

# OFFICE OF INSPECTOR GENERAL

PALM BEACH COUNTY, FLORIDA



## OIG INSIGHTS:

**ONE-PENNY SALES SURTAX**

**Annual Update - 2018**

**Palm Beach County and Municipalities**

**November 13, 2018**

**CA-2018-0098**

# OFFICE OF INSPECTOR GENERAL MISSION, VISION, AND VALUES

## Mission Statement (Why we exist and What we do)

Our purpose (why we exist) is to provide independent and objective, insight, oversight, and foresight in promoting integrity, efficiency, and overall effectiveness in government.

Our promise (what we do) is to accomplish this through audits, investigations, contract oversight, and outreach activities.

## Vision Statement (Where we are going)

To promote positive change throughout local governments and public organizations in Palm Beach County with an inspired and skilled team that strives for continuous improvement.

## Values (What we believe and How we behave)

**Professionalism** – We take pride in our purpose, profession, products, results, and conduct.

**Respect** – We are respectful of others and recognize their value.

**Integrity** – We do the right thing, the right way, for the right reason.

**Dedication** – We are dedicated to our purpose, our work, and the people we serve.

**Excellence** – We strive for excellence in everything we do.

## “Enhancing Public Trust in Government”



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## WHAT IS OIG INSIGHTS?

**OIG Insights** is a guide for the citizens of Palm Beach County, managers, leaders, and employees of Palm Beach County and Municipal governments with important information about the **One-Penny Sales Surtax** that went into effect on January 1, 2017.

The Office of Inspector General (OIG) has updated the information on the surtax program since publishing the **OIG Insights: One-Penny Sales Surtax, CA-2017-0043**, on July 31, 2017. The complete guide with exhibits can be found on our website at:

<http://pbcgov.com/OIG/onecenttax.htm>

This annual update will provide information on the One-Penny Sales Surtax programs from Palm Beach County and the Palm Beaches thirty-nine (39) Municipalities. The information in this annual update was obtained from publicly posted resources as of **September 30, 2018**.

The update guide contains:

1. An overview of the One-Penny Sales Surtax
2. Surtax revenue distribution summary, (January 1, 2017 – September 30, 2018)
3. Surtax funded expenditures for FY 2017, (October 1, 2016 – September 30, 2017)
4. Surtax adopted budgets for FY 2018, (October 1, 2017 – September 30, 2018)
5. Proposed Surtax budgets for FY 2019, (October 1, 2018 – September 30, 2019)
6. Information on Surtax Oversight Committees
7. Information on what your OIG is specifically doing to guard taxpayer surtax dollars

## ACKNOWLEDGEMENTS

The OIG would like to extend our appreciation to all the Palm Beach County Departments including the Office of Financial Management & Budget, Department of Facilities Development & Operations, Department of Engineering & Public Works; all thirty-nine (39) Municipalities; and the League of Cities for their cooperation and courtesies extended to us during the contract oversight process.

For more information on the OIG, frequently asked questions, reports, tips, trends, best practices, and other reference materials, please visit our website: <http://pbcgov.com/OIG/>.

## ONE-PENNY SALES SURTAX OVERVIEW

On May 17, 2016, the Palm Beach Board of County Commissioners approved **Ordinance 2016-032**: to impose, contingent upon voter approval of a countywide referendum, a one-cent infrastructure surtax beginning January 1, 2017 and ending on December 31, 2026, or when **\$2.7 billion** in revenue is collected, whichever is earlier.

The majority of those Palm Beach County residents voting approved the One-Penny Sales Surtax referendum on November 8, 2016. The ordinance also required the establishment of independent **Citizen Oversight Committees** to provide for public review of expenditure of surtax proceeds, and provide annual reports to the governing board for the entity which created it.

Surtax funds are being used by the County, the Municipalities, and the School Board to finance, plan, construct, reconstruct, renovate and improve needed infrastructure such as buildings, equipment, roads, bridges, sidewalks, streetlights, traffic signalization, parks, recreational facilities, drainage, wastewater facilities, and public safety vehicles and equipment.

In accordance with a Surtax Interlocal Agreement (between the governmental entities), the Florida Department of Revenue (DOR) directly disburses shares of the total proceeds to the parties as follows:

- |                            |            |                          |
|----------------------------|------------|--------------------------|
| • <b>School Board</b>      | <b>50%</b> | <b>(\$1,350,000,000)</b> |
| • <b>Palm Beach County</b> | <b>30%</b> | <b>(\$ 810,000,000)</b>  |
| • <b>Municipalities</b>    | <b>20%</b> | <b>(\$ 540,000,000)</b>  |



## SURTAX REVENUE DISTRIBUTION

The Florida Department of Revenue (DOR) collects and distributes Palm Beach County’s local discretionary sales surtax revenue. The distribution of the 30% municipal share of surtax revenue is based upon the resident population as determined annually by the Florida Legislature’s Office of Economic and Demographic Research. DOR began collection of Palm Beach County’s Infrastructure Surtax revenue on January 1, 2017, and has been disbursing the proceeds to the County and Municipal governments monthly since March 2017.

