



Florida TaxWatch Palm Beach Budget Study

Revised to Address Issues Raised by Palm Beach County after July 12, 2006

The Florida TaxWatch Center for Local Government Studies

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Florida TaxWatch conducted this review consistent with its *Policies and Procedures to Maintain the High Quality, Integrity and Independence of Research Conducted by Florida TaxWatch and Its Centers of Excellence*, which apply to all TaxWatch projects. Although discussed with the Economic Council of Palm Beach during the project, the report was not approved or edited by the Economic Council. The purpose was to conduct a professional and non-partisan fiscal and budget review of the Palm Beach County FY 2007 budget proposal.

What Tax Watch Found

Tax burdens and tax growth are high compared to peers and other indices. Palm Beach County taxes have grown at faster rates than peer counties and faster than inflation, population and personal income rates. The proposed property taxes for FY 07 would result in additional growth of 18.3%, more than triple that of combined population and inflation growth (4.0%) and more than double that of personal income (7.5%). When collections from all county government levies are considered, Palm Beach's total tax burden is 12th in the state and 1st among the peer county group of Palm Beach, Broward, Hillsborough, Miami-Dade and Orange.

Palm Beach County has accumulated large unrestricted reserves in greater proportion to its revenues than peer counties. Capital project reserves are particularly large. The county may be designating revenues for capital projects faster than the county can reasonably acquire or construct the assets. The county's under-estimation of future balances to be carried forward contributes to larger reserves and overstates the need for taxes to pay for future needs.

The county uses "base + supplemental" budgeting, which does not prioritize "supplemental" increases and new capital projects and focuses little attention on whether "base" budgets are efficient and effective. The *Adopted* and *Proposed* Budget documents are prepared in different formats and are not reconciled back to the Comprehensive Annual Financial Report, which is an audited document maintained according to national standards.

Three Florida TaxWatch researchers worked on the project.

- **Dominic M. Calabro**, President and Chief Executive Officer. Calabro has served Florida TaxWatch since 1979 and has managed or directed hundreds of research projects on state and local government in Florida. Before joining TaxWatch in the early 1980's, Calabro served as an analyst with the Florida Senate Ways and Means Committee (later split into Appropriations and Finance and Taxation).
- **John W. Turcotte**, Senior Vice President for Research and Development. Turcotte served as the founding Director of the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) in 1996 and served until 2003. He is a public

administration consultant and trainer with experience in numerous states and with the federal government.

- **Kurt Wenner**, Senior Research Analyst. Wenner has over twenty years experience at TaxWatch where he specializes in governmental finance and operations. He has authored many of TaxWatch's major publications and has directed the "Turkey Watch" project for many years that has identified hundreds of legislative appropriation items that did not follow established legislative and executive justification procedures.

Tax and Revenue Analysis Palm Beach Property Tax Increases Proposed as of July 8, 2006

To fund the FY 2007 budget, Palm Beach County is recommending property tax millage rates that would bring in \$935 million -- \$145 million (18.3%) more than last year. This includes the county's four dependent special districts. Countywide levies of \$686 million are proposed -- a \$107 million (18.5%) increase.

The proposed millage rates are well in excess of the rolled-back rates. The rolled-back rate is defined as that millage rate which, exclusive of new construction, will provide the same property (ad valorem) tax revenue as was levied during the prior year. According to Florida law any millage rate over the rolled-back rate is a tax increase, and Palm Beach County is recommending a major tax increase for FY 2007.

The rolled-back rates for this year are 3.6940 mills (dollars per \$1000 of assessed value) for countywide levies and 5.1550 mills for the aggregate rate that is adjusted for the dependent districts. The proposed rates are 4.3500 mills (countywide) and 5.9335 mills (aggregate). While these are lower than last year's rates of 4.4500 and 6.0822, respectively, this is not a tax reduction. Rapidly escalating property values have allowed Palm Beach (and most other local governments) to propose lower rates while actually increasing taxes.¹

This is a statewide phenomenon that has coupled falling tax rates with rapidly increasing tax levies. Although tax levies have had double-digit growth in each of the last three years, millage rates at all levels of local government are decreasing. In fact, the average statewide millage rate (all jurisdictions) is the lowest it has been since 1989. The average county millage is the lowest it has been since 1987.

The proposed tax increase for Palm Beach County's new 2007 budget is \$123 million (15.1%). Of that, \$93 million are countywide levies, while \$30 million is for the four dependent special districts.

This follows tax increases of 13.3% in FY 06, 9.7% in FY 05 and 8.6% in FY04. If the proposed rate is adopted, it would bring the four-year total tax increase to \$323 million (\$236 countywide). The two-year increase would be \$216 million (\$161 countywide).

¹ The county-wide millages have changed. The millages reported above were prior to changes proposed to be made in July 6, 2006.

Property tax (and total tax) levies in Palm Beach County have been rising much faster than measures of the county's growth. The graph below shows growth in both property taxes and total taxes over ten years, compared to growth in inflation, population and personal income.

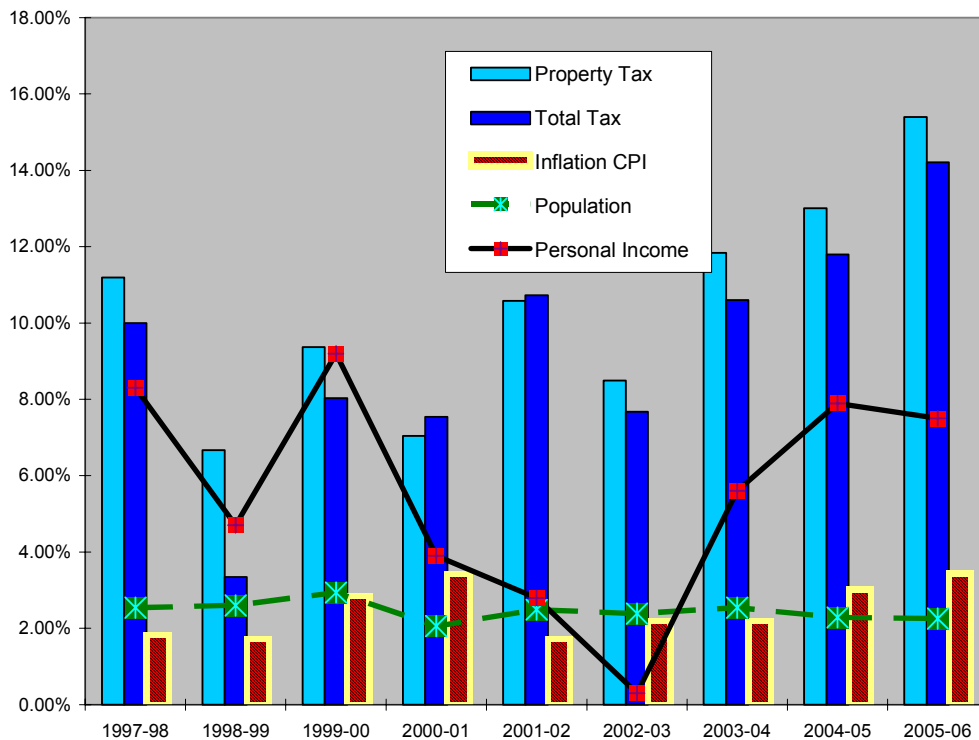
Property tax levies grew 143% from FY 97 to FY 06, and total taxes increased 122%. (Total taxes also include gasoline taxes, utility taxes, communications taxes, franchise fees, and tourist taxes.) During the same period, the combined growth in the inflation and the county's population increased only 55%. Personal income in Palm Beach grew by 62%.

The proposed property taxes for FY 07 would result in additional growth of 18.3%, more than triple that of combined population and inflation growth (4.0%) and more than double that of personal income (7.5%).

It must be noted that the property appraiser recently added more than \$3 billion to the county's estimate of taxable value. The estimate went from \$157.6 billion to \$160.8 billion. This higher estimate was not in place when the June budget proposal was developed. This means that the currently proposed millage rates would make available another \$18 million for this budget.

With the new tax roll, a countywide millage of 4.2623 is needed to raise the same revenue that the proposed 4.35 mill rate was expected to produce.

