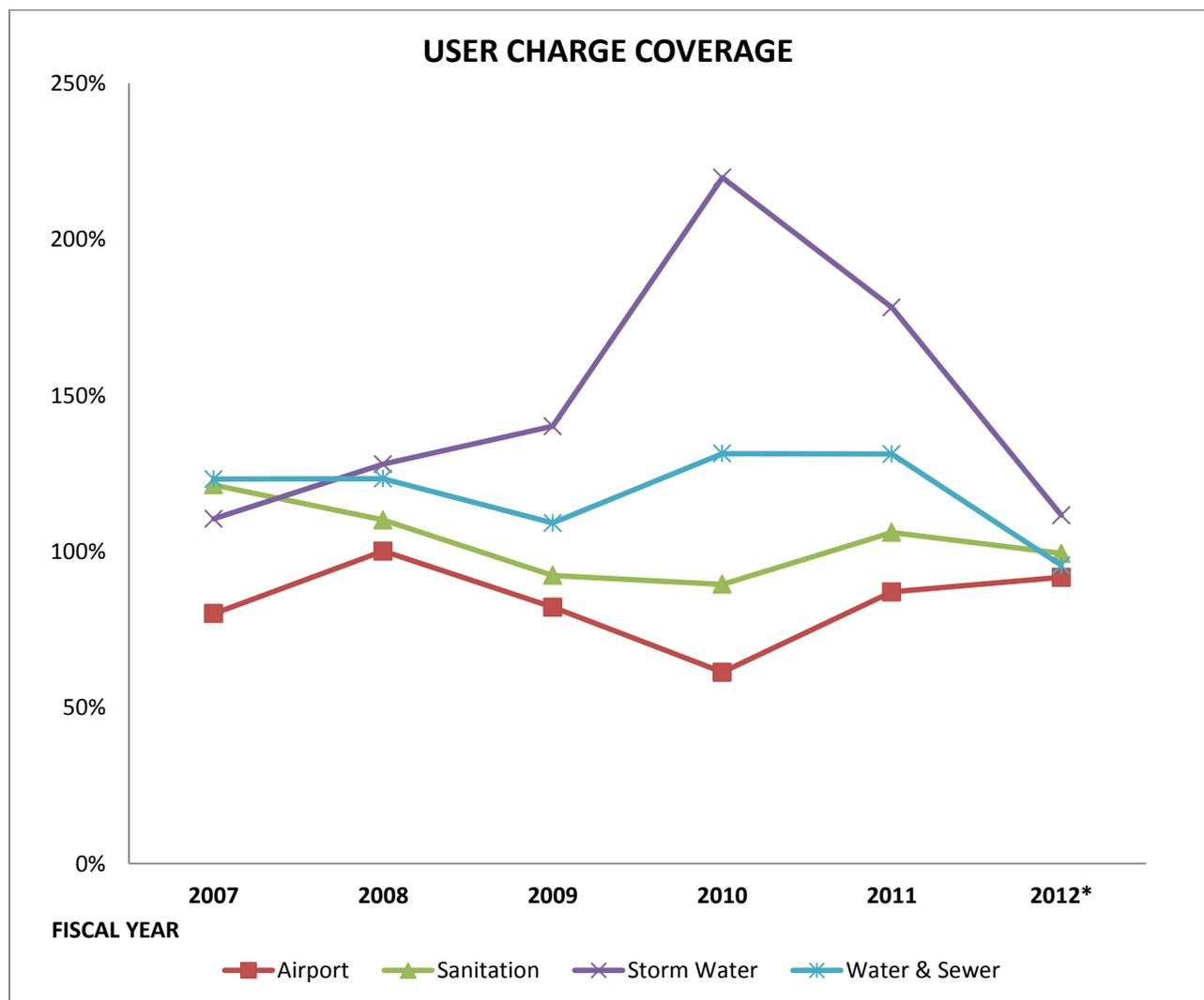
USER CHARGE COVERAGE

Description: User charge coverage refers to the use of fees and charges to cover the cost of providing a service. This indicator focuses only on enterprise funds and is commonly associated with cost recovery percentage. If user charges cover all the costs, the coverage is 100 percent. If charges cover only half the costs, the coverage is 50 percent.

Warning Trend: Decreasing revenues from user charges as a percentage of total expenditures for related services.

Formula: Revenue from fees and user charges / Expenditures for related services

Data Source: Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data

DESCRIPTION		2007	2008	2009	2010	2011	2012*
PARKING	Revenue	\$10,751,079	\$12,248,308	\$11,487,377	\$11,804,349	\$12,489,487	\$12,995,922
	Expenses	8,635,470	11,199,791	10,814,893	11,268,044	10,659,494	11,199,789
AIRPORT	Revenue	6,031,077	6,748,592	6,163,142	6,587,136	6,983,850	8,466,814
	Expenses	7,528,128	6,740,363	7,500,584	10,745,183	8,025,744	9,229,152
SANITATION	Revenue	23,594,514	23,061,312	20,112,154	20,206,509	22,084,671	18,821,045
	Expenses	19,448,837	20,944,976	21,780,670	22,585,575	20,812,922	18,942,048
STORMWATER	Revenue	2,850,726	3,739,948	4,261,529	3,983,439	4,178,998	5,606,683
	Expenses	2,580,929	2,922,173	3,041,715	1,812,572	2,345,171	5,023,104
WATER & SEWER	Revenue	77,983,185	84,838,237	94,554,904	105,959,129	105,395,277	106,478,466
	Expenses	63,316,413	68,791,000	86,644,340	80,645,935	80,320,657	111,431,163

*The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

Rating



Favorable: The trend is in compliance with the stated goals and policies of the City.

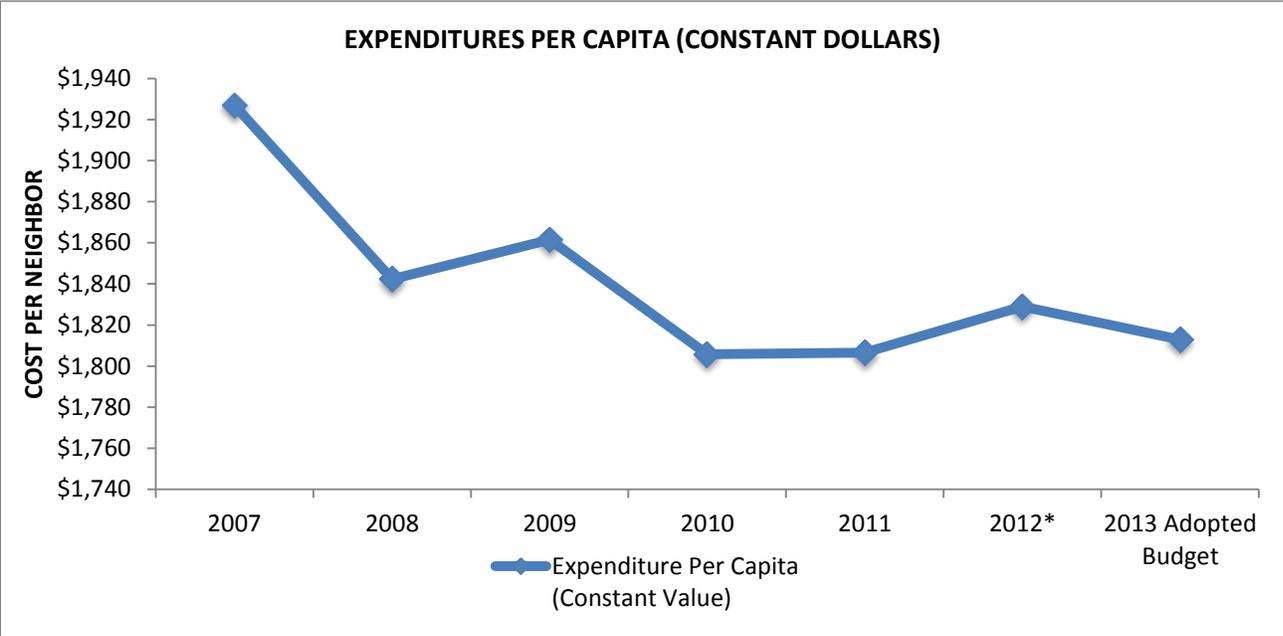
EXPENDITURES PER CAPITA

Description: Changes in the per capita expenditures reflect changes in expenditures relative to the change in population. Any increase in expenditures per capita can indicate that the cost of providing services is outstripping the community’s ability to pay, especially if spending is increasing faster than Fort Lauderdale neighbor’s collective personal income. From a different perspective, if the increase in spending is greater than can be accounted for by inflation or the addition of new services, it may indicate declining productivity. In this scenario, the government is spending more real dollars to support the same level of service.

Warning Trend: Increasing net operating expenditures per capita

Formula: Net operating expenditures (constant dollars) / Population

Data Source: Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report, Fiscal Year 2013 Adopted Budget, 2010 US Census Bureau



*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

Rating



Caution: The trend is in compliance with adopted fiscal policies or anticipated results. However, results may be below the target threshold for a favorable rating or have received positive ratings for an insufficient time period.