Between January 1, 2017, and September 30, 2017, DOR disbursed **\$45.1 million** in surtax revenue to Palm Beach County, and **\$30 million** in surtax revenue to the 39 municipalities, for a combined Fiscal Year 2017 disbursement of **\$75.1 million**.

From October 1, 2017 through September 30, 2018, DOR disbursed **\$83.5 million** in surtax revenue to Palm Beach County, and **\$55.7 million** to the 39 municipalities, for a combined Fiscal Year 2018 disbursement of **\$139.2 million**.

The total combined surtax revenue disbursed from January 1, 2017, through September 30, 2018 was:

Entity	Revenue
County	\$128,560,395
Municipalities	\$ 85,706,930
<b>Total Surtax Revenue Disbursed</b>	<b>\$214,267,325</b>

Please see **Exhibit A** for a detailed breakdown of DOR’s revenue distribution by fiscal year to county and municipal governments.

The infrastructure sales surtax ends after 10 years, or when **\$2.7 billion** in revenue is collected. A **50%** share of **\$2.7 billion** for the county and municipalities, over 120 months, yields an expected, average (projected) monthly revenue distribution of **\$11.25 million**.

**Exhibit B** charts the actual surtax revenue distributions through September 30, 2018, versus the projected monthly distribution as a trend line. Overall, the actual revenue distribution is approximately +/- **1%** of the projected monthly revenue necessary to reach \$2.7 billion in 10 years. As of September 30, 2018, actual revenues exceeded the projected revenues by **\$517,000**.

The surtax revenue distribution represented in this update does not include any interest or bond proceeds earned by the local governments. The OIG defines the revenue posted as of the voucher date that DOR disbursed the surtax proceeds. Therefore, revenue collected in September 2017 but not distributed until October 2017 is considered fiscal year 2018 surtax revenue for the purposes of this updated guide.

## SURTAX EXPENDITURES AND BUDGETS

The One-Penny Sales Surtax Ordinance requires the **Citizen Oversight Committees** to publicly review expenditures of surtax proceeds, and provide annual reports to the governing board of the entity that created it.

However, the ordinance does not specify a date for submission of the annual report, or the time period for the report, i.e. calendar year or fiscal year<sup>1</sup>. The County and Municipal governments, or the individual Citizen Oversight Committee, sets the due date for filing the annual report and the reporting period. For this update, the OIG defines the annual reporting period as the fiscal year period.

During Fiscal Year 2018, Annual reports on Fiscal Year 2017 Expenditures were available from the County and League of Cities Oversight Committees. Annual reports from other Oversight Committees were not yet available, or publicly posted by the remaining entities.

The information in this annual update on surtax expenditures and budgets was obtained from publicly available resources posted online, and represents a combination of Surtax Annual Reports, Annual Financial Reports, Budgets, Capital Improvement Plans, Agendas, and Meeting Minutes.

### **Fiscal Year 2017**

From January 1, 2017 through September 30, 2017, Palm Beach County spent **\$50.1M** and the Municipalities spent **\$4.8 M** on surtax funded projects. The combined Fiscal Year 2017 total expenditures were **\$54.9 M**.

### **Fiscal Year 2018**

From October 1, 2017 through September 30, 2018, Palm Beach County budgeted **\$68.8M** and the Municipalities budgeted **\$53.4M** in surtax funded projects.

The combined Fiscal Year 2018 surtax budget was **\$122.2M**.

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<sup>1</sup> Section 129.04, Florida Statutes, states that the fiscal year for each county in Florida shall commence on October 1, and end on September 30. Section 166.241(1), Florida Statutes, requires municipalities to establish a fiscal year beginning October 1 of each year and ending September 30 of the following year.