Rates of Increase of Palm Beach County Taxes Compared to Indices



Florida TaxWatch Graphic

Growth in Palm Beach County Taxes vs. Inflation, Population and Personal Income

Year	Property Taxes (thousand \$)	Total Taxes (thousand \$)	Property Tax		Total Tax	
			Annual Growth	Cumulative Growth	Annual Growth	Cumulative Growth
1996-97	325,528	431,001				
1997-98	361,942	474,096	11.19%	11.19%	10.00%	10.00%
1998-99	386,064	489,969	6.66%	18.60%	3.35%	13.68%
1999-00	422,230	529,327	9.37%	29.71%	8.03%	22.81%
2000-01	451,949	569,259	7.04%	38.84%	7.54%	32.08%
2001-02	499,743	630,295	10.58%	53.52%	10.72%	46.24%
2002-03	542,172	678,624	8.49%	66.55%	7.67%	57.45%
2003-04	606,326	750,538	11.83%	86.26%	10.60%	74.14%
2004-05	685,201	839,089	13.01%	110.49%	11.80%	94.68%
2005-06	790,713	958,316	15.40%	142.90%	14.21%	122.35%
2006-07	935,737	n/a	18.34%	187.45%	n/a	n/a

Year	Inflation (CPI)		Population		Combined Economic Growth Rate		Personal Income	
	Annual Growth	Cumulative Growth	Annual Growth	Cumulative Growth	Annual	Cumulative	Annual Growth	Cumulative Growth
1996-97								
1997-98	1.82%	1.82%	2.54%	2.54%	4.41%	4.41%	8.30%	8.30%
1998-99	1.73%	3.58%	2.60%	5.21%	4.38%	8.98%	4.70%	13.39%
1999-00	2.85%	6.54%	2.94%	8.30%	5.88%	15.39%	9.20%	23.82%
2000-01	3.42%	10.19%	2.06%	10.53%	5.55%	21.79%	3.90%	28.65%
2001-02	1.71%	12.08%	2.49%	13.28%	4.24%	26.96%	2.80%	32.25%
2002-03	2.19%	14.53%	2.39%	15.99%	4.63%	32.84%	0.30%	32.65%
2003-04	2.20%	17.04%	2.54%	18.94%	4.80%	39.21%	5.60%	40.08%
2004-05	3.01%	20.57%	2.28%	21.66%	5.36%	46.68%	7.90%	51.14%
2005-06	3.44%	24.72%	2.26%	24.40%	5.78%	55.15%	7.50%	62.48%
2006-07	1.77%	26.92%	2.23%	27.18%	4.04%	61.42%	7.50%	74.67%

Source: Florida TaxWatch, Palm Beach County, U.S. Dept. of Commerce and the Florida Legislature, July 2006.

Note: Combined Economic Growth Rate is population growth times inflation

Note: Personal income growth for FY05-FY07 is statewide, because local data is not available.

Generally, Palm Beach income growth has been lower than the statewide average in recent years.

Palm Beach County Property Tax Increases FY 2004 – FY 2007

2004	Roll-back	Roll-back	Adopted	Adopted	Tax Increase		% Inc.
	Rate	Taxes	Rate	Taxes	Millage	Dollars	
County Operating	4.1440	408,220,290	4.5000	443,645,071	0.3560	35,424,781	8.68%
Library District	0.4961	27,201,997	0.5403	29,625,558	0.0442	2,423,561	8.91%
Fire Rescue	2.8074	107,333,322	3.0500	116,608,475	0.2426	9,275,153	8.64%
Jupiter Fire Rescue	1.5610	7,834,997	1.6252	8,157,231	0.0642	322,234	4.11%
Glades Reg. Fire	1.0181	820,782	1.0212	823,281	0.0031	2,499	0.30%
Aggregate	5.5931	551,411,388	6.0744	598,859,616	0.4813	47,448,228	8.60%
2005	Roll-back	Roll-back	Adopted	Adopted	Tax Increase		% Inc.
	Rate	Taxes	Rate	Taxes	Millage	Dollars	
County Operating	4.1239	460,769,389	4.5000	499,946,980	0.3761	39,177,591	8.50%
Library District	0.4946	30,390,949	0.5403	33,199,009	0.0457	2,808,060	9.24%
Fire Rescue	2.7971	117,904,532	3.1990	134,845,589	0.4019	16,941,057	14.37%
Jupiter Fire Rescue	1.4511	8,603,773	1.5491	9,184,829	0.0980	581,056	6.75%
Glades Reg. Fire	0.9845	821,321	1.4032	1,170,622	0.4187	349,301	42.53%
Aggregate	5.5670	618,489,964	6.1058	678,347,029	0.5388	59,857,065	9.68%
2006	Roll-back	Roll-back	Adopted	Adopted	Tax Increase		% Inc.
	Rate	Taxes	Rate	Taxes	Millage	Dollars	
County Operating	3.9569	509,378,475	4.4500	578,194,939	0.4931	68,816,464	13.51%
Library District	0.4748	34,081,341	0.5650	40,555,934	0.0902	6,474,593	19.00%
Fire Rescue	2.7899	143,460,335	3.0990	159,354,665	0.3091	15,894,330	11.08%
Jupiter Fire Rescue	1.3695	9,504,289	1.6066	11,149,756	0.2371	1,645,467	17.31%
Glades Reg. Fire	1.4748	1,164,505	1.4032	1,107,969	-0.0716	-56,536	-4.85%
Aggregate	5.3689	697,588,945	6.0829	790,363,263	0.7140	92,774,318	13.30%
2007	Roll-back	Roll-back	Proposed	Proposed	Tax Increase		% Inc.
	Rate	Taxes	Rate	Taxes	Millage	Dollars	
County Operating	3.7717	593,143,000	4.3500	685,782,191	0.5783	92,639,191	15.62%
Library District	0.4815	41,960,110	0.5650	49,236,682	0.0835	7,276,572	17.34%
Fire Rescue	2.6360	164,809,472	2.9800	186,317,233	0.3440	21,507,761	13.05%
Jupiter Fire Rescue	1.3581	11,664,666	1.5129	12,994,237	0.1548	1,329,571	11.40%
Glades Reg. Fire	1.4373	1,114,061	1.8148	1,406,664	0.3775	292,603	26.26%

Property Taxes in Palm Beach County

While Palm Beach has been increasing taxes regularly and significantly, the same thing is happening in local governments all over the state. Still, its tax burden is bigger and growing faster than the average county, as well as among peer counties (five largest counties in population – Miami-Dade, Broward, Palm Beach, Orange, and Hillsborough).

Palm Beach has per capita taxable values of almost \$100,000. Because it has such high property values, its local governments can raise significant revenue with relatively low millage rates,

Florida TaxWatch has compared property tax burdens in Florida, not just for county governments, but cities, school districts and special districts. The focus of this report is on county governments, but by including all jurisdictions, the relative burden on taxpayers within each county is clearer.

County Property Taxes

Palm Beach County's per capita tax burden for county operating taxes is the 19th largest in the state, standing at \$446 per person. This ranks #2 among peer counties. However, when all county government levies are considered, Palm Beach's total county tax burden is 12th in the state and 1st among peers. This includes voted debt service millage, dependent special districts and MSTUs. These levies total \$654 per person and are 22% higher than the average county.

Palm Beach's county property tax levies grew 75% from 2001-2006. Surprisingly, this substantial growth is only the 23rd highest in the state, but again ranks first among the five peers.

Other Local Governments

It must be noted that, despite the county government's relatively high tax levies, the other taxing jurisdictions in the county (schools boards, cities and independent special districts) have even higher taxes. County levies comprise only 31% of Palm Beach's total property tax levies, the 5th smallest portion in the state.

The largest burden comes from the school district -- \$815 per capita. This is the 12th highest in the state and first among peers. Levies for municipalities and independent special districts are \$356 and \$255, ranking 2nd and 4th, respectively. Both of these are approximately twice the size of the state averages. Including all jurisdictions gives the average Palm Beach taxpayer the 7th highest total property tax burden in the state (and first among peers.)

How Palm Beach County Compares to the Rest of the State

Per Capita Property Tax Levies FY 2006

	Palm Beach	State Average	% of State Average	Rank (all counties)	Rank (5 largest cos)
Countywide Operating	445.98	416.08	107.2%	19	2
County Government (total)	654.27	538.21	121.6%	12	1
School District	814.50	568.61	143.2%	12	1
Independent Special Districts	254.81	117.49	216.9%	4	1
Municipal Government*	356.16	185.02	192.5%	2	2
Total	2,079.75	1,409.32	147.6%	7	1
Growth in County Levies (01-06)	74.95%	68.56%	109.3%	23	1
Growth in All Levies (01-06)	74.72%	68.01%	109.9%	20	1
Per Capita Taxable Value	99,998	71,772	139.3%	12	1

Palm Beach is one of 9 counties with a 0.5% local option sales tax (School Board).

Forty-eight counties have a higher rate, nine have no local option sales tax and one county has a 0.25% tax.

Palm Beach is one of 16 counties with the maximum local gas tax rate of 18 cents/gallon.

Per capita municipal tax levies uses total county population

Source: Florida TaxWatch using data from the Florida Department of Revenue, July 2006.

Total Governmental Revenues

While property taxes are the main revenue source for local governments, there are other revenue sources that help fund the county's budget. Other revenue sources include:

Other taxes- including motor fuel, tourist, utility and communications taxes and franchise fees.

Special assessments – non-advalorem assessments to pay for services that are of special benefit to the assessed properties

Impact fees - assessed to offset the cost of providing additional infrastructure required as a result of new development.

Intergovernmental revenue - including state-shared revenues and state and federal grants.