EXPENDITURES PER CAPITA (ACTUAL DOLLARS)							
DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Total Operating Expenditures	\$311,343,433	\$300,767,279	\$313,879,441	\$310,835,252	\$321,992,636	\$333,730,210	\$333,368,706
Population	161,584	162,896	164,209	165,521	166,833	168,146	169,458
Expenditure Per Capita	\$1,926	\$1,846	\$1,911	\$1,877	\$1,930	\$1,984	\$1,967

*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

EXPENDITURES PER CAPITA (CONSTANT DOLLARS)							
DESCRIPTION	2007	2008	2009	2010	2011	2012	2013 Adopted Budget*
Total Operating Expenditures	\$311,343,433	\$300,105,591	\$305,687,188	\$298,899,178	\$301,385,107	\$307,532,389	\$307,199,263
Population	161,584	162,896	164,209	165,521	166,833	168,146	169,458
Expenditure Per Capita (Constant Value)	\$1,926	\$1,842	\$1,861	\$1,805	\$1,806	\$1,828	\$1,812

*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

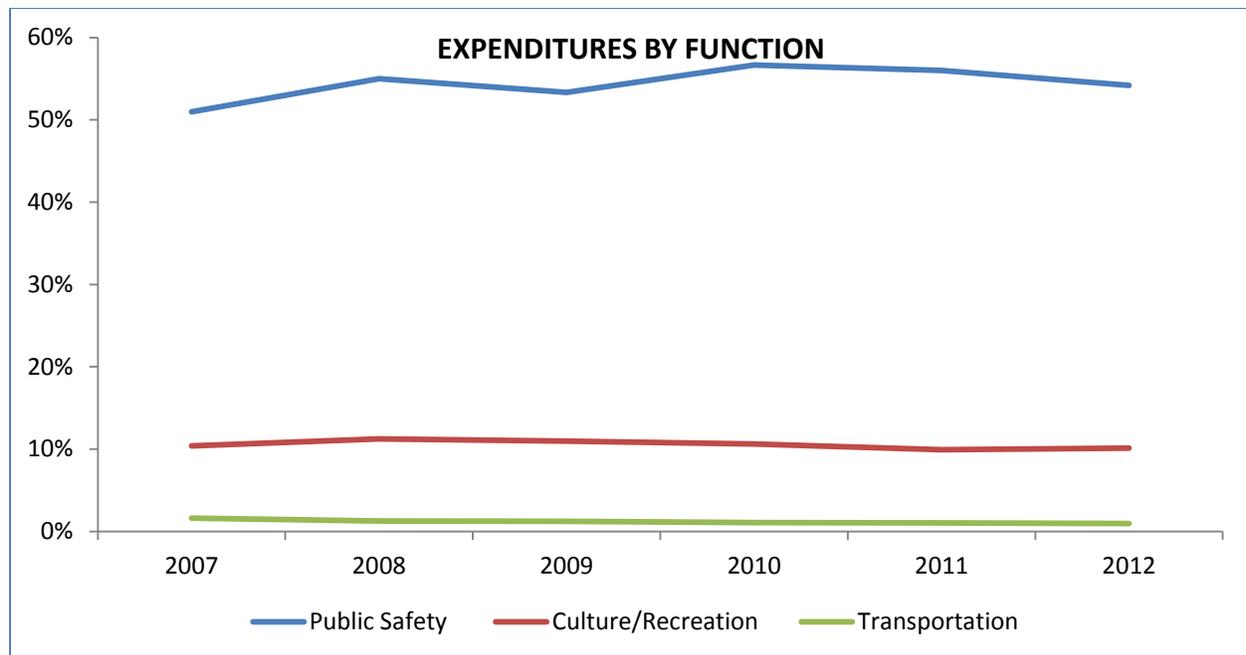
EXPENDITURES BY FUNCTION

Description: This indicator provides a more detailed breakdown of local government’s general funds expenditures. Expenditures by function will show which functional areas are receiving the largest increases and help stimulate further analysis of the cause for increase in expenditures. The relative percentages of each functional group to the total helps the user to analyze the causes of increases in expenditures overall.

Warning Trends: Increasing operating expenditures for one function as a percentage of total net operating expenditures.

Formula: Operating expenditures for one function/ Total net operating expenditures

Data Source: Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



*The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

DESCRIPTION	2007	2008	2009	2010	2011	2012*
Culture/Recreation	10%	11%	11%	11%	10%	10%
Transportation	2%	1%	1%	1%	1%	1%
Public Safety	51%	55%	53%	57%	56%	54%

*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

DESCRIPTION	2007	2008	2009	2010	2011	2012*
Debt Service	\$16,250,104	\$13,059,590	\$11,419,083	\$8,270,723	\$9,078,870	\$9,801,902
Capital Outlay	31,152,965	20,107,032	27,490,445	20,361,391	27,951,054	29,736,544
Culture/Recreation	32,358,082	33,745,058	34,400,119	32,964,316	32,001,841	33,727,300
Economic Environment	15,171,424	15,429,392	19,736,991	21,013,746	19,384,209	19,877,012
Transportation	5,070,122	3,860,924	3,795,541	3,339,100	3,316,948	3,208,041
Physical Environment	8,284,747	8,637,526	9,281,905	9,097,912	9,647,825	17,725,318
Public Safety	158,659,250	165,436,737	167,391,135	176,169,662	180,280,486	180,884,679
General Government	44,396,739	40,491,020	40,364,222	39,618,402	40,330,403	38,769,414
Total	\$311,343,433	\$300,767,279	\$313,879,441	\$310,835,252	\$321,991,636	\$333,730,210

*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

Rating



Caution: The trend is in compliance with adopted fiscal policies or anticipated results. However, results may be below the target threshold for a favorable rating or have received positive ratings for an insufficient time period.

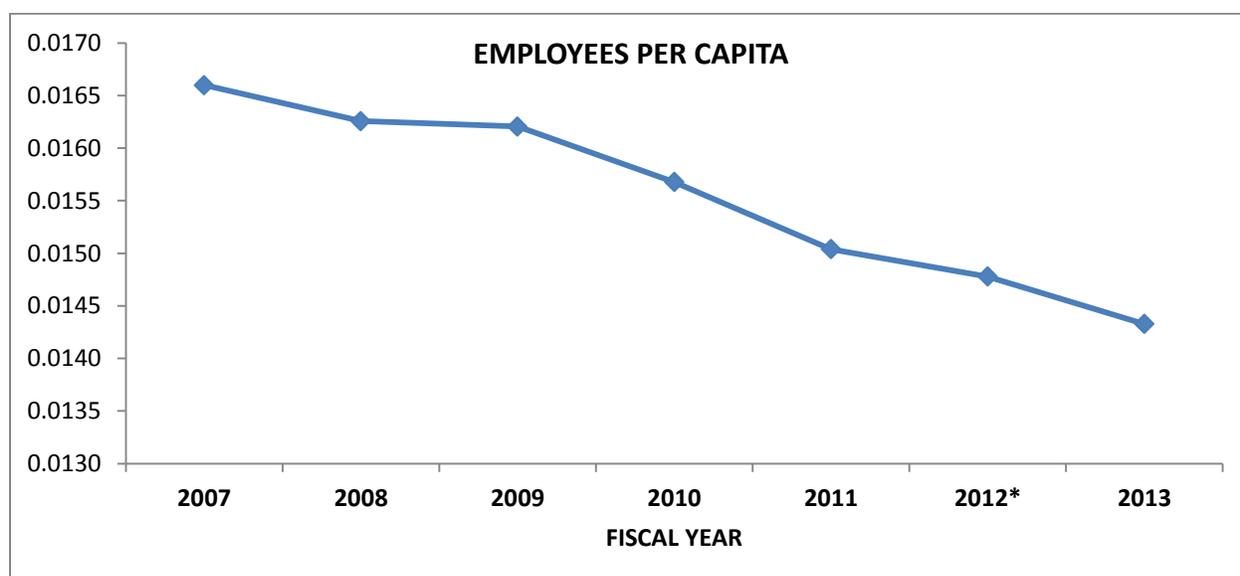
EMPLOYEES PER CAPITA

Description: Personnel costs are a major portion of a local government’s operating budget, plotting changes in the number of employees per capita is a good way to measure changes in expenditures. An increase in employees per capita might indicate expenditures are rising faster than revenues, that the administration is becoming more labor intensive, and/or that personnel productivity is declining.

Warning Trend: Increasing number of municipal employees per capita.

Formula: Number of Full Time Equivalent (FTE) / Population

Data Source: 2010 US Census Bureau, Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



*The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Population	161,584	162,896	164,209	165,521	166,833	168,146	169,458
Full Time Equivalentents	2,682	2,648	2,661	2,595	2,509	2,485	2,428
Employees Per Capita	0.0166	0.0163	0.0162	0.0157	0.0150	0.0148	0.0143

Rating



Favorable: The trend is in compliance with the stated goals and policies of the City.

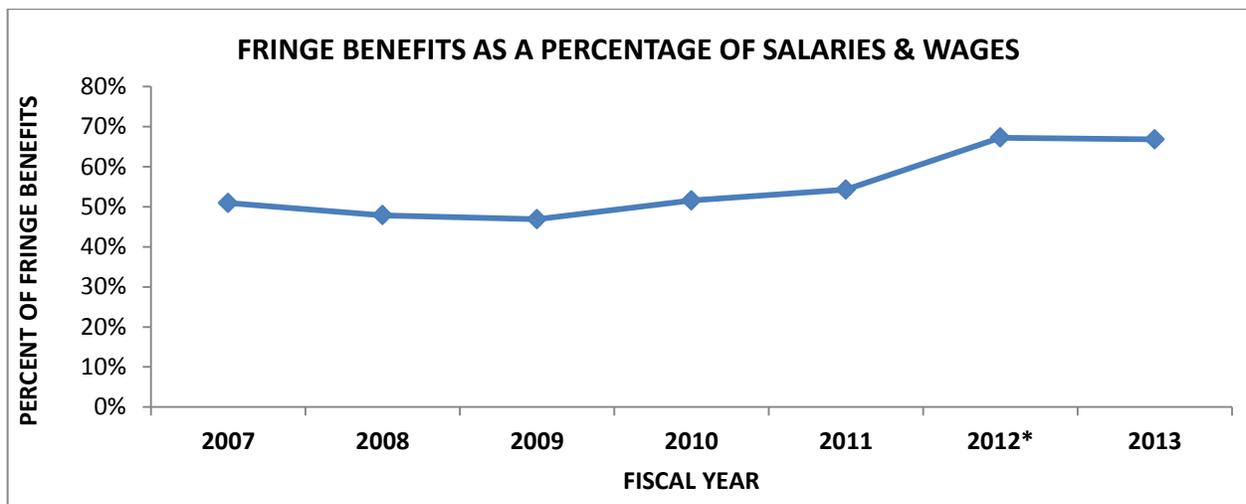
FRINGE BENEFITS

Description: The most common forms of fringe benefits are pension plans, health and life insurance, vacation, sick and holiday leave, deferred compensation, automobile allowance, disability insurance and educational and incentive pay. Because funding and recording of fringe benefits is a complex process, these costs can escalate unnoticed, straining local government’s finances. For example, the cost of pension plans, in particular, has risen at dramatic rates for public employers in recent years and requires careful monitoring.