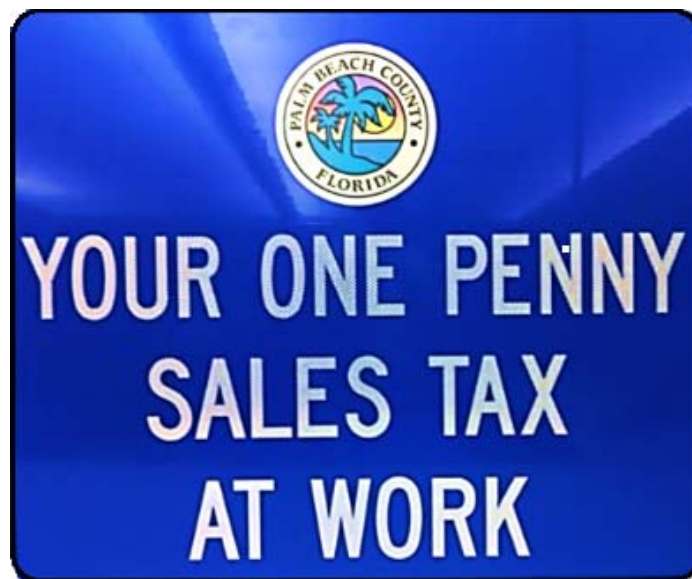
**Surtax Revenue Expended or Committed**

Entity	Total Surtax Revenue from 1/1/2017 thru 9/30/2018	FY 2017 Expenditures + FY 2018 Budgets	Percent Surtax Revenue Expended or Committed as of 9/30/18
County	\$128,560,395	\$118,932,597	92.5%
Municipalities	\$ 85,706,930	\$ 58,263,183	68.0%
<b>Total Surtax Funds</b>	<b>\$214,267,325</b>	<b>\$177,195,780</b>	<b>82.7%</b>

**Fiscal Year 2019**

For Fiscal Year 2019 from October 1, 2018 through September 30, 2019, Palm Beach County and the Municipalities have tentatively budgeted **\$149.4M** in surtax funded projects.

Please see **Exhibit C** for detailed information by governmental entity for expenditures and budgets by fiscal year.





## SURTAX CITIZEN OVERSIGHT COMMITTEES

The OIG was able to verify Surtax Citizen Oversight Committees for thirty-six (36) of forty (40) total governmental entities.

The County established the **Palm Beach County Infrastructure Surtax Citizen Oversight Committee (ISCOC)**. Fifteen (15) Municipalities are participating in the ISCOG created by the **Palm Beach County League of Cities**. Another twenty (20) **Municipalities** established their own oversight committees. The surtax oversight committee status for the remaining four (4) Municipalities was unknown by OIG or undeclared by municipalities at the time of this report.

Please see **Exhibit C** for Surtax Oversight Committee status by governmental entity.

## OIG OVERSIGHT ACTIVITIES

*The OIG provides independent and objective insight, oversight, and foresight in promoting efficiency, effectiveness, and integrity in government. For the **One-Penny Sales Surtax**, the OIG will continue its vigilance in monitoring County and Municipal infrastructure project bids, contract awards, and expenditures for compliance with applicable ordinances, laws and regulations, including the surtax ordinance.*

Specific actions the OIG has/is taking to guard taxpayer surtax dollars:

- Contract Oversight Division is the OIG lead in One-Penny Sales Surtax oversight.
- Observing Surtax Citizen Oversight Committee meetings.
- Monitoring County and Municipal project lists, ordinances, resolutions, agendas, and announcements.
- Reviewing monthly surtax revenue distributions.
- Monitoring contract performance on surtax projects.
- Following Annual Reports of the Citizens Oversight Committees.
- Conducting ongoing training of OIG staff on construction audits, investigations, and oversight activities.
- Reporting the result of our contract oversight activities to the public.

## SUGGESTIONS

As a matter of foresight, the OIG would suggest to all the County and Municipal public entities to monitor **One-Penny Sales Surtax** projects and expenditures to ensure that:



The Surtax Citizen Oversight Committee has been established prior to the expenditure of any surtax funds in accordance with Palm Beach County Ordinance 2016-032, and the Interlocal Agreement (R2016-0588);



The Surtax Citizen Oversight Committee reviews the expenditure of surtax proceeds to verify that funds were used for infrastructure projects in accordance with Section §212.055 (2)(d), F.S., Palm Beach County Ordinance 2016-032, and the Interlocal Agreement (R2016-0588);



The Surtax Citizen Oversight Committee provides an annual report to the governing board of the entity that created it in accordance with Palm Beach County Ordinance 2016-032, and the Interlocal Agreement (R2016-0588).

Furthermore, it is highly recommended that all involved entities publish **One-Penny Sales Surtax** information on websites or conduct community outreach forums on project initiatives. Outreach activities have proven very successful in informing the public and maintaining transparency on the use of surtax revenue.