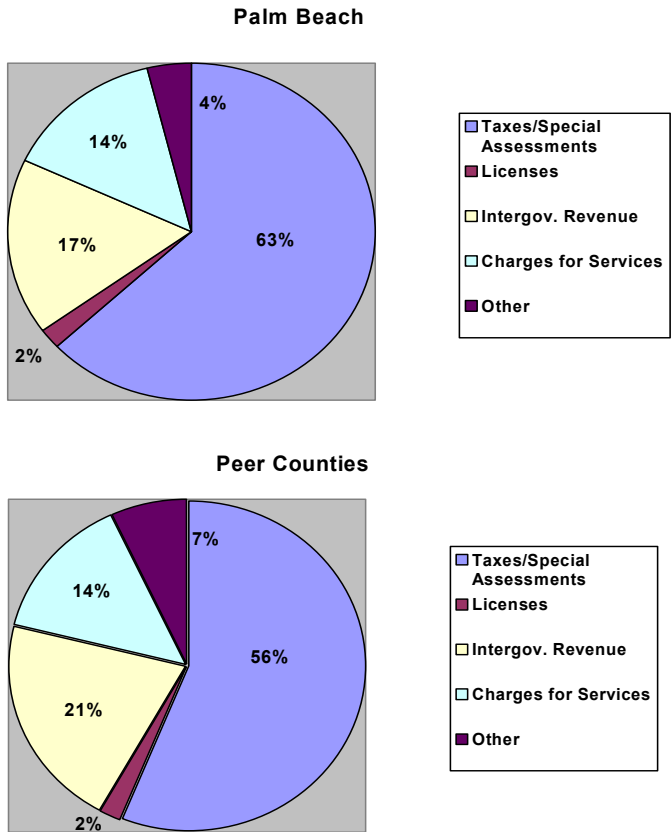
Charges for Services – including water and sewer charges, airport fees, bus fares and golf course green fees.

Other revenues – include interest earnings, fines and forfeitures, sales of assets rents and contributions.

Florida TaxWatch compared all governmental revenues reported by Palm Beach and the other four largest Florida counties over the period of FY 2001 to FY 2005. The charts below compare the composition of Palm Beach's total governmental revenues with that of the peer

counties. Palm Beach relies more on taxes, special assessments and impact fees to fund its budget than the other peers. In fact, Palm Beach has the second largest amount of county impact fee revenue in the State, behind only Orange County. According to information from the Legislative Committee on Intergovernmental Relations, Palm Beach collected \$94 million in impact fees in 2004 and Orange collected \$120 million. The next highest reporting county was Pasco, with \$43 million.

Sources of Governmental Revenue Palm Beach and Peer Counties FY 2006



Source: Florida TaxWatch and county Comprehensive Annual Financial Reports, July 2006. Note: Taxes/Special Assessments include impact fees.

Total county revenues increased 41% from FY 2001 to FY 2005 in Palm Beach, which was the highest growth among peers. Over this period, Miami-Dade and Hillsborough grew by 39%, Hillsborough grew by 34% and Orange grew 30%.

Despite rapid tax growth the fastest increasing revenue source for all the counties was charges for services.

In Palm Beach, the major revenue sources increased their share of total revenues over this time, while the more minor categories have gotten even smaller. The revenue collections from the components of the “other” category have actually decreased in

actual dollars collected. Fines and forfeitures have fallen from \$20 million in 2001 to \$7 million in 2005. And like all governments, interest earnings are well down over this period.

Other jurisdictions in Palm Beach County also have high taxes. When all local governments are considered, the relative size of the average Palm Beach taxpayer burden is even higher. Including all jurisdictions gives the average Palm Beach taxpayer the 7th highest total property tax burden in the state (and first among peers.) This burden is almost one-and-a-half times that of the average Florida household.

The growth of all county governmental revenue is also higher than that of the peer counties. Palm Beach also relies more heavily on taxes, special assessments and impact fees to fund its budget than do the peers.

Analysis of Expenditures, Reserves and the County Budget Process

Palm Beach County is considering FY 2007 appropriations of \$1.147 billion, which is an increase of 14.2 % or \$142.3 million above the adopted FY 2006 budget.

Cumulative Spending Growth Rates from Fiscal Year 1996-97 to 2004-2005 Palm Beach and Peer Counties

Fiscal Year	Palm Beach	Broward	Hillsborough	Miami-Dade	Orange	Four Peer
1997-98	-2.0%	2.0%	17.7%	2.2%	6.7%	4.7%
1998-99	1.2%	0.5%	21.9%	3.9%	23.7%	8.0%
1999-00	8.7%	14.4%	30.2%	11.5%	28.3%	16.5%
2000-01	21.4%	24.7%	44.7%	20.0%	37.6%	26.2%
2001-02	28.7%	37.1%	57.2%	29.9%	46.5%	36.7%
2002-03	34.6%	41.3%	66.8%	43.4%	80.5%	50.6%
2003-04	46.3%	48.6%	80.0%	51.1%	55.3%	54.9%
2004-05	66.6%	51.5%	82.6%	57.3%	63.6%	60.3%
Rank	2	5	1	4	3	

Source: *Counties' Comprehensive Annual Financial Reports* and the Florida Legislative Committee on Intergovernmental Relations. Revised July 24, 2006.²

Expenditures as a Percentage of Total and Per Capita Palm Beach County and Peer Counties FY 2005

Category of Expense	Palm Beach			Broward		Hillsborough		Miami-Dade		Orange	
	Amount	%	Per Capita	%	Per Capita	%	Per Capita	%	Per Capita	%	Per Capita
General Governmental Services	\$ 266,333,173	14.9%	\$ 209.61	9.3%	\$ 102.11	18.1%	\$ 258.18	7.7%	\$ 197.27	14.6%	\$ 200.23
Public Safety	514,830,158	28.7%	\$ 405.17	31.2%	\$ 342.29	25.0%	\$ 357.50	17.3%	\$ 446.43	32.0%	\$ 439.39
Physical Environment	23,607,179	1.3%	\$ 18.58	6.8%	\$ 74.22	2.3%	\$ 32.49	2.6%	\$ 66.17	4.1%	\$ 56.22
Transportation	133,742,817	7.5%	\$ 105.26	6.9%	\$ 75.30	3.9%	\$ 55.30	2.5%	\$ 65.48	11.2%	\$ 153.16
Economic Environment	56,103,756	3.1%	\$ 44.15	6.6%	\$ 72.35	3.4%	\$ 48.36	3.6%	\$ 93.63	2.3%	\$ 31.89
Human Services	87,112,369	4.9%	\$ 68.56	1.3%	\$ 13.89	12.7%	\$ 182.25	5.5%	\$ 140.43	10.2%	\$ 140.34
Culture and Recreation	88,698,037	4.9%	\$ 69.81	1.0%	\$ 10.50	5.3%	\$ 75.96	6.2%	\$ 158.96	4.6%	\$ 63.54
Capital Outlay	253,918,590	14.2%	\$ 199.84	11.1%	\$ 121.54	8.8%	\$ 126.35	3.5%	\$ 90.74	0.0%	\$ -
Debt Service	95,037,434	5.3%	\$ 74.79	5.4%	\$ 59.67	6.1%	\$ 87.08	1.7%	\$ 44.42	3.6%	\$ 49.48
Total Governmental	\$ 1,519,383,513	84.8%	\$ 1,195.76	79.4%	\$ 871.86	85.6%	\$ 1,223.47	50.6%	\$ 1,303.54	82.6%	\$ 1,134.25
Proprietary Operating Expenses	\$ 273,097,149	15.2%	\$ 214.93	20.6%	\$ 226.05	14.4%	\$ 206.64	49.4%	\$ 1,271.89	17.4%	\$ 238.17
Total	\$1,792,480,662	100%	\$1,410.69	100%	\$1,097.91	100%	\$1,430.11	100%	\$ 2,575.42	100%	\$1,372.42

Source: *Counties' Comprehensive Annual Financial Reports*, the Florida Auditor General, and the Florida Legislative Committee on Intergovernmental Relations.²

² Florida TaxWatch revised the expenditures reported in our earlier July 12, 2006 report. The FY 2004 and FY 2005 expenditures for all counties in our July 12 report contained Intergovernmental Service Expenditures, which were included in *Total Expenditures/Expenses* by the Auditor General's website at Row 34, Column F of the spreadsheet data downloadable from:

<http://www.state.fl.us/audgen/local%20govt/Financial%20Data/Counties/Palm%20Beach%20County.xls>. However, the FY 1996-FY 2003 expenditures reported by the Legislative Committee on Intergovernmental Relations excluded Intergovernmental Service Expenditures. To assure consistency with earlier periods, Florida TaxWatch deducted Intergovernmental Service Expenditures for FY 2004 and FY 2005.