Warning Trend: Increasing fringe benefit expenditures as a percentage of salaries and wages

Formula: Fringe Benefit Expenditures / Salaries and Wages

Data Source: Fiscal Year 2013 Adopted Budget, Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



* The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted
Expenditures for fringe benefits	\$73,432,442	\$73,301,258	\$75,310,109	\$85,043,001	\$90,020,530	\$90,810,588	\$72,718,776
Salaries and wages	\$144,134,705	\$153,135,197	\$160,606,812	\$164,915,234	\$165,902,465	\$135,001,294	\$129,778,649
Fringe benefits as a percentage of salaries and wages	51%	48%	47%	52%	54%	54%	56%

Rating

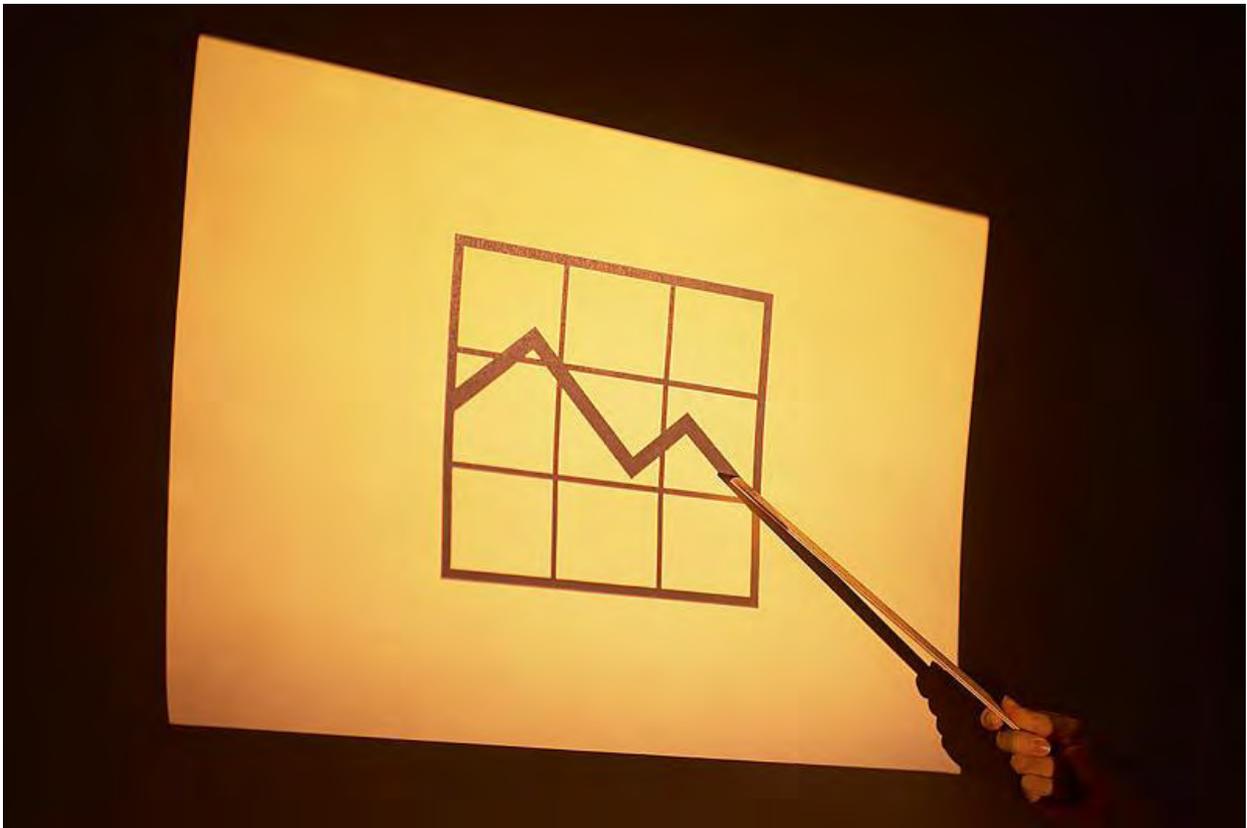


Unfavorable: The trend is unfavorable and there is an immediate need for the City to take corrective action. Indicators receiving this rating exhibit severe negative ratings or have exhibited the specific warning trend for three or more years.

Operating Position Indicators

The term “operating position” refers to a local government’s ability to (1) balance its budget on a current basis, (2) maintain reserves for emergencies, and (3) have sufficient liquidity to pay bills on time. Monitoring and analyzing operating position will help to identify the following types of problems:

- A pattern of continuing operating deficits
- A decline in reserves
- A decline in liquidity
- Ineffective revenue forecasting techniques
- Ineffective budgetary controls



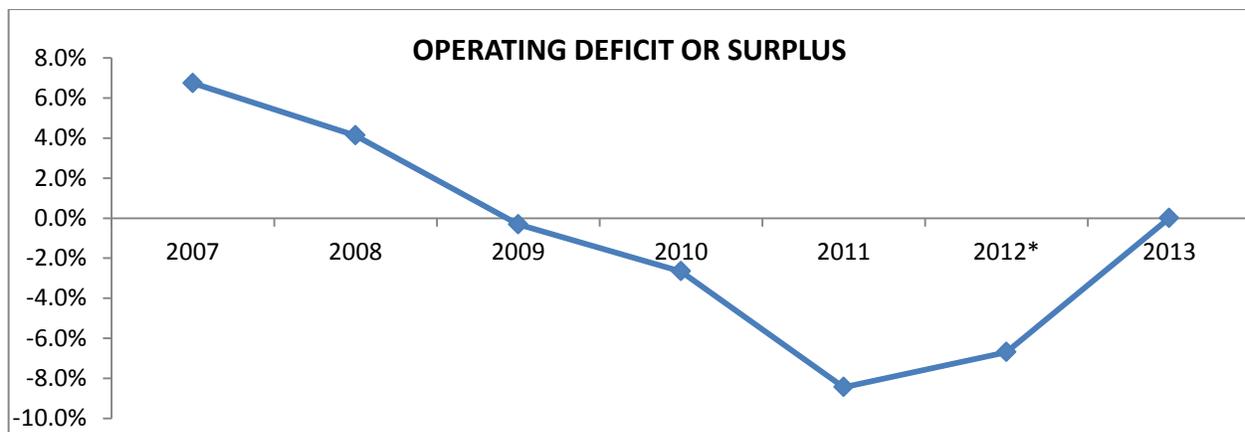
OPERATING DEFICIT OR SURPLUS

Description: This consists of a comparison between net revenue and the total expenditures. A deficit occurs when current expenditures exceed current revenues. A surplus occurs when current revenues exceed current expenditures. An operating deficit or surplus will not always lead to an imbalance in the budget depending on the utilization of fiscal reserves.

Warning Trend: Increase in general fund operating deficit or surplus as a percentage of net operating revenues.

Formula: Operating deficit or surplus / Operating revenues

Data Source: Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Total Operating Revenue	\$333,848,863	\$313,721,238	\$312,899,079	\$302,772,548	\$296,916,257	\$312,789,922	\$333,368,706
Total Operating Expenditures	311,343,433	300,767,279	313,879,441	310,835,252	321,992,636	333,730,210	333,368,706
Deficit or Surplus	22,505,430	12,953,959	(980,362)	(8,062,704)	(25,076,379)	(20,940,288)	-
Ratio	6.7%	4.1%	-0.3%	-2.7%	-8.4%	-7%	0%

*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

Rating



Unfavorable: The trend is unfavorable and there is an immediate need for the City to take corrective action. Indicators receiving this rating exhibit severe negative ratings or have exhibited the specific warning trend for three or more years.

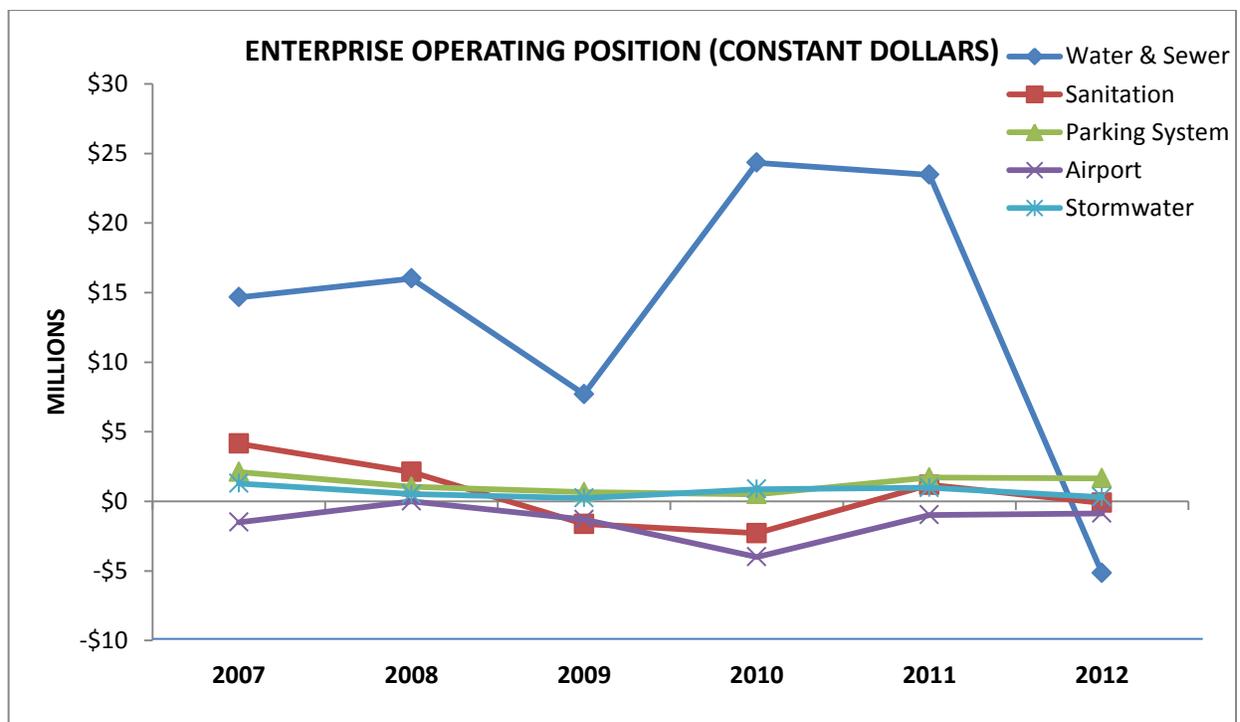
ENTERPRISE OPERATING POSITION

Description: Enterprise fund programs common to local government are those for water, gas, electric, swimming pools, airports, parking garages and transit systems. During times of financial strain, a local government can raise taxes to increase support for a General Fund program. However, unlike General Fund programs, enterprise operations are typically subject to the laws of supply and demand, and managers who raise fees or rates may find that revenues could potentially decrease because of customer or public dissatisfaction or elasticity.

Warning Trend: Recurring operating income losses.

Formula: Operating income (constant dollars)

Data Source: Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report



* The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

Rating



Caution: The trend is in compliance with adopted fiscal policies or anticipated results. However, results may be below the target threshold for a favorable rating or have received positive ratings for an insufficient time period.