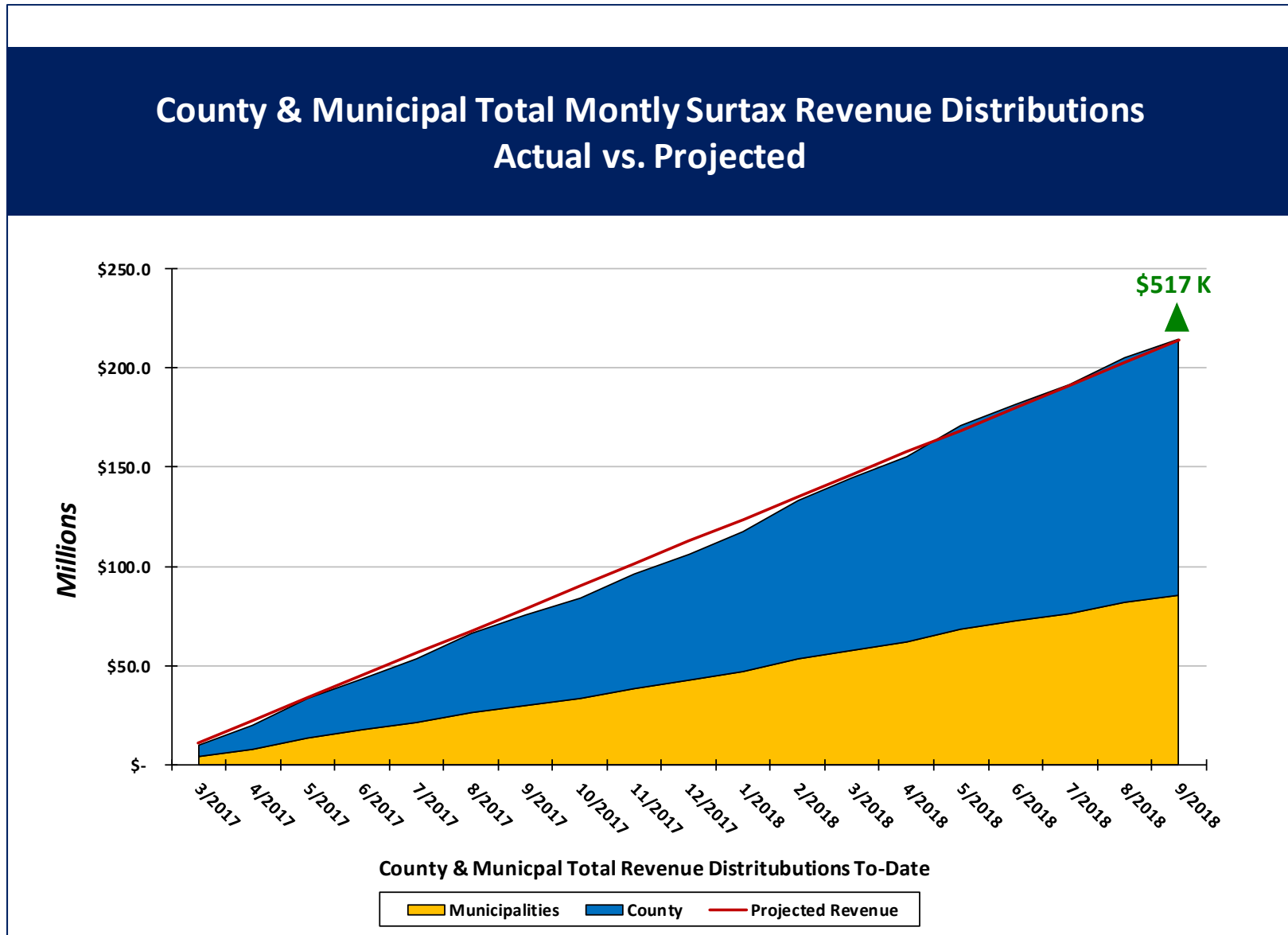
**EXHIBIT A -  
Florida Department of Revenue  
Surtax Distribution**