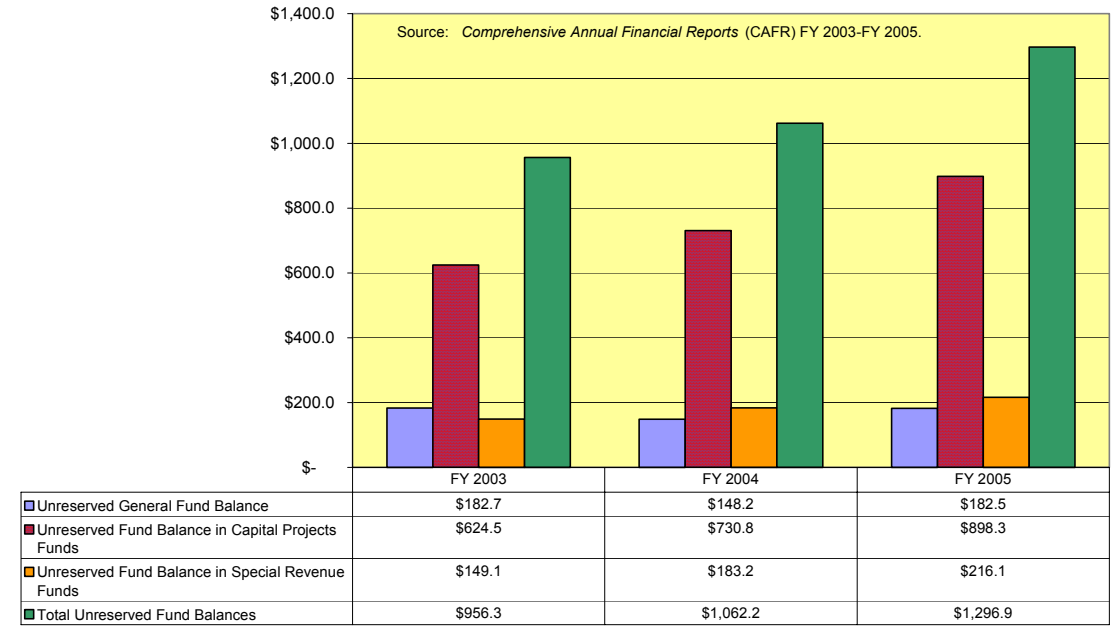
Expenditures in all five counties outpaced the consumer price index. Cumulative expenditures in Palm Beach County grew faster than the county population and county personal income—indicating that services have increased substantially or that county governmental productivity has decreased or both.

Palm Beach ranked third lowest in FY 2005 among the five peers in per capita spending. General government spending per capita in Palm Beach County was \$1,196 and \$1,411 when spending for proprietary services (garbage, water, etc.) is included. However, peer counties including Palm Beach varied slightly in total per capita spending.

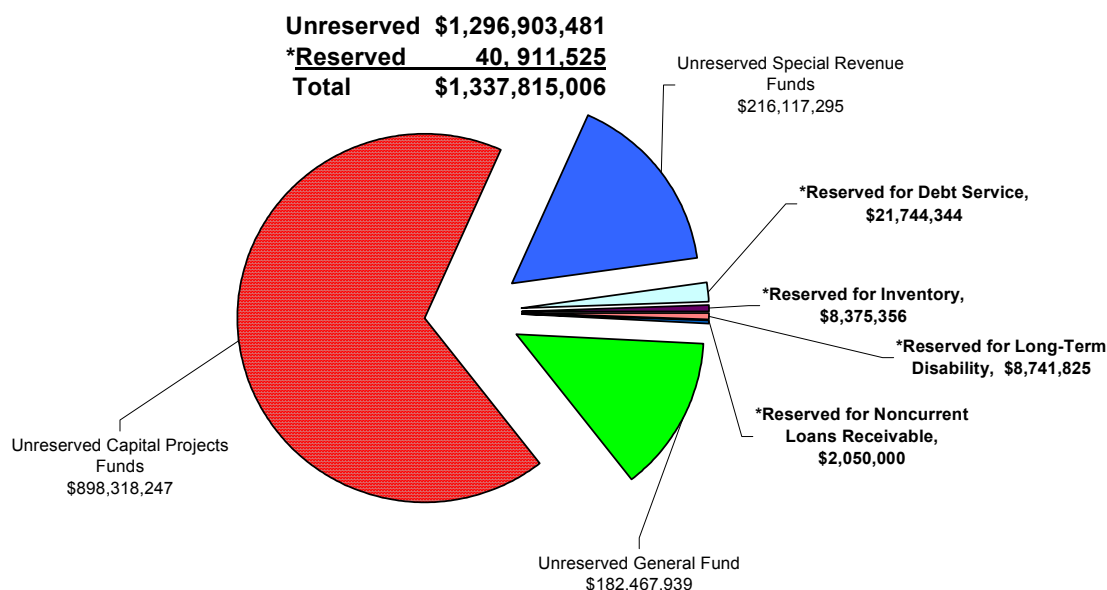
The county is justified in maintaining a general revenue reserve as a good financial management practice. However, reserves appear excessive compared to peers and other AAA bond-rated counties. The county may be designating revenues for capital projects faster than the county can reasonably acquire or construct the assets. Palm Beach County keeps higher reserves than its Florida peer counties and two other southeastern USA counties with AAA bond ratings (there are only 22 nationwide). From FY 1997-98 to FY 2005, county spending increased by 81%, but during the same period, reserve balances tripled. In comparison, the unreserved general fund increased 252% and capital project funds increased 219%.

What the County Said About the Discretionary Nature of Fund Balances in 2005
 "Approximately 96.9% of ending combined fund balances, or \$1.297 billion, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the funding is primarily reserved for long-term disabilities, inventories, and debt service."
 Source: *Palm Beach County Management Discussion and Analysis*, p. xx. CAFR, 2005.

Palm Beach County Unreserved Fund Balances FY 2003-2005
 \$Millions



Palm Beach County Fund Balances FY 2005



Source: Palm Beach County, *Comprehensive Annual Financial Report*, FY 2005

The ratio for unreserved fund balances to revenues of 71% is much higher than all other peer counties. The county continues to increase the balances. In order to compare reserves of Palm Beach County with other large counties in Florida, we used a database and analysis methodology applied by the Florida Auditor General for local government financial oversight. The Auditor General administers a local government financial assessment program using cost data from each Florida county annual *Comprehensive Annual Financial Report* (CAFR). The CAFR resulted from a need to provide uniformity among state and local governmental entities and is regulated by the National Governmental Accounting Standards Board. The Florida Auditor General recommends that local entities monitor financial condition to detect trends or patterns that might signal pending financial difficulty.

The financial condition ratios indicate that Palm Beach County is in excellent financial shape. The county's financial strength is also reflected in its superior AAA bond rating—the county is the only Florida county with an AAA rating, which allows lower cost long term financing. To determine if these ratios were reasonable, we compared Palm Beach County reserve ratios to two other counties in the southeastern United States—Fairfax County Virginia and Cobb County Georgia, both urban counties with growing populations.

Fairfax County Virginia has held its AAA bond rating since 1975. Its policy toward budget reserves is stated in its FY 2005 CAFR and requires not less than 2% of combined general fund disbursements to be kept in a managed reserve and in addition a revenue stabilization fund not exceeding 3% of combined general fund disbursements in any given fiscal year. Fairfax County's general government fund balance reserves to

total general revenue ratio at the end of FY 2005 was 10.8%. On the same measure, Palm Beach County maintained a 71.8% reserve.

Palm Beach County has a stated policy of maintaining a 10.8% undesignated government reserve. By several measures, the county has maintained reserves higher than 10.8%. The most liquid county fund is its general government fund. According to the FY 2005 CAFR, the general fund held an unrestricted and undesignated reserve of \$182.5 million, which was 26.2% of general fund revenues of \$696.1 million. The \$182.5 million in general reserves plus the \$36.2 million reserve in the Fire Rescue fund plus the \$1.9 million reserve in the Sheriff fund together totaled \$221 million, which meant that these primary government funds had reserves equivalent to 25% of the \$872.9 in total revenues for these funds.

Another \$898.3 million remained in capital projects funds at the end of FY 2005 after capital expenditures were made from those funds of \$306 million. The capital projects fund balance at year end was 59.7% of general government revenues of \$1.5 billion.

Unreserved Fund Balance Ratios Palm Beach and Peer Counties FY 2001-2005

Ratio	County	2001	2002	2003	2004	2005
Unreserved General Government Fund Balances/Total General Revenues	Palm Beach*	64.3%	61.1%	67.2%	67.0%	71.8%
	Broward	42.7%	44.8%	43.8%	40.9%	49.6%
	Hillsborough	6.9%	11.6%	11.3%	14.0%	8.3%
	Miami-Dade	11.3%	11.4%	8.8%	5.7%	21.7%
	Orange	16.1%	15.3%	14.5%	12.0%	16.2%
	Cobb County Georgia*	-	-	-	-	32.8%
	Fairfax County Virginia*	-	-	-	-	10.8%
Unreserved Capital Projects Fund Balances/Total General Revenues	Palm Beach*	49.5%	46.3%	52.0%	55.7%	59.7%
	Broward	28.7%	30.7%	31.8%	29.6%	35.5%
	Hillsborough	-1.4%	1.9%	2.7%	4.3%	0.1%
	Miami-Dade	7.5%	8.4%	6.7%	3.7%	17.7%
	Orange	0.6%	0.9%	4.2%	3.9%	1.8%
	Cobb County Georgia*	-	-	-	-	16.9%
	Fairfax County Virginia*	-	-	-	-	3.6%

* Counties with AAA Bond Ratings

Source: Counties' *Comprehensive Annual Financial Reports* and Florida Auditor General.