ENTERPRISE OPERATING POSITION (ACTUAL DOLLARS)							
DESCRIPTION		2007	2008	2009	2010	2011	2012*
Water & Sewer	Revenue	\$77,983,185	\$84,838,237	\$94,554,904	\$105,959,129	\$105,395,277	\$105,836,231
	Expenses	63,316,413	68,791,000	86,644,340	80,645,935	80,320,657	111,431,163
	Operating Income	14,666,772	16,047,237	7,910,564	25,313,194	25,074,620	-5,594,932
Sanitation	Revenue	23,594,514	23,061,312	20,112,154	20,206,509	22,084,671	18,821,045
	Expenses	19,448,837	20,944,976	21,780,670	22,585,575	20,812,922	18,942,048
	Operating Income	4,145,677	2,116,336	-1,668,516	-2,379,066	1,271,749	-121,003
Parking System	Revenue	10,751,079	12,248,308	11,487,377	11,804,349	12,489,487	12,995,922
	Expenses	8,635,470	11,199,791	10,814,893	11,268,044	10,659,494	11,199,789
	Operating Income	2,115,609	1,048,517	672,484	536,305	1,829,993	1,796,133
Airport	Revenue	6,031,077	6,748,592	6,163,142	6,587,136	6,983,850	8,293,905
	Expenses	7,528,128	6,740,363	7,500,584	10,745,183	8,025,774	9,229,152
	Operating Income	-1,497,051	8,229	-1,337,442	-4,158,047	-1,041,924	-935,247
Stormwater	Revenue	4,136,551	4,263,776	4,500,095	4,899,289	5,221,319	5,350,352
	Expenses	2,850,726	3,739,948	4,261,529	3,983,439	4,178,998	5,023,104
	Operating Income	1,285,825	523,828	238,566	\$915,850	1,042,321	327,248

* The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

ENTERPRISE OPERATING POSITION (CONSTANT DOLLARS)							
DESCRIPTION		2007	2008	2009	2010	2011	2012
Water & Sewer	Revenue	\$77,983,185	\$84,651,593	\$92,087,021	\$101,890,298	\$98,649,979	\$97,528,087
	Expenses	63,316,413	68,639,660	84,382,923	77,549,131	75,180,135	102,683,817
	Operating Income	14,666,772	16,011,933	7,704,098	24,341,167	23,469,844	-5,155,730
Sanitation	Revenue	23,594,514	23,010,577	19,587,227	19,430,579	20,671,252	17,343,593
	Expenses	19,448,837	20,898,897	21,212,195	21,718,289	19,480,895	17,455,097
	Operating Income	4,145,677	2,111,680	-1,624,968	-2,287,710	1,190,357	-111,504
Parking System	Revenue	10,751,079	12,221,362	11,187,556	11,351,062	11,690,160	11,975,742
	Expenses	8,635,470	11,175,151	10,532,624	10,835,351	9,977,286	10,320,606
	Operating Income	2,115,609	1,046,210	654,932	515,711	1,712,873	1,655,137
Airport	Revenue	6,031,077	6,733,745	6,002,284	6,334,190	6,536,884	7,642,833
	Expenses	7,528,128	6,725,534	7,304,819	10,332,568	7,512,124	8,504,664
	Operating Income	-1,497,051	8,211	-1,302,535	-3,998,378	-975,241	-861,830
Stormwater	Revenue	4,136,551	4,254,396	4,382,643	4,711,156	4,887,155	4,930,349
	Expenses	2,850,726	3,731,720	4,150,303	3,830,475	3,911,542	4,628,790
	Operating Income	1,285,825	522,676	232,339	880,681	975,612	301,559

Capital Plant Indicators

Most of a local government's wealth is invested in its physical assets or capital plant – streets, buildings, utility networks, and equipment. If these assets are not properly maintained or are allowed to become obsolete, the results often include:

- Decreasing usefulness of the assets
- Increasing cost of maintaining and replacing assets
- Decreasing attractiveness of the community as a place to live or do business

Monitoring and analyzing operating position will help to identify the following types of problems:

- Safety hazards and potential liability risks that may result, for example, from a deteriorating bridge or cracked sidewalk
- Reduction in residential and business property value
- Loss of efficiency
- The potential for a costly future obligation created by a maintenance and repair backlog



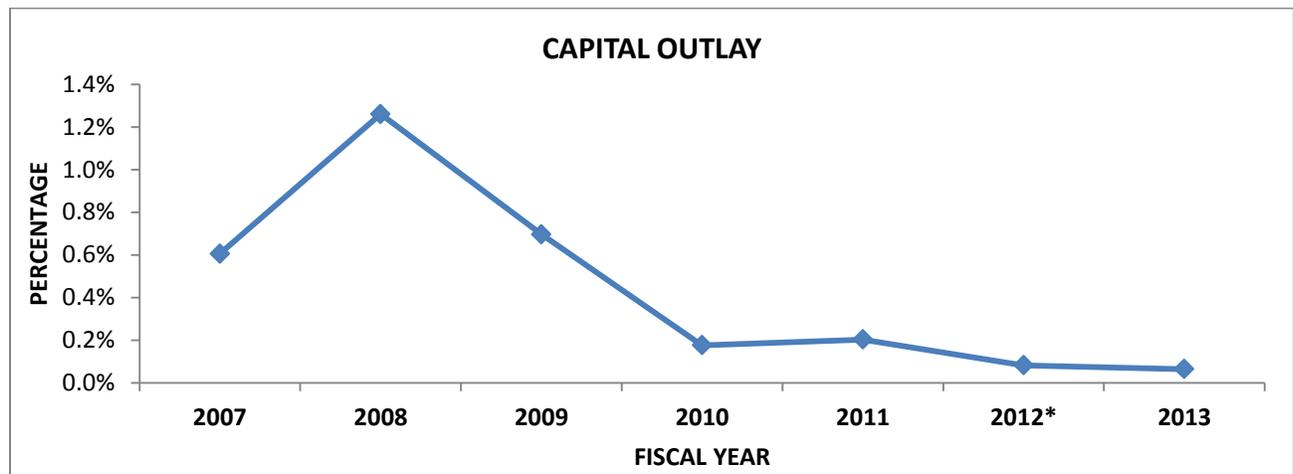
CAPITAL OUTLAY (GENERAL FUND)

Description: The purpose of capital outlay in the operating budget is to replace worn equipment or to add new equipment. Capital outlay normally includes equipment that will last longer than a year and costs more than \$5,000. The frequency or dollar amount is subject to change based on the general accounting principles and municipal policies. Capital outlay does not include capital expenditures for construction or infrastructure such as streets, building or bridges.

Warning Trend: A three or more year decline in capital outlay from operating funds as a percentage of net operating expenditures

Formula: Capital outlay / Total operating expenditures

Data Source: Fiscal Year Ended September 30, 2012 Comprehensive Annual Financial Report, Fiscal Year 2013 General Fund Adopted Budget



* The Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report includes multiple years of data.

DESCRIPTION	2007	2008	2009	2010	2011	2012*	2013 Adopted Budget
Capital Outlay	\$1,884,325	\$3,789,597	\$2,185,573	\$546,839	\$654,694	\$275,599	\$214,875
Total Operating Expenditures	\$311,343,433	\$300,767,279	\$313,879,441	\$310,835,252	\$321,992,636	\$333,730,210	\$333,368,706
Capital outlay as a percent of expenditures	0.6%	1.3%	0.7	0.2%	0.2%	0.1%	0.1%

*Fiscal Year Ending September 30, 2012 Comprehensive Annual Financial Report

Rating



Unfavorable: The trend is unfavorable and there is an immediate need for the City to take corrective action. Indicators receiving this rating exhibit severe negative ratings or have exhibited the specific warning trend for three or more years.



CHAPTER VII

LEGISLATIVE POLICIES AND MANAGEMENT PRACTICES

This report has focused on the technical and quantifiable aspects of fiscal capacity and the overall financial health of Fort Lauderdale. In performing this exercise, the study has defined fiscal capacity and fiscal health; presented the traditional roles of Florida governments and the specific services that Fort Lauderdale provides to its neighbors; presented the City's economic base, primary revenues, and taxes; and presented key measures of the City's current fiscal condition based on the Financial Trend Monitoring System (FTMS). There are two additional major factors that are not easily quantifiable, yet a significant influence the fiscal health of an organization. These factors are management practices and legislative policies, which include political considerations.

According to the International City/County Management Association, "Management practices and legislative policies are often regarded as the most critical influences on financial condition because a local government can theoretically adjust to environmental changes by changing its expenditure pattern and to a certain extent its revenue pattern." Legislated policies and management practices are the factors over which a local government has control. A government can exert leverage through policies and practices to address difficult financial problems. As defined in Chapter I, fiscal capacity is the potential availability of a government to generate taxes and other revenues from all of its available sources in relation to the costs of its service responsibilities. This definition implies that revenues are generated in accordance with the community's desire to fund services deemed necessary. However, the legislative process and the associated management practices determine, with community input, the appropriate balance between revenues and expenditures. This makes determination of fiscal capacity beyond the financial aspects presented in this report uncertain. For example, the City has the legal ability to levy up to 10 mills on assessed property value. However, the political desire to set the millage at this level is determined by the current policy makers and political climate.

When credit rating firms evaluate the financial condition of a local government, they consider the management practices and legislative policies to be very important. Rating firms assess the professionalism of management by examining the quality of financial principles, policies, reporting, and capital planning. They also determine responsiveness of the legislative body by considering whether elected officials have been willing to raise taxes when warranted. Political considerations that must be evaluated when reviewing fiscal capacity include:

- What is the extent of citizen participation?
- What are the current "hot" political issues?
- How open and thorough is the Commission's decision-making process?
- How do the age, size, population, income, and density of the City of Fort Lauderdale influence its needs and responsibilities?
- Is making decisions difficult due to existing governmental structure?

While municipal management practices are too varied to be completely evaluated, the ICMA identifies a few common practices that can damage cities' financial condition if they are utilized on a continued basis. These management practices include:

- Deferring pension liability
- Using reserves to balance the budget
- Selling assets to balance the budget
- Deferring maintenance expenditures
- Ignoring full-life costs of capital assets
- Using internal borrowing to balance the budget
- Not analyzing non-salary employee benefits
- Using short-term borrowing to balance the budget
- Using one-time accounting changes to balance the budget

The City of Fort Lauderdale, like many governments around the country, has utilized some of these common strategies to balance its budget, especially in the past few years of declining property values and economic downturn. The City has already begun to formally address the use of these strategies, as the ICMA recommends, through developing "Financial Integrity Policies and Principles" to be adopted by the City Commission. Several of these policies have already been developed, discussed and recommended by the City's Budget Advisory Board and are now awaiting formal approval by the City Commission. Still others are being discussed and developed by the Budget Advisory Board.