<b>Surtax Revenue Distribution January 1, 2017 - September 30, 2018</b>			
<b>Entity</b>	<b>Total FY 2017</b>	<b>Total FY 2018</b>	<b>Total To-Date</b>
Palm Beach County BOCC	\$ 45,067,540.95	\$ 83,492,854.25	\$ 128,560,395.20
Atlantis	\$ 78,123.06	\$ 143,016.02	\$ 221,139.08
Belle Glade	\$ 681,205.34	\$ 1,234,611.88	\$ 1,915,817.22
Boca Raton	\$ 3,426,562.65	\$ 6,309,216.29	\$ 9,735,778.94
Boynton Beach	\$ 2,841,634.94	\$ 5,229,126.85	\$ 8,070,761.79
Briny Breezes	\$ 16,202.39	\$ 29,589.59	\$ 45,791.98
Cloud Lake	\$ 5,192.69	\$ 9,577.19	\$ 14,769.88
Delray Beach	\$ 2,466,480.11	\$ 4,572,225.11	\$ 7,038,705.22
Glen Ridge	\$ 8,393.99	\$ 15,580.87	\$ 23,974.86
Golf	\$ 9,838.55	\$ 18,296.90	\$ 28,135.45
Greenacres	\$ 1,520,413.75	\$ 2,792,136.30	\$ 4,312,550.05
Gulf Stream	\$ 38,963.90	\$ 71,329.34	\$ 110,293.24
Haverhill	\$ 77,186.11	\$ 143,516.42	\$ 220,702.53
Highland Beach	\$ 140,551.22	\$ 257,300.23	\$ 397,851.45
Hypoluxo	\$ 105,062.05	\$ 193,975.89	\$ 299,037.94
Juno Beach	\$ 126,496.18	\$ 239,503.70	\$ 365,999.88
Jupiter	\$ 2,307,696.19	\$ 4,332,292.80	\$ 6,639,988.99
Jupiter Inlet Colony	\$ 15,460.57	\$ 29,374.99	\$ 44,835.56
Lake Clarke Shores	\$ 131,766.83	\$ 243,077.21	\$ 374,844.04
Lake Park	\$ 335,683.32	\$ 617,520.66	\$ 953,203.98
Lake Worth	\$ 1,470,869.33	\$ 2,678,424.04	\$ 4,149,293.37
Lantana	\$ 417,085.96	\$ 765,611.10	\$ 1,182,697.06
Loxahatchee Groves	\$ 125,051.60	\$ 233,785.85	\$ 358,837.45
Manalapan	\$ 16,007.24	\$ 29,803.90	\$ 45,811.14
Mangonia Park	\$ 76,483.37	\$ 141,800.94	\$ 218,284.31
North Palm Beach	\$ 476,547.03	\$ 874,106.16	\$ 1,350,653.19
Ocean Ridge	\$ 70,041.42	\$ 127,149.33	\$ 197,190.75
Pahokee	\$ 214,262.66	\$ 391,596.77	\$ 605,859.43
Palm Beach	\$ 313,937.02	\$ 574,637.07	\$ 888,574.09
Palm Beach Gardens	\$ 1,972,442.37	\$ 3,720,132.67	\$ 5,692,575.04
Palm Beach Shores	\$ 44,625.14	\$ 82,979.35	\$ 127,604.49

**EXHIBIT A – (cont'd)**

<b>Surtax Revenue Distribution</b>			
<b>January 1, 2017 - September 30, 2018</b>			
<b>Entity</b>	<b>Total FY 2017</b>	<b>Total FY 2018</b>	<b>Total To-Date</b>
Palm Springs	\$ 869,934.52	\$ 1,657,656.82	\$ 2,527,591.34
Riviera Beach	\$ 1,325,593.96	\$ 2,426,984.47	\$ 3,752,578.43
Royal Palm Beach	\$ 1,435,458.27	\$ 2,654,337.76	\$ 4,089,796.03
South Bay	\$ 125,285.96	\$ 240,003.85	\$ 365,289.81
South Palm Beach	\$ 53,331.42	\$ 98,488.72	\$ 151,820.14
Tequesta	\$ 221,173.17	\$ 407,320.71	\$ 628,493.88
Wellington	\$ 2,337,055.75	\$ 4,310,350.88	\$ 6,647,406.63
West Palm Beach	\$ 4,146,927.19	\$ 7,765,464.15	\$ 11,912,391.34
Westlake	\$ -	\$ -	\$ -
<b>Subtotal County:</b>	<b>\$ 45,067,541</b>	<b>\$ 83,492,854</b>	<b>\$ 128,560,395</b>
<b>Subtotal Municipalities:</b>	<b>\$ 30,045,027</b>	<b>\$ 55,661,903</b>	<b>\$ 85,706,930</b>
<b>Total Revenue:</b>	<b>\$ 75,112,568</b>	<b>\$ 139,154,757</b>	<b>\$ 214,267,325</b>

EXHIBIT B



### EXHIBIT C - Annual Update: Budgets & Expenditures

Entity	Disbursements from FL DOR (1/1/17 - 9/30/18)	FY 2017 Actual Surtax Expenditures	FY 2018 Adopted Surtax Budget	Citizen Oversight Committee Status	Surtax Funds Bonded?
Palm Beach County	\$ 128,560,395	\$ 50,128,384	\$ 68,804,213	OWN	
Atlantis