**Unreserved Fund Balances
Palm Beach County
FY 1996-2005**

Year	General Unreserved	Capital Projects Unreserved	Special Revenue Unreserved	Total Unreserved	Annual % Change
1995-96	\$ 53,051,683	\$ 296,898,270	\$ 114,038,587	\$ 463,988,540	
1996-97	49,860,611	263,964,563	111,150,752	\$ 424,975,926	-8.4%
1997-98	60,837,262	282,009,744	114,353,617	\$ 457,200,623	7.6%
1998-99	92,814,109	290,990,291	114,678,871	\$ 498,483,271	9.0%
1999-00	132,750,125	402,512,167	119,795,565	\$ 655,057,857	31.4%
2000-01	157,777,257	528,026,445	138,093,464	\$ 823,897,166	25.8%
2001-02	177,405,978	553,193,800	173,883,854	\$ 904,483,632	9.8%
2002-03	182,729,927	624,543,322	149,100,263	\$ 956,373,512	5.7%
2003-04	148,241,675	730,838,681	183,168,481	\$ 1,062,248,837	11.1%
2004-05	182,467,939	898,318,247	216,117,295	\$ 1,296,903,481	22.1%
Cumulative % Change Since 1995-96	243.9%	202.6%	89.5%	179.5%	

Source: Palm Beach County *Comprehensive Annual Financial Report*, FY 2005

The county itself may designate unreserved capital project funds for projects, but the county may also remove the designation or re-designate the funds to other projects unless there is an outside restriction, such as state law. A designation by the county of funds for a future capital project is not an accounting “restriction.” If there is an outside restriction on use of the funds, the county should reclassify them as “restricted” funds. It appears that given the increasing size of the capital projects fund, the county may wish to consider a comprehensive review of all designated projects to determine if all projects are still warranted and if so to prioritize them. The county is considering over \$200 million in additional capital projects for FY 2007. We did not examine them in detail; therefore express no opinion as to the merits of some or all of them. We acknowledge, however, that Palm Beach County is a growing area and infrastructure needs may not be keeping pace with the needs for an expanding population. Given the size and scope of these increases, however, further scrutiny is warranted to determine if increasing taxes and then adding an ever-increasing portion of those taxes to capital projects is warranted.

While having adequate reserves for emergencies and revenue shortfalls is sound public policy, accumulating operating reserves in increasing proportions of total taxes collected without any ceiling constitutes transfer of taxpayer assets to government without a compelling reason. We suggest that the county consider establishing an official fixed cap on reserve funds as is done by Fairfax County Virginia. The size of each reserve fund could be a percentage of revenues or of expenditures, but would not increase in percentage from year to year, unless the county changed its reserve policy. The percentages could be established based upon recommendations from actuaries for emergency reserves maintained for manmade or

natural disasters. Other reserves for revenue stabilization could be based upon recommendations from public finance experts.

We suggest that the county consider a budget system that is based upon selective investment of tax dollars using a variety of well thought out priority budget processes that address county priorities. The suggested system would be a bottom up process. Each smaller department or organizational unit within each large department, termed “decision units,” would propose several budget priorities consisting of what it would cost to achieve alternative levels of services such as:

- Minimum level of service *substantially* below current funding levels. Investing below this level would continue the program but would be wasteful, as the activity would then effectively be eliminated.
- Reduced level of service (could be several reduced levels) accomplishable at varying stair-stepped funding decrements up to 10%-20% below current levels, e.g. increasing response times, closing facilities on weekends, etc.
- Current levels of service at the lowest cost to maintain that service level, but not necessarily the existing funding level.
- Enhanced levels of service (could be several enhanced levels), e.g. reducing response times, increasing hours a facility is open to the public, etc.

Particular attention should be paid to performance measures accompanying priority packages. A valid performance measurement system will enable a taxpayer to determine what services and activities were performed at what unit cost and to what immediate, intermediate and ultimate ends. The focus should be on value for money. Appropriations should be directed at results and not processes.

Palm Beach County does not use a priority system. The county commission approves funding levels for whole departments and some lower level programs separately, but does not express priorities other than what is reflected in the percentage distribution of funding among departments and the percentage increase in each department’s funding compared to the prior budget period. These relative changes in funding may just be an artifact unrelated to service levels or relative merit—as funded, a program might be just more expensive, such as labor-intensive programs with higher fringe benefits (law enforcement).

Palm Beach’s budget and financial reports, as are those of many counties, are inconsistent and difficult to understand. If a resident of Palm Beach County wants to determine how the current FY 2007 budget proposal differs from FY 2006 (current year) as well as earlier fiscal years, the resident must review three documents all of which are different.

- **The most recent Palm Beach County *Comprehensive Annual Financial Report (CAFR)* covers the fiscal year ended September 30, 2005.** The CAFR is an excellent document because it is audited and is prepared in accordance with Government Accounting Standards Board requirements.

- **The county prepares the *Adopted Budget* for FY 2005 and for the current year, FY 2006**, which specify spending limits, in different formats from the CAFR. The *Adopted Budget* is very detailed and has been recognized for its quality by the Government Finance Officers Association. However, an informed taxpayer would have great difficulty reconciling the *Adopted Budget* numbers to the audited CAFR numbers, without consulting either a Certified Public Accountant or a county budget analyst.
- **The *proposed FY 2007 Budget* document is different in format and content from both the CAFR and the prior year *Adopted Budget*.**

The county should consider preparing its FY 2007 proposed budget in the same format as the CAFR or at least include a table reconciling the proposed budget to the CAFR's Statement of Revenues, Expenditures and Changes in Governmental Funds. If this were done, it would be possible for any informed taxpayer to track spending proposals and to tie those proposals back to audited financial statements. This would also enhance the accountability of the budget and spending policies and practices of the county.

Need for a Sunset Review Process. Sunset Review is a serious process whereby automatic repeallers are placed into the authorizing ordinance or other document used to create programs or projects. Repeallers are staggered among programs and projects to allow an annual review of a limited and workable number of programs and projects. Prior to the repealler's effective date, the County Internal Auditor could conduct a detailed performance and expenditure review to determine if the program should be continued, limited or changed, abolished, or even enhanced. Auditors should be candid about programs that cannot or will not demonstrate cost effectiveness of programs and projects. Auditors and program evaluators assigned should be given independence and be encouraged to speak freely about obsolete programs or inefficiency without threat of reprisal. The State of Florida is renewing its Sunset Review process under legislation passed during the 2006 session, which could be used as a model by Palm Beach County.

We suggest several ways the county may reduce spending proposed for FY 2007 and in the future.

Request county engineering staff to conduct a detailed review of the capital projects budget. Staff should priority rank order all previously authorized projects that are not under contract in the capital projects fund along with those that are newly proposed for FY 2007. Old uncontracted projects would have to compete in the priority process. We suggest that this process could reveal projects that could be moved up in priority and others that could be eliminated, reduced in scope or cost. Projects that are required by state law or other outside funding restrictions should be reclassified as genuinely restricted fund projects.

Review the accuracy of projected balance forward funds. As illustrated in the table below, the general fund balance forward that was estimated in the final *Adopted Budget* documents was an average of 13% below what was actually carried forward as shown by the audited county *Comprehensive Annual Financial Report* for each year.

General Fund October 1 Fund Balance				
CAFR Year and Ref	Original Budget	Actual Per CAFR	Difference	% Under Actual
FY 2003, p. 133	\$ 130,747,244	\$ 178,532,375	\$ 47,785,131	27%
FY 2004, p. 133	\$ 162,994,440	\$ 172,581,365	\$ 9,586,925	6%
FY 2005, p. 149	\$ 142,657,198	\$ 149,745,971	\$ 7,088,773	5%
ThreeYear Combined	\$ 436,398,882	\$ 500,859,711	\$ 64,460,829	13%

Consider not adopting \$4.9 million in new spending proposed since the June 8, 2006 workshop. The proposed July 13 budget workshop package proposes spending \$4,903,714 more in FY 2007 than proposed to the County Commission on June 8. The June 8 package contained \$5,458,658 in unallocated funds. Of that, the county proposed to spend \$861,387. In addition, after the County Appraiser increased preliminary property values, \$4,042,327 in additional spending was proposed out of the additional property taxes from the updated appraisal of \$13,319,472 after deducting statutory reserves.

Have department heads and county budget analysts rank order all supplemental FY 2007 items in *priority* order. The commission then would have an objective means to evaluate the relative merit of supplemental proposals.