Although a broad range of statements, decisions, and activities could be construed as financial policies, the ICMA defines financial policies as "goals for the financial operation of a local government." Setting goals is important for financial health because it gives policy makers a long-range perspective on their current approach to financial management. For example, deferring maintenance on the roofs of City buildings may result in savings today, but it will likely result in additional costs in the future. Having formalized, established policies that are well thought out will benefit both the Commission and staff when difficult financial situations arise.

CHAPTER VIII

FINDINGS AND RECOMMENDATIONS

The technical and quantifiable information compiled for this study provides sound data that can be used as the basis to make a variety of recommendations for strategies to increase the City of Fort Lauderdale’s fiscal capacity.

Financial Integrity Policies and Principles

Staff should continue to work with the Budget Advisory Board (BAB) and the City Commission to develop and formalize Financial Integrity Policies and Principles to ensure the long-term fiscal health of the City.

Increase Property Valuation

Fort Lauderdale should develop programs aimed at increasing valuation of residential and commercial properties within the City of Fort Lauderdale. Examples of ways that the City could work to increase neighbors’ home values include creating incentive programs to encourage neighbors to appropriately maintain their properties and invest in improving them; invest in infrastructure improvements, crime prevention and other programs to make the community a more desirable place to live and work with the Broward County School Board to assist in improving the public school options for Fort Lauderdale neighbors. The City should also encourage new businesses and the upgrading of commercial and industrial property within the City through providing assistance and incentives. Increasing taxable values of businesses could provide tax relief to residential property holders while increasing the City’s overall property valuation.

Develop and Adopt Formalized User Fee Policy

Fort Lauderdale should develop and adopt a formalized policy related to standardizing user fees to ensure an appropriate level of cost recovery for City programs. There is not a formalized City policy or process for updating user fees. As presented in Appendix A and the revenue manual companion document, this is an area that may have capacity to expand the City’s revenue base through updating current fees and implementing new ones.

Pursue Grants

City staff should actively explore and pursue intergovernmental funding and grant opportunities to capitalize on funds available from sources outside the City.

Lobby for Revenues

The City of Fort Lauderdale should support the efforts by the Florida League of Cities to increase revenues from preempted sources and focus local lobbying efforts on protecting existing revenues and increasing new revenues to the City. For example, the City should lobby for a greater share and additional input related to the expenditure of Broward County tourism taxes that are primarily generated in the City of Fort Lauderdale.

Smarter, Faster, Cheaper!

The City should continue to engage in a comprehensive budget analysis instead of simply utilizing incremental budgeting strategies. Each department must review their budgets in a detailed manner, examining each program for potential savings and efficiencies. The appropriateness of staffing and service levels should also be evaluated to determine the right-size of the operation.

Long Range Financial Planning

The City should continue to participate in long-range budgetary planning and financial forecasting. Budgets should be developed with consideration for the future and with the consequences of action and inaction included in future years. The best use of available resources is realized through planning today for future surpluses or shortfalls.

Explore the Possibility of Privatization

Privatization for some services may lower costs to the City while retaining quality of service level. This could benefit the City's fiscal capacity by making funds available for other uses.

Develop and Track FTMS Financial Performance Measures

The City should develop and track additional key performance measures to monitor key financial trends presented in the Financial Trend Monitoring System (FTMS) section of this report (Chapter VI) and other key financial measures to ensure that they are regularly monitored and addressed.

Engage in Additional Pension Reform

Although the City has already engaged in some pension reform strategies including issuing Pension Obligation Bonds and moving to a defined contribution model instead of a defined benefit model for all new general employees, there is more work to do. Public safety pension costs continue to increase far faster than City revenues and present challenges to the long term fiscal sustainability of the City. A recent ruling by the Florida Supreme Court supported public employees' pension contracts being adjusted. This issue is likely to make its way to the United States Supreme Court where it can be cemented.

Capitalize on Increased Tourism

The City should create a committee to focus on developing ways to capitalize on the City's growing tourism base and to leverage associated tourism tax revenues from the County. With more tourists comes additional costs to the City, therefore, the City should focus on finding ways to generate more income from tourism to alleviate the burden on residents.

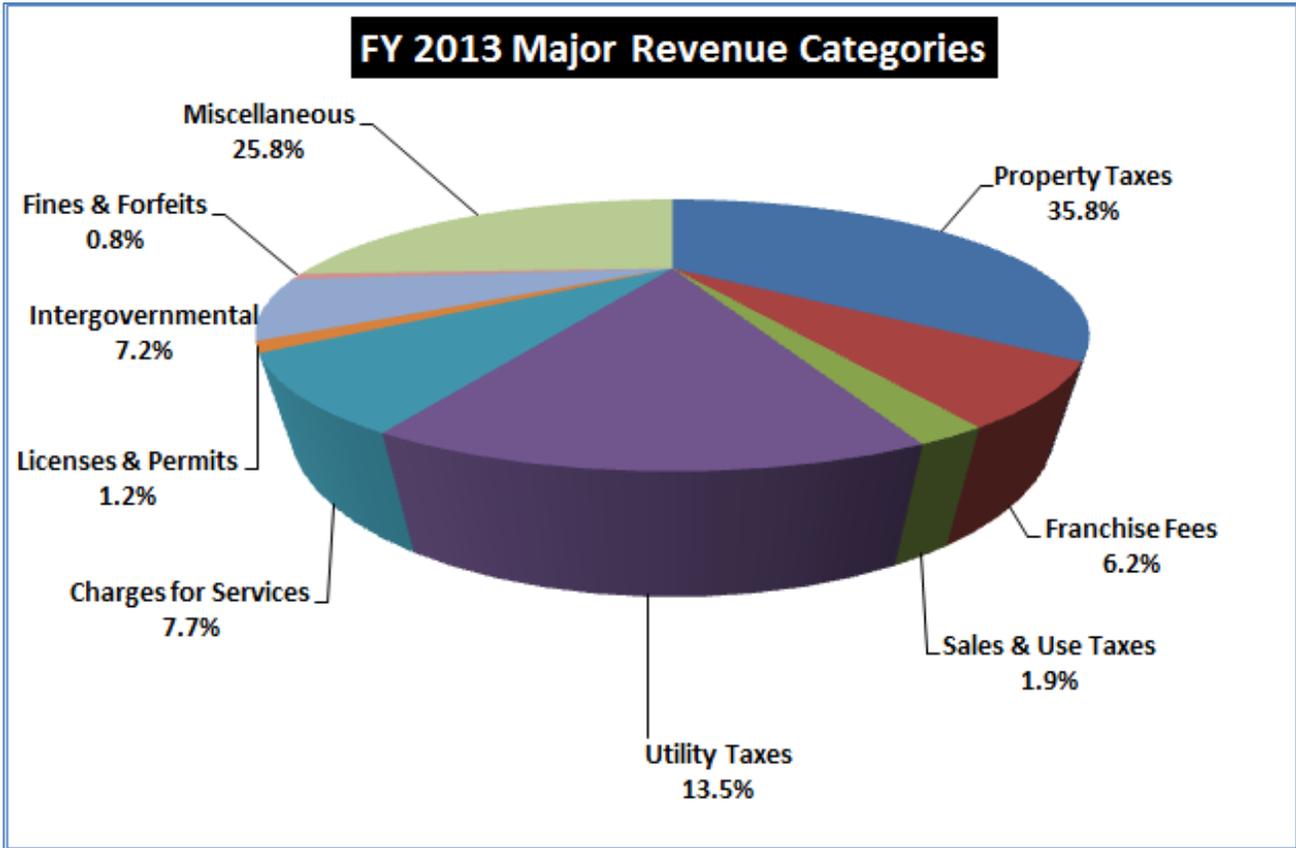
These recommendations are certainly not exhaustive and the hope is that the data in this report will prompt and encourage discussion regarding other potential suggestions and solutions. This study and the associated recommendations are meant to serve as a starting point in encouraging more informed and deliberate financial decisions that will result in high-quality service being delivered to our neighbors *smarter, faster, and cheaper*.

APPENDIX A

MAJOR REVENUE CATEGORIES

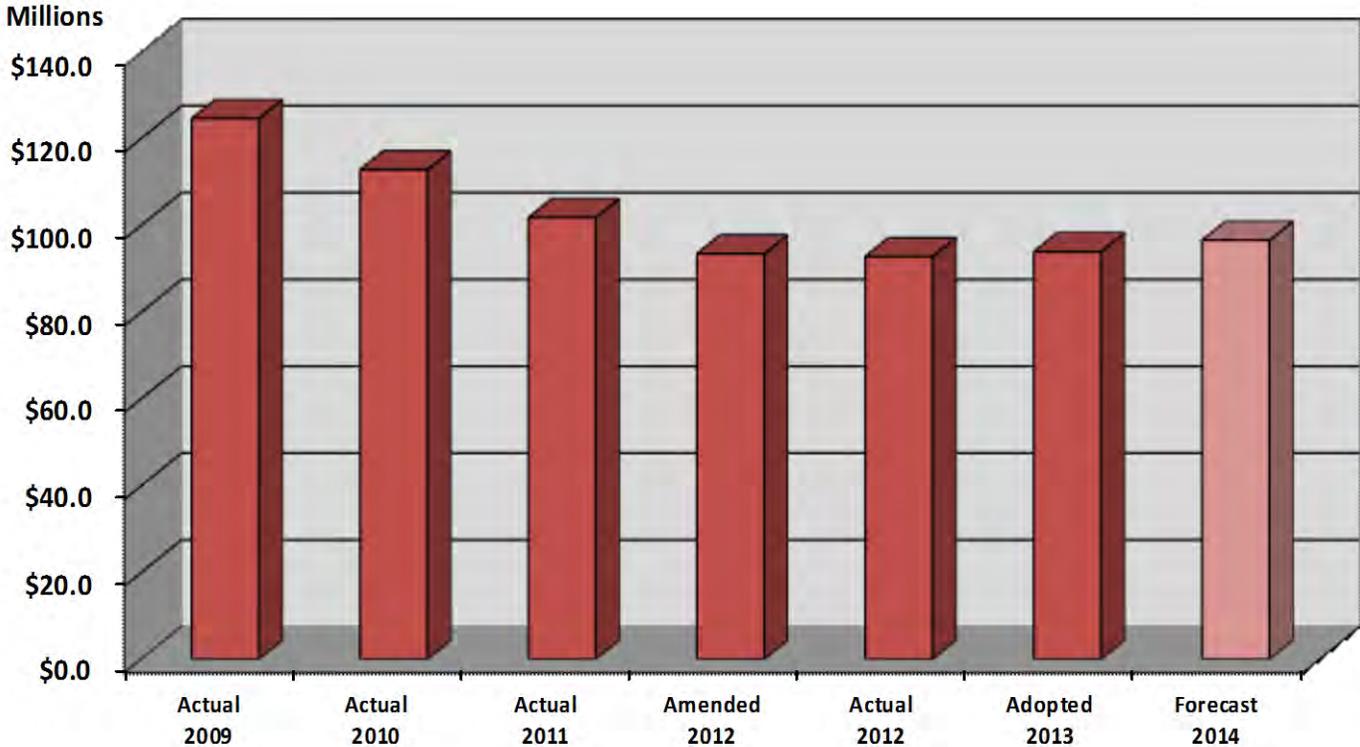
Major sources that make up the total General Fund revenues include: Ad Valorem (Property) Taxes (35.8%), Franchise Fees (6.2%), Sales and Use (Excise) Taxes (1.9%), Utility Taxes (13.5%), Charges for Services (7.7%), Licenses & Permits (1.2%), Intergovernmental (7.2%), Fines & Forfeitures (0.8%), and Miscellaneous (25.8%) revenues.