Consider merging independent administrative and support units of separate constitutional offices. As fixed costs, administration and support functions are not efficient unless there are sufficient transactions to lower unit costs and provide greater specialization.

Review and eliminate all lump sum funds to be spent at the sole discretion of a public official for projects or activities. If there is a public necessity for the existing use of such funds, Palm Beach County should consider appropriating these funds to a county department to be spent with appropriate budget justification and pre-audit and establish a basis for post audit. Otherwise, spending from such funds could constitute charity instead of a valid public purpose.

This *Research Report* was written by John Turcotte, Senior Vice President of Research and Kurt Wenner, Senior Research Analyst.

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About The Center for Local Government Studies

The Florida TaxWatch Center for Local Government Studies conducts research projects and performs contract research for Florida's city and county governments in the areas of budgeting and taxation, prioritization of services and service delivery options, and auditing and performance measurements in order to recommend improved effectiveness, efficiency and accountability to benefit taxpayers.

Core objectives are to promote improvement of local government operations, modernization of local government structure, competition for delivery for local government services, to identify and promote local government best practices and recognize and reward performance results above and beyond the call of duty via an employee recognition program.

Addendum

How Reserve Ratios Influence County Bond Ratings

This addendum seeks to clarify the issue of how reserve balances are considered by bond rating agencies. Palm Beach County has asserted that it must maintain its high reserves to maintain its superior AAA bond rating.

Standard & Poor's furnished Florida TaxWatch with two useful documents, which we relied upon to determine bond rating criteria in general and to compare financial indicators, such as reserve ratios, of Palm Beach County and the other 37 U.S. counties rated by Standard & Poor's as "AAA." We did not review criteria of the other two rating agencies, Fitch and Moodys Investors because we felt that they would not differ significantly from those of Standard & Poor's.

Standard & Poor's March 2005 research report *State and Local Government Credit Analysis by the Numbers* identified four factors evaluated when the firm rates a general obligation credit: economic, financial, debt and administration and management. Administration and management evaluation criteria are largely qualitative.

<p>Palm Beach County AAA Bond Rating is Less Attributable to Fund Balance Reserve Ratios and More Attributable to a Strong Local Economy, High Property Values, and Low Debt Load</p>
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For economic, financial, and debt analysis, Standard & Poor's considers 14 quantitative indicators when rating a credit offering:

- 4 indicators relate to the jurisdiction's economy (e.g. median household income, market value of taxable property, etc.)
- 5 relate to liquidity and budgetary reserves
- 5 relate to existing debt

The rating firm says that it assigns more weight to economic indicators than it does to financial factors such as reserve ratios (emphasis supplied by Florida TaxWatch):

While variation in any of these factors can influence a bond rating, economic factors usually play a more important role in determining the rating. Generally, entities with higher income and a diverse economic base often have superior debt repayment capabilities. These characteristics provide an entity with better protection from economic changes or unexpected volatility in performance. **Accordingly, variations in variables reflecting economic factors are more likely to have a larger impact on ratings than financial and debt variables.**

Source: Standard & Poor's *State and Local Credit Analysis by the Numbers* (2005)

We are not downplaying the importance of reserves or suggesting that the county drastically lower reserves. If the county were to spend down reserves impulsively or excessively, the county may indeed suffer a downgrading. We are suggesting that a portion of reserves could be used as one, but not the only one, of a series of alternatives to increasing taxes.

The accompanying Tables A-E provide statistical data and rankings relative to the 38 counties rated AAA by Standard & Poor's. These comparisons are made relative to a very small group of counties, all of which are stronger fiscally compared to all other US counties. Even if one AAA county rates below another AAA county in a ranking, that county would still have superior credit standing when compared to thousands of other US local governments.

- Table A summarizes the financial indicators noted in Standard & Poor's report *The 2005 Annual Review of 'AAA' Rated U.S. Counties*.
- Table B. Palm Beach County experienced higher unemployment rates than other AAA counties in the past three years including 2005, which is less favorable in a peer comparison. The average three-year unemployment rate of 5.4% exceeded both the average and median for the AAA group. This is the only indicator that suggests any weakness whatsoever and taken together with other rating factors was not significant enough by itself to change the AAA rating.
- Table C. Two indicators of economic strength demonstrate that Palm Beach County is an exceptionally wealthy area. These indicators may be more instrumental to its AAA rating than the relative size of revenue reserves.
 - Palm Beach County per capita effective buying income (income net of taxes) measured 141% of the US average, which compares very favorably to other AAA counties. Thirteen of the 38 AAA counties rank higher than Palm Beach County, but 24 rank lower.
 - Per capita market value of taxable property of \$103,753 ranked the county higher than 26 of the 38 AAA counties. This robust and prosperous tax base impresses bond investors.
- Table D. Palm Beach County's reserves measured by percentages of total general fund balance and undesignated general fund balance of expenditures (23.8% and 23.6%) rank the county 20th and 15th respectively among the 38 AAA counties. S&P did not report on capital or special revenue fund reserves. The county's general fund reserves compare favorably to the S&P 2005 reserve ratio data from Table D as a whole and relative to AAA counties with the largest populations as shown by the recap immediately below. Florida TaxWatch notes that nine other counties hold AAA ratings with undesignated reserve balance ratios less than half of Palm Beach County's 23.6% (See Table D).

County	Population Used by Standard and Poor's	Undesignated General Fund Balance as Percentage of Expenditures	Rank
Franklin County Ohio	1,101,225	68.3	1
Hennepin County Minnesota	1,120,897	40.9	2
Oakland County Michigan	1,194,156	34.6	3
PALM BEACH COUNTY	1,242,270	23.6	4
St. Louis County Missouri	1,018,102	18.6	5
Tarrant County Texas	1,616,000	12.9	6
Dallas County Texas	2,284,096	12.3	7
Fairfax County Virginia	1,041,200	6.2	8

- Table E. Palm Beach County has not incurred long-term tax supported debt to the extent of most other AAA counties. Palm Beach County ranked more favorably on measures of debt than it did on all other measures—again a more significant influencing factor, in our opinion, than reserve ratios to the county’s AAA rating.
 - Overall net debt in 2005 was only 0.7% of market value of taxable property. Only three of the other 37 AAA counties have lower favorable ratios and two of those are just barely lower at 0.6%. Franklin County Ohio has the lowest ratio of all AAA counties at only 0.2%.
 - Overall net debt per capita was only \$773, 3rd lowest of all AAA counties.
 - Palm Beach County had the lowest net debt percentage and overall net debt per capita of all AAA counties with populations over 1 million.

Table A
Comparative Data on Counties Rated AAA by Standard & Poor's
Sorted by Population
September 2005