Most of the revenue sources are fixed and predictable, but a conservative rate of increase was applied based upon projected increases in the Consumer Price Index (CPI) and overall City growth potential. A description of each revenue source as well as a discussion and outlook for next year follows.



Ad Valorem Taxes

The adopted ad valorem or property tax millage for operating purposes is 4.1193 and generates \$93,930,068 million, or 35.8% of the General Fund revenue. The tax rate is made up of two components: operating millage rate and voted debt millage rate. A separate debt levy is used to pay debt service costs (principal and interest payments) on outstanding General Obligation Bonds (GOB). The revenue collected from the debt levy is deposited into the Debt Service Fund.

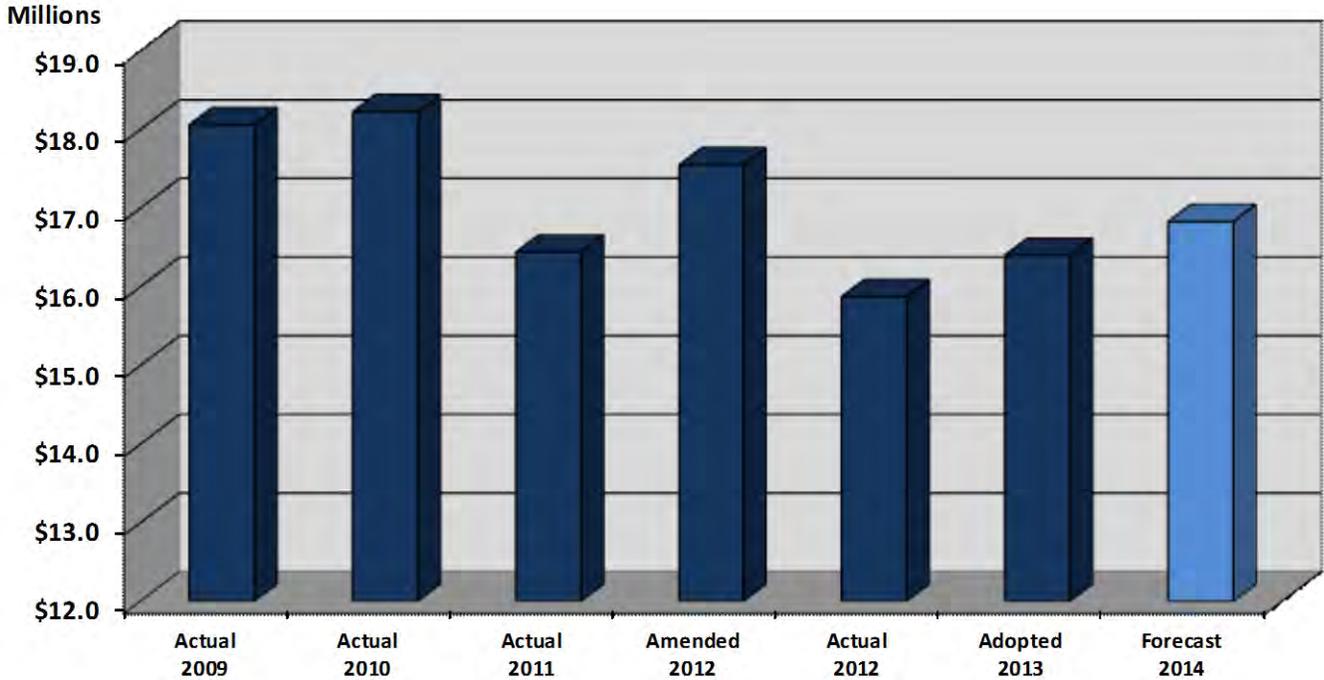


Over the last few years, property taxable values steadily declined due to the decrease in assessed valuations and “Save Our Homes” Constitutional Amendment to the Florida Constitution that provides an annual cap on the increase in taxable values for homestead exempted properties. However, in the FY 2013 tax roll, property taxable values increased by 1.7%.

The current outstanding debt issues include the General Obligation Fire Bond 2005, and the General Obligation Refunding Bonds 2011A and 2011B. The adopted debt service payment for the 2005 Fire Bond Issue is \$1,182,211, which requires a levy of \$1,182,401 and a millage of 0.0524. The adopted debt service payment for the General Obligation Refunding Bonds 2011A is \$1,150,100, which requires a levy of \$1,150,100 and adopted millage of 0.0510. The adopted debt service payment for the General Obligation Refunding Bonds 2011B is \$2,513,975, which requires a levy of \$2,515,988 and adopted millage of 0.1115. The Debt Service levy totals \$4,849,199. The City’s adopted combined Debt Service for FY 2013 is \$47.4 million. The adopted combined millage for operating and debt service for FY 2013 is 4.3342.

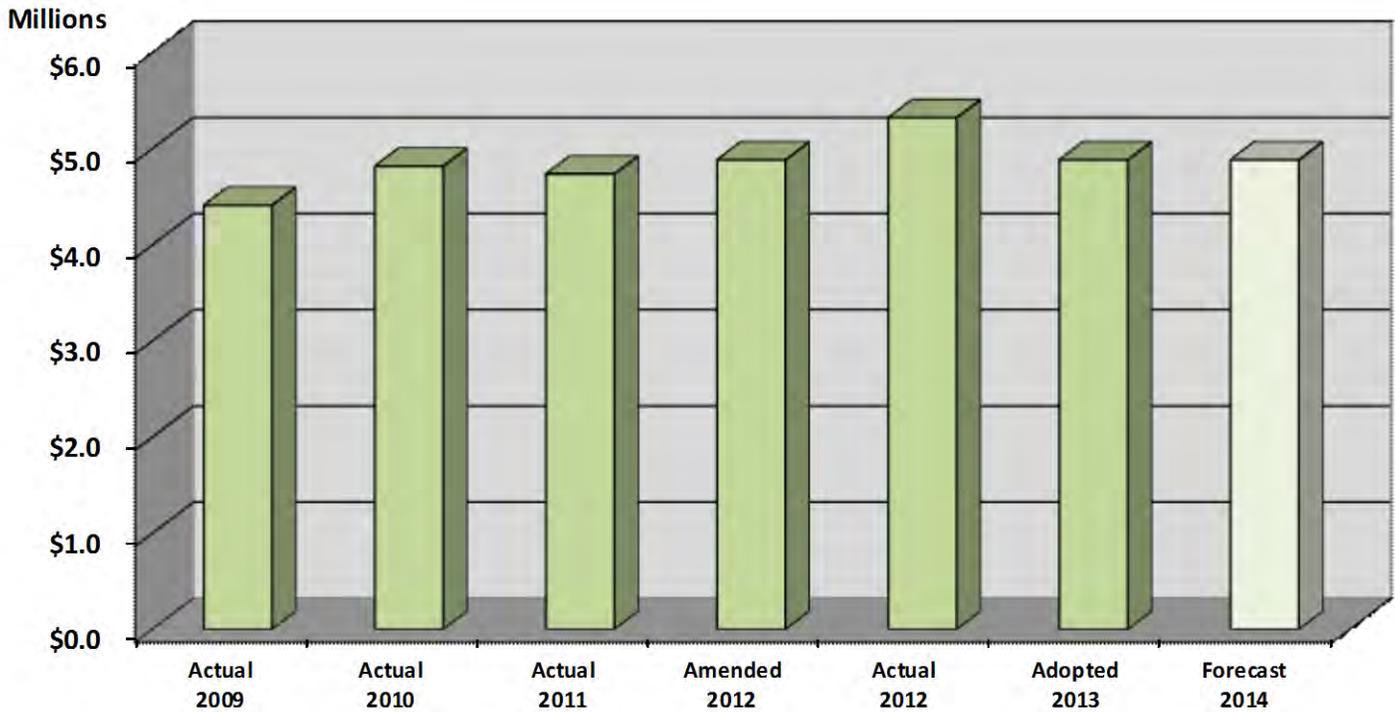
Franchise Fees

This revenue source consists of payments made by Florida Power and Light (FPL) and Peoples Gas for the privilege of constructing upon, and operating within, the rights-of-way owned by the City. The basis for the fees is provided for in long-term agreements for payment to the City of 6.0% of their gross revenue derived from accounts within the City limits, less property tax and minor fees previously paid to the City. Projected FPL and Peoples Gas franchise fees for FY 2013 are \$16,400,000, which represents a decrease of 6.6% from the FY 2012 amended budget.



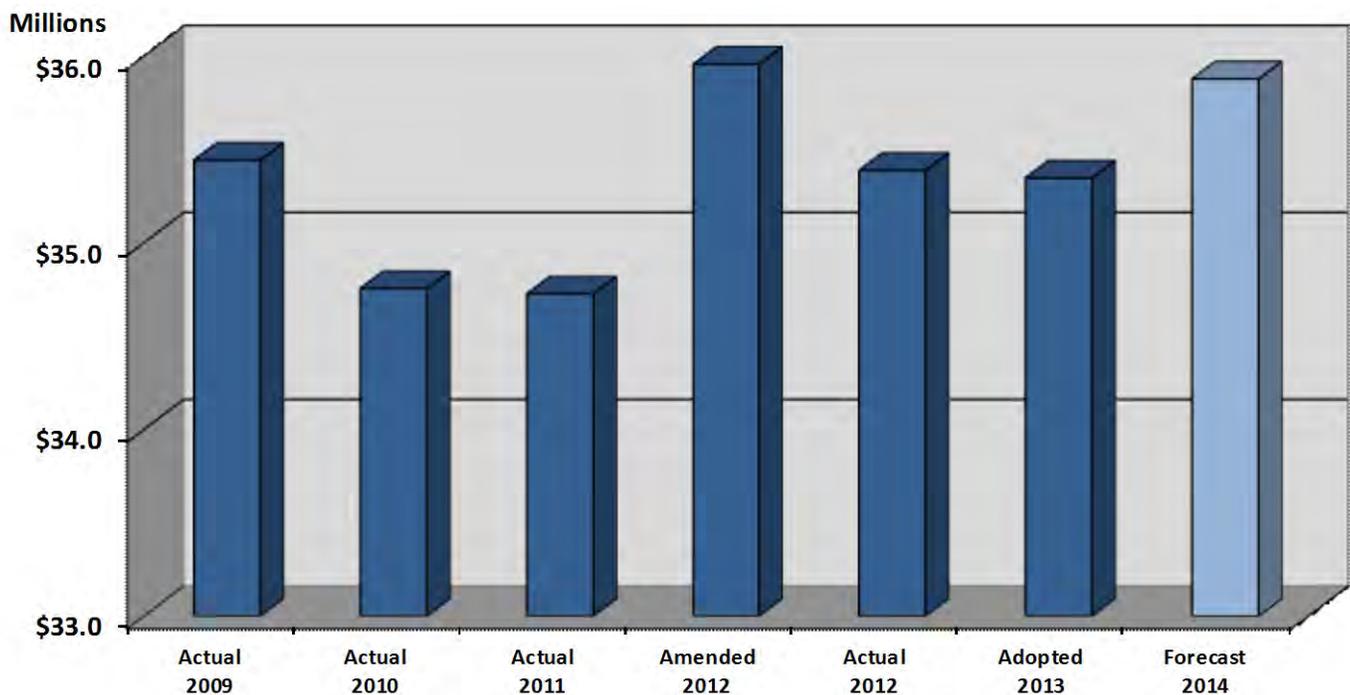
Excise Taxes

Florida Statutes provide for the levy of excise taxes of 1.85% on fire insurance premiums and 0.85% on casualty insurance premiums. These funds are passed through the General Fund as a revenue and an expense. Proceeds of these taxes are distributed to eligible municipalities to supplement the Pension and Retirement Trust funds for firefighters and police officers. The adopted revenue for FY 2013 is \$4,882,276, which is the same as the FY 2012 amended budget.



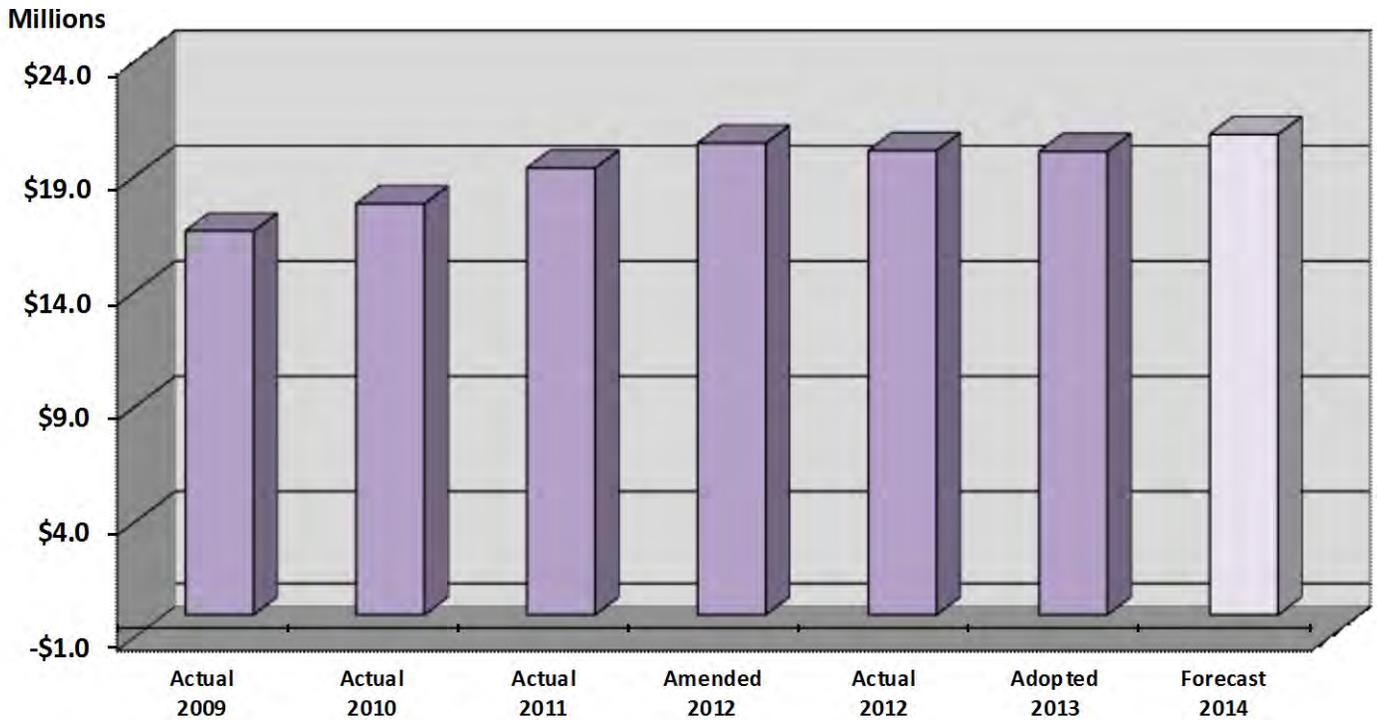
Utility Taxes

This category is comprised of three major components. The largest component is the City utility tax on electricity, charged by FPL to its customers. FPL utility tax is projected to be 46.8% of the adopted FY 2013 utility tax revenues. The second-largest source for this revenue category is the State Communications Services Tax. This tax represents 38.6% of the adopted FY 2013 utility tax revenue, based upon estimates from the Florida Department of Revenue. The third component of utility tax revenue consists of the combination of the City's 14.6% utility tax on gas and water utility bills for customers within the City. Water utility taxes increase as water rates increase. The adopted revenue for FY 2013 is \$35,346,075, which represents a 1.7% decrease from the FY 2012 amended budget.



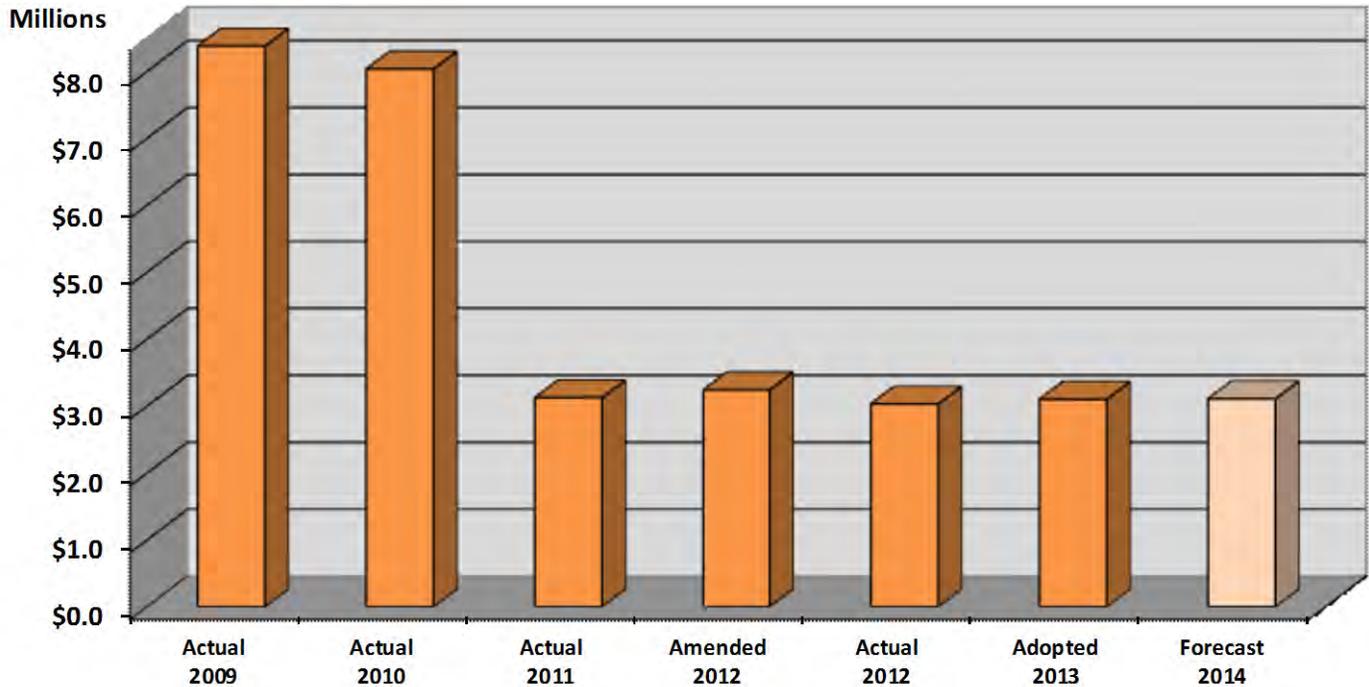
Charges for Services

This category is associated with revenue received from users of specific services, including fees for police, building inspections, planning, and docks, as well as parks and recreation. The adopted revenue for FY 2013 is \$20,096,159, which represents a 1.8% decrease from the FY 2012 amended budget.