County	Population Used by Standard and Poor's	Per Capita Effective Buying Income as a Percentage of the US Average	Three-Year Average Unemployment Rate (%)	Per Capita Market Value	General Fund Balance as Percentage of Operating Expenditures	Undesignated General Fund Balance as Percentage of Expenditures	Overall Net Debt as Percentage of Market Value	Overall Net Debt Per Capita
Dallas County Texas	2,284,096	108	7.1	\$ 56,748	16.5	12.3	4.7	\$ 2,683
Tarrant County Texas	1,616,000	110	5.9	\$ 55,827	17.2	12.9	5.1	\$ 2,838
PALM BEACH COUNTY	1,242,270	141	5.4	\$ 103,753	23.8	23.6	0.7	\$ 773
Oakland County Michigan	1,194,156	153	5.2	\$ 105,228	35.5	34.6	3.1	\$ 3,225
Hennepin County Minnesota	1,120,897	132	4.1	\$ 130,115	45.5	40.9	2.1	\$ 2,726
Franklin County Ohio	1,101,225	110	4.9	\$ 67,829	69.2	68.3	0.2	\$ 2,157
Fairfax County Virginia	1,041,200	166	1.7	\$ 184,175	7.4	6.2	1.0	\$ 1,826
St. Louis County Missouri	1,018,102	130	4.9	\$ 79,122	27.0	18.6	1.4	\$ 1,076
Salt Lake County Utah	955,166	100	5.3	\$ 75,994	26.1	24.8	1.1	\$ 798
DuPage County Illinois	935,451	143	5.3	\$ 103,986	18.7	17.8	2.6	\$ 2,724
Montgomery County Maryland	931,000	162	2.6	\$ 119,351	7.6	6.6	1.4	\$ 1,651
Westchester County New York	923,459	163	4.0	\$ 147,636	11.6	7.8	2.5	\$ 3,686
Travis County Texas	874,065	125	5.2	\$ 69,546	24.5	21.6	5.2	\$ 3,630
Macomb County Michigan	814,798	111	6.5	\$ 82,773	40.3	40.1	3.0	\$ 2,509
Mecklenburg County North Carolina	801,137	127	5.4	\$ 104,227	21.3	10.8	3.6	\$ 3,748
Middlesex County New Jersey	785,095	122	4.7	\$ 99,989	10.0	8.8	2.0	\$ 2,008
Baltimore County Maryland	781,903	119	4.5	\$ 61,818	18.3	14.0	2.7	\$ 1,649
AVERAGE	732,744	130	4.5	\$ 97,925	32.0	27.2	2.4	\$ 2,260
Wake County North Carolina	725,902	123	4.3	\$ 97,913	21.8	13.8	1.9	\$ 1,871
Gwinnett County Georgia	678,284	113	4.0	\$ 94,346	37.0	35.3	1.1	\$ 1,055
MEDIAN	672,792	124	4.7	\$ 92,748	25.0	18.2	2.1	\$ 2,241
Cobb County Georgia	667,300	127	4.1	\$ 97,739	16.1	14.2	0.6	\$ 620
Lake County Illinois	644,356	150	5.6	\$ 100,310	93.0	93.0	3.0	\$ 3,022
Monmouth County New Jersey	636,298	145	4.7	\$ 141,659	30.1	18.5	2.1	\$ 2,924
Collin County Texas	615,200	161	5.5	\$ 84,972	79.2	76.7	5.7	\$ 4,846
Kent County Michigan	590,417	103	6.8	\$ 70,901	63.8	56.5	4.1	\$ 2,890
New Castle County Delaware	522,754	116	4.2	\$ 38,941	119.0	96.4	2.6	\$ 1,006
Ramsey County Minnesota	515,274	106	4.3	\$ 93,096	36.7	32.2	2.5	\$ 2,326
Johnson County Kansas	488,224	145	4.3	\$ 99,007	32.1	15.5	3.3	\$ 3,274
Morris County New Jersey	470,212	165	3.8	\$ 152,536	22.2	17.0	2.0	\$ 3,071
Guilford County North Carolina	438,520	105	5.6	\$ 90,076	25.1	16.0	1.8	\$ 1,640
Greenville County South Carolina	395,000	102	4.7	\$ 67,072	54.5	35.1	0.6	\$ 374
Forsyth County North Carolina	321,852	104	5.0	\$ 87,618	30.6	21.0	1.7	\$ 1,447
Somerset County New Jersey	317,214	171	3.8	\$ 139,778	22.6	16.9	2.5	\$ 3,438
Chesterfield County Virginia	284,000	116	3.0	\$ 82,911	20.0	10.2	1.8	\$ 1,468
Henrico County Virginia	281,069	120	3.4	\$ 91,972	30.6	28.8	1.6	\$ 1,441
Howard County Maryland	265,095	147	2.8	\$ 92,399	7.3	6.8	2.0	\$ 1,867
Durham County North Carolina	237,000	106	4.6	\$ 85,209	18.2	11.6	2.3	\$ 1,934
Arlington County Virginia	198,267	177	2.2	\$ 191,976	9.2	8.0	1.6	\$ 3,149
Olmsted County Minnesota	132,000	116	3.6	\$ 72,612	43.6	41.1	3.5	\$ 2,530

Source: Rankings by Florida TaxWatch using data from *The 2005 Annual Review of 'AAA' Rated U.S. Counties*, Karl Jacob and Juarez Baltazar, (New York: Standard & Poor's), September 21, 2005.

Table B
Three-Year Average Unemployment Rates
Counties Rated AAA by Standard & Poor's
As of September 2005
(A High Ranking is Favorable)

	Three-Year Average Unemployment %	Rank
Fairfax County Virginia	1.7	1
Arlington County Virginia	2.2	2
Montgomery County Maryland	2.6	3
Howard County Maryland	2.8	4
Chesterfield County Virginia	3.0	5
Henrico County Virginia	3.4	6
Olmsted County Minnesota	3.6	7
Somerset County New Jersey	3.8	8
Morris County New Jersey	3.8	8
Westchester County New York	4.0	9
Gwinnett County Georgia	4.0	9
Hennepin County Minnesota	4.1	10
Cobb County Georgia	4.1	10
New Castle County Delaware	4.2	11
Johnson County Kansas	4.3	12
Wake County North Carolina	4.3	12
Ramsey County Minnesota	4.3	12
Baltimore County Maryland	4.5	13
AVERAGE	4.5	
Durham County North Carolina	4.6	14
Monmouth County New Jersey	4.7	15
Middlesex County New Jersey	4.7	15
Greenville County South Carolina	4.7	15
MEDIAN	4.7	
St. Louis County Missouri	4.9	16
Franklin County Ohio	4.9	16
Forsyth County North Carolina	5.0	17
Oakland County Michigan	5.2	18
Travis County Texas	5.2	18
DuPage County Illinois	5.3	19
Salt Lake County Utah	5.3	19
Palm Beach County	5.4	20
Mecklenburg County North Carolina	5.4	20
Collin County Texas	5.5	21
Lake County Illinois	5.6	22
Guilford County North Carolina	5.6	22
Tarrant County Texas	5.9	23
Macomb County Michigan	6.5	24
Kent County Michigan	6.8	25
Dallas County Texas	7.1	26

Source: Rankings by Florida TaxWatch using data from *The 2005 Annual Review of 'AAA' Rated U.S. Counties*, Karl Jacob and Juarez Baltazar, (New York: Standard & Poor's), September 21, 2005.

Table C
Per Capita Effective Buying Income as Percentage of US Average and Per Capita Market
Value of Counties Rated AAA by Standard & Poor's
As of September 2005
(A High Ranking is Favorable)

Per Capita Effective Buying Income as % of US Avg.			Per Capita Market Value		
		Rank			Rank
Arlington County Virginia	177	1	Arlington County Virginia	\$ 191,976	1
Somerset County New Jersey	171	2	Fairfax County Virginia	\$ 184,175	2
Fairfax County Virginia	166	3	Morris County New Jersey	\$ 152,536	3
Morris County New Jersey	165	4	Westchester County New York	\$ 147,636	4
Westchester County New York	163	5	Monmouth County New Jersey	\$ 141,659	5
Montgomery County Maryland	162	6	Somerset County New Jersey	\$ 139,778	6
Collin County Texas	161	7	Hennepin County Minnesota	\$ 130,115	7
Oakland County Michigan	153	8	Montgomery County Maryland	\$ 119,351	8
Lake County Illinois	150	9	Oakland County Michigan	\$ 105,228	9
Howard County Maryland	147	10	Mecklenburg County North Carolina	\$ 104,227	10
Monmouth County New Jersey	145	11	DuPage County Illinois	\$ 103,986	11
Johnson County Kansas	145	11	<u>Palm Beach County</u>	\$ 103,753	12
DuPage County Illinois	143	12	Lake County Illinois	\$ 100,310	13
<u>Palm Beach County</u>	141	13	Middlesex County New Jersey	\$ 99,989	14
Hennepin County Minnesota	132	14	Johnson County Kansas	\$ 99,007	15
St. Louis County Missouri	130	15	AVERAGE	\$ 97,925	
AVERAGE	130		Wake County North Carolina	\$ 97,913	16
Cobb County Georgia	127	16	Cobb County Georgia	\$ 97,739	17
Mecklenburg County North Carolina	127	16	Gwinnett County Georgia	\$ 94,346	18
Travis County Texas	125	17	Ramsey County Minnesota	\$ 93,096	19
MEDIAN	124		MEDIAN	\$ 92,748	
Wake County North Carolina	123	18	Howard County Maryland	\$ 92,399	20
Middlesex County New Jersey	122	19	Henrico County Virginia	\$ 91,972	21
Henrico County Virginia	120	20	Guilford County North Carolina	\$ 90,076	22
Baltimore County Maryland	119	21	Forsyth County North Carolina	\$ 87,618	23
New Castle County Delaware	116	22	Durham County North Carolina	\$ 85,209	24
Olmsted County Minnesota	116	22	Collin County Texas	\$ 84,972	25
Chesterfield County Virginia	116	22	Chesterfield County Virginia	\$ 82,911	26
Gwinnett County Georgia	113	23	Macomb County Michigan	\$ 82,773	27
Macomb County Michigan	111	24	St. Louis County Missouri	\$ 79,122	28
Franklin County Ohio	110	25	Salt Lake County Utah	\$ 75,994	29
Tarrant County Texas	110	25	Olmsted County Minnesota	\$ 72,612	30
Dallas County Texas	108	26	Kent County Michigan	\$ 70,901	31
Ramsey County Minnesota	106	27	Travis County Texas	\$ 69,546	32
Durham County North Carolina	106	27	Franklin County Ohio	\$ 67,829	33
Guilford County North Carolina	105	28	Greenville County South Carolina	\$ 67,072	34
Forsyth County North Carolina	104	29	Baltimore County Maryland	\$ 61,818	35
Kent County Michigan	103	30	Dallas County Texas	\$ 56,748	36
Greenville County South Carolina	102	31	Tarrant County Texas	\$ 55,827	37
Salt Lake County Utah	100	32	New Castle County Delaware	\$ 38,941	38

Source: Rankings by Florida TaxWatch using data from *The 2005 Annual Review of 'AAA' Rated U.S. Counties*, Karl Jacob and Juarez Baltazar, (New York: Standard & Poor's), September 21, 2005.

Table D
General Fund Designated and Undesignated Fund Balances as Percentage of Expenditures
Counties Rated AAA by Standard & Poor's
As of September 2005
(A High Ranking is Favorable)

Fund Balance as % of Operating Expenses			Undesignated General Fund Balance as % of Expenditures		
		Rank	County		Rank
New Castle County Delaware	119.0	1	New Castle County Delaware	96.4	1
Lake County Illinois	93.0	2	Lake County Illinois	93.0	2
Collin County Texas	79.2	3	Collin County Texas	76.7	3
Franklin County Ohio	69.2	4	Franklin County Ohio	68.3	4
Kent County Michigan	63.8	5	Kent County Michigan	56.5	5
Greenville County South Carolina	54.5	6	Olmsted County Minnesota	41.1	6
Hennepin County Minnesota	45.5	7	Hennepin County Minnesota	40.9	7
Olmsted County Minnesota	43.6	8	Macomb County Michigan	40.1	8
Macomb County Michigan	40.3	9	Gwinnett County Georgia	35.3	9
Gwinnett County Georgia	37.0	10	Greenville County South Carolina	35.1	10
Ramsey County Minnesota	36.7	11	Oakland County Michigan	34.6	11
Oakland County Michigan	35.5	12	Ramsey County Minnesota	32.2	12
Johnson County Kansas	32.1	13	Henrico County Virginia	28.8	13
AVERAGE	32.0		AVERAGE	27.2	
Henrico County Virginia	30.6	14	Salt Lake County Utah	24.8	14
Forsyth County North Carolina	30.6	14	<u>Palm Beach County</u>	23.6	15
Monmouth County New Jersey	30.1	15	Travis County Texas	21.6	16
St. Louis County Missouri	27.0	16	Forsyth County North Carolina	21.0	17
Salt Lake County Utah	26.1	17	St. Louis County Missouri	18.6	18
Guilford County North Carolina	25.1	18	Monmouth County New Jersey	18.5	19
MEDIAN	25.0		MEDIAN	18.2	
Travis County Texas	24.5	19	DuPage County Illinois	17.8	20
<u>Palm Beach County</u>	23.8	20	Morris County New Jersey	17.0	21
Somerset County New Jersey	22.6	21	Somerset County New Jersey	16.9	22
Morris County New Jersey	22.2	22	Guilford County North Carolina	16.0	23
Wake County North Carolina	21.8	23	Johnson County Kansas	15.5	24
Mecklenburg County North Carolina	21.3	24	Cobb County Georgia	14.2	25
Chesterfield County Virginia	20.0	25	Baltimore County Maryland	14.0	26
DuPage County Illinois	18.7	26	Wake County North Carolina	13.8	27
Baltimore County Maryland	18.3	27	Tarrant County Texas	12.9	28
Durham County North Carolina	18.2	28	Dallas County Texas	12.3	29
Tarrant County Texas	17.2	29	Durham County North Carolina	11.6	30
Dallas County Texas	16.5	30	Mecklenburg County North Carolina	10.8	31
Cobb County Georgia	16.1	31	Chesterfield County Virginia	10.2	32
Westchester County New York	11.6	32	Middlesex County New Jersey	8.8	33
Middlesex County New Jersey	10.0	33	Arlington County Virginia	8.0	34
Arlington County Virginia	9.2	34	Westchester County New York	7.8	35
Montgomery County Maryland	7.6	35	Howard County Maryland	6.8	36
Fairfax County Virginia	7.4	36	Montgomery County Maryland	6.6	37
Howard County Maryland	7.3	37	Fairfax County Virginia	6.2	38

Source: Rankings by Florida TaxWatch using data from *The 2005 Annual Review of 'AAA' Rated U.S. Counties*, Karl Jacob and Juarez Baltazar, (New York: Standard & Poor's), September 21, 2005.

Table E
Net Debt as a Percentage of Market Value and Overall Net Debt Per Capita
Counties Rated AAA by Standard & Poor's
As of September 2005
(A High Ranking is Favorable)

Overall Net Debt as % of Market Value			Overall Net Debt Per Capita \$		
County		Rank			Rank
Franklin County Ohio	0.2	1	Greenville County South Carolina	374	1
Cobb County Georgia	0.6	2	Cobb County Georgia	620	2
Greenville County South Carolina	0.6	2	<u>Palm Beach County</u>	773	3
<u>Palm Beach County</u>	0.7	3	Salt Lake County Utah	798	4
Fairfax County Virginia	1.0	4	New Castle County Delaware	1,006	5
Gwinnett County Georgia	1.1	5	Gwinnett County Georgia	1,055	6
Salt Lake County Utah	1.1	5	St. Louis County Missouri	1,076	7
Montgomery County Maryland	1.4	6	Henrico County Virginia	1,441	8
St. Louis County Missouri	1.4	6	Forsyth County North Carolina	1,447	9
Arlington County Virginia	1.6	7	Chesterfield County Virginia	1,468	10
Henrico County Virginia	1.6	7	Guilford County North Carolina	1,640	11
Forsyth County North Carolina	1.7	8	Baltimore County Maryland	1,649	12
Chesterfield County Virginia	1.8	9	Montgomery County Maryland	1,651	13
Guilford County North Carolina	1.8	9	Fairfax County Virginia	1,826	14
Wake County North Carolina	1.9	10	Howard County Maryland	1,867	15
Morris County New Jersey	2.0	11	Wake County North Carolina	1,871	16
Howard County Maryland	2.0	11	Durham County North Carolina	1,934	17
Middlesex County New Jersey	2.0	11	Middlesex County New Jersey	2,008	18
Monmouth County New Jersey	2.1	12	Franklin County Ohio	2,157	19
Hennepin County Minnesota	2.1	12	MEDIAN	2,241	
MEDIAN	2.1		AVERAGE	2,260	
Durham County North Carolina	2.3	13	Ramsey County Minnesota	2,326	20
AVERAGE	2.4		Macomb County Michigan	2,509	21
Somerset County New Jersey	2.5	14	Olmsted County Minnesota	2,530	22
Westchester County New York	2.5	14	Dallas County Texas	2,683	23
Ramsey County Minnesota	2.5	14	DuPage County Illinois	2,724	24
DuPage County Illinois	2.6	15	Hennepin County Minnesota	2,726	25
New Castle County Delaware	2.6	15	Tarrant County Texas	2,838	26
Baltimore County Maryland	2.7	16	Kent County Michigan	2,890	27
Lake County Illinois	3.0	17	Monmouth County New Jersey	2,924	28
Macomb County Michigan	3.0	17	Lake County Illinois	3,022	29
Oakland County Michigan	3.1	18	Morris County New Jersey	3,071	30
Johnson County Kansas	3.3	19	Arlington County Virginia	3,149	31
Olmsted County Minnesota	3.5	20	Oakland County Michigan	3,225	32
Mecklenburg County North Carolina	3.6	21	Johnson County Kansas	3,274	33
Kent County Michigan	4.1	22	Somerset County New Jersey	3,438	34
Dallas County Texas	4.7	23	Travis County Texas	3,630	35
Tarrant County Texas	5.1	24	Westchester County New York	3,686	36
Travis County Texas	5.2	25	Mecklenburg County North Carolina	3,748	37
Collin County Texas	5.7	26	Collin County Texas	4,846	38

Source: Rankings by Florida TaxWatch and data from *The 2005 Annual Review of 'AAA' Rated U.S. Counties*, Karl Jacob and Juarez Baltazar, (New York: Standard & Poor's), September 21, 2005.

About Florida TaxWatch

Florida TaxWatch is a private, non-profit, non-partisan research institute that over its 27 year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida Government.

Florida TaxWatch's research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit to taxpayers.

This diligence has yielded impressive results: since 1979, policy makers and government employees have implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than \$6.2 billion--approximately \$1,067 in added value for every Florida family.

Florida TaxWatch has a historical understanding of state government, public policy issues, and the battles fought in the past necessary to structure effective solutions for today and the future. It is the only statewide organization devoted entirely to Florida taxing and spending issues. Its research and recommendations are reported on regularly by the statewide news media.

Supported by voluntary, tax-deductible memberships and grants, Florida TaxWatch is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, philanthropic foundations, professionals, associations, labor organizations, retirees – simply stated, the taxpayers of Florida... The officers, Board of Trustees and members of Florida TaxWatch are respected leaders and citizens from across Florida, committed to improving the health and prosperity of Florida.

With your help, Florida TaxWatch will continue its diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer, who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, Florida TaxWatch does not accept money from Florida state and local governments. The research findings and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff, distinguished Board of Trustees, or Executive Committee and are not influenced by the positions of the individuals or organizations who directly or indirectly support the research.

Florida TaxWatch Values:

◆ *Integrity* ◆ *Productivity* ◆ *Accountability* ◆ *Independence* ◆ *Quality Research*