Licenses & Permit Fees*

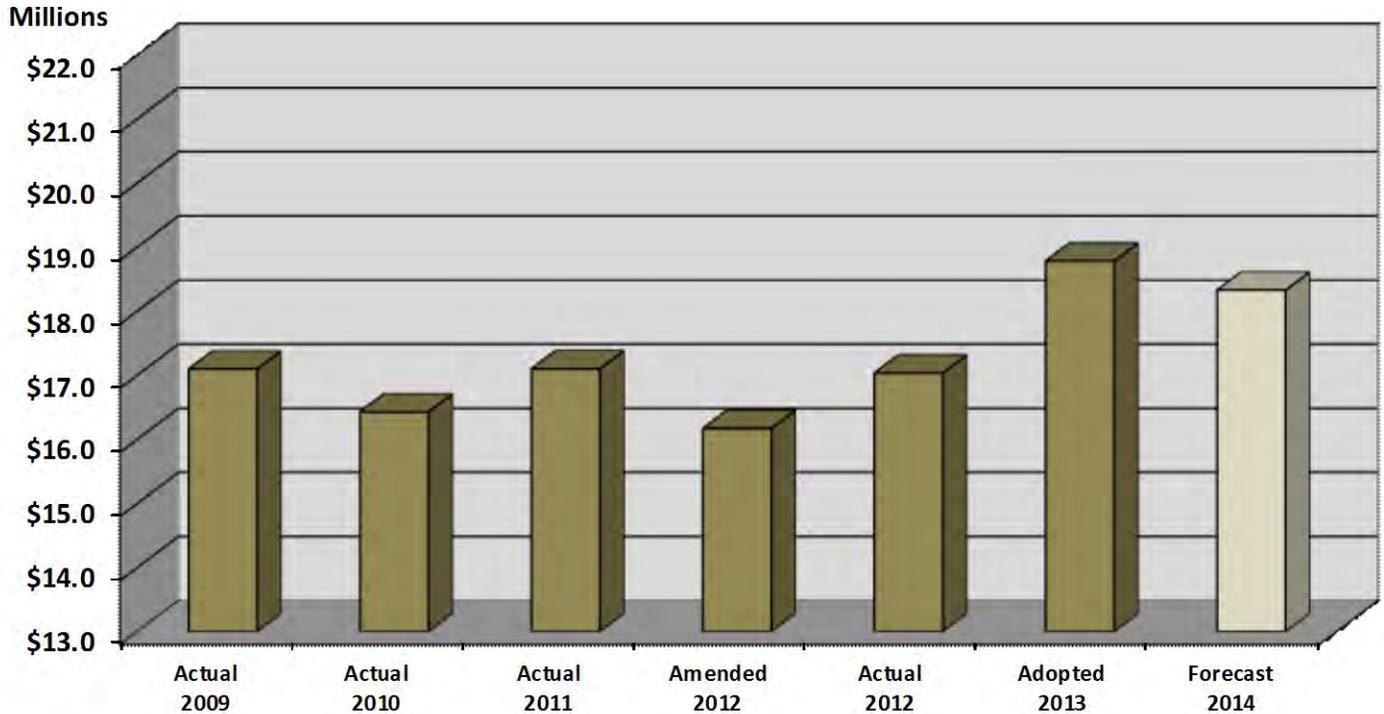
This revenue category includes local business tax receipts issued to authorize businesses to operate within the City limits and development permits issued to authorize building and construction within the City limits. The adopted revenue for FY 2013 is \$3,100,670, which represents a 4.3% decrease from the FY 2012 amended budget. A conservative approach to growth in new businesses (Occupational Licenses) was included in FY 2013.



**The Building Permit Fees were moved to the Building Fund in FY 2011.*

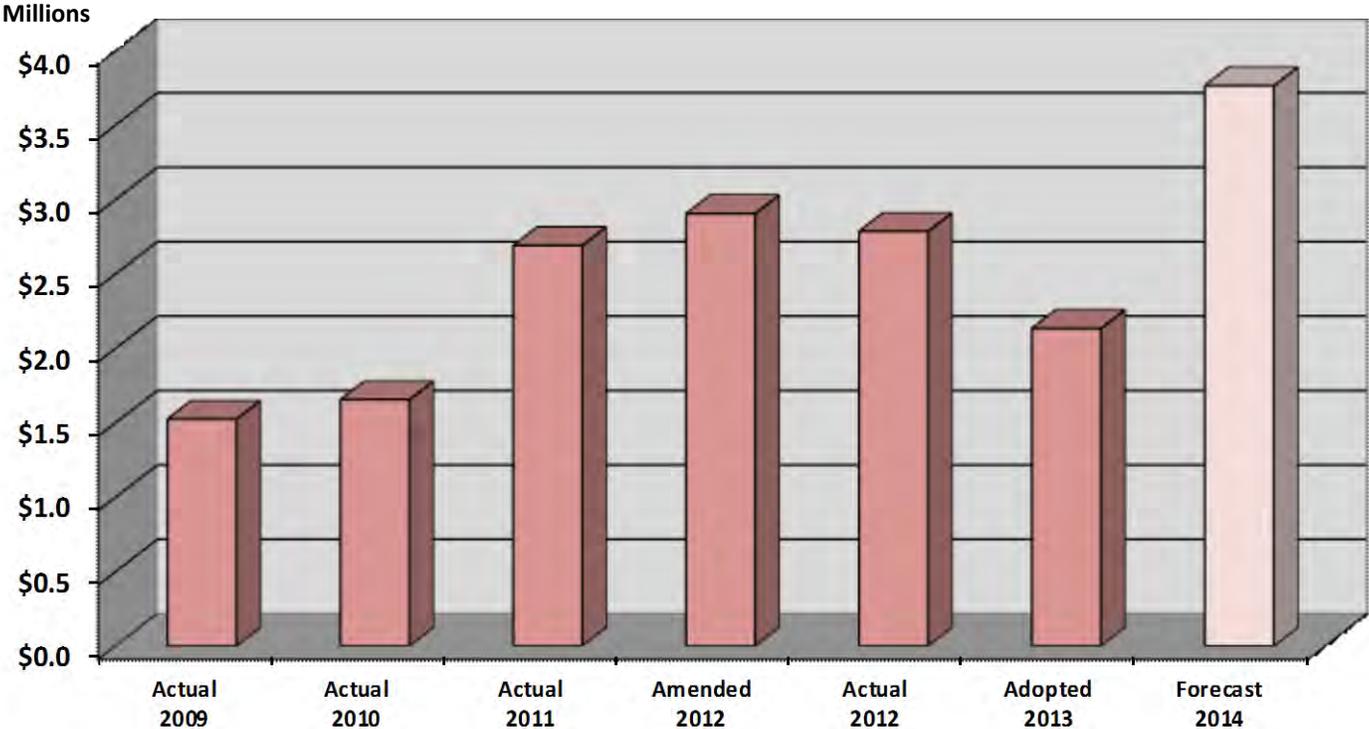
Intergovernmental Revenue

This revenue source is recurring State shared and County shared revenue. The State of Florida shares motor fuel, alcoholic beverage license, and sales tax revenue with local governments based on population. Broward County provides gasoline tax and local business tax receipt revenue. The adopted revenue for FY 2013 is \$18,780,975, which represents a 16.1% increase from the FY 2012 amended budget, primarily due to .2% increase in population from 165,521 to 165,921.



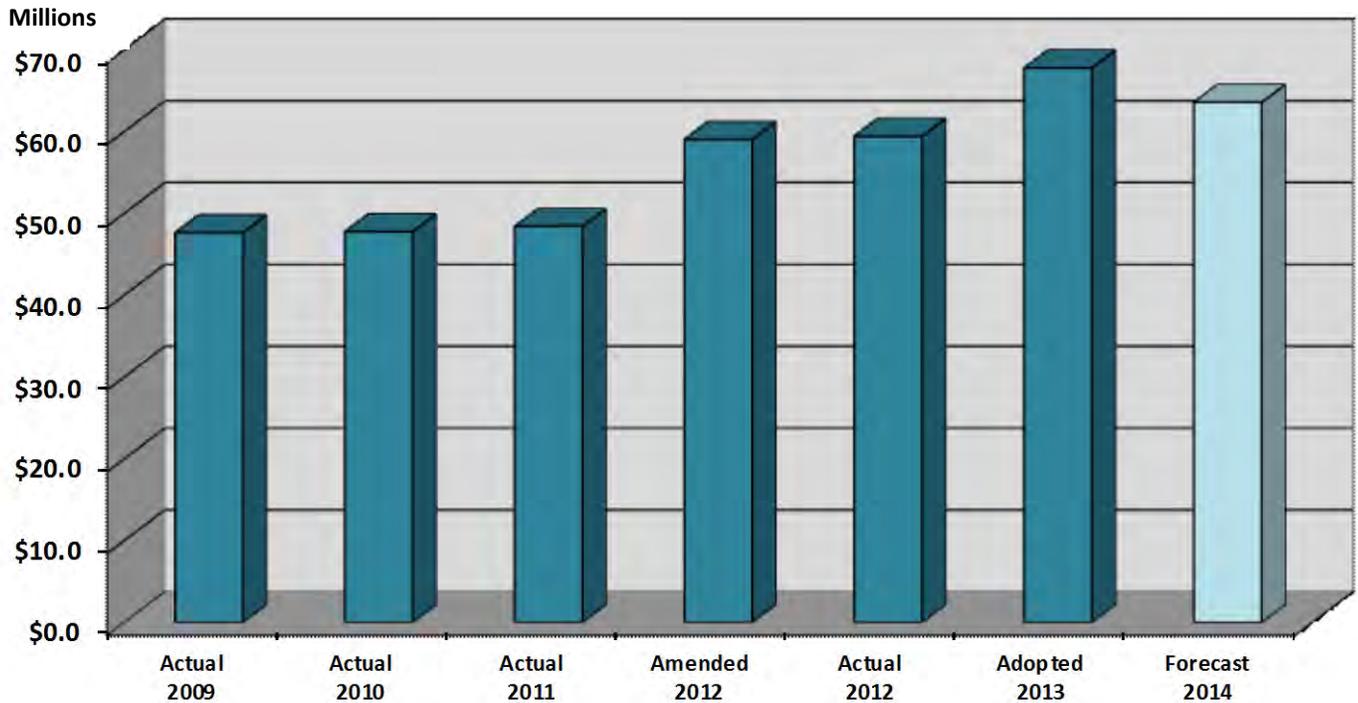
Fines & Forfeitures

This revenue category includes fines for traffic and other violations collected by the County on our behalf through the judicial process. This category represents less than 1.0% of all General Fund resources. The adopted revenue for FY 2013 is \$2,133,961, which represents a 26.5% decrease from the FY 2012 amended budget, primarily due to the decrease in revenue for the school crossing guard program, which was assigned to a special revenue fund in FY 2013.



Miscellaneous Revenue

This revenue source includes interest earnings, rents, fire assessment, and interfund charges. The fire assessment fee, which appears as a non-ad valorem charge on the tax bill, will remain the same in FY 2013 at an annual rate of \$135. The adopted miscellaneous revenue for FY 2013 including the Fire Assessment is \$67,769,547, which represents an increase of 14.8% from the FY 2012 amended budget.



Notes





FORT LAUDERDALE CITY COMMISSION

Mayor John P. "Jack" Seiler

Vice Mayor Bruce G. Roberts, District I

Commissioner Dean J. Trantalis, District II

Commissioner Bobby B. DuBose, District III

Commissioner Romney Rogers, District IV

Lee R. Feldman, City Manager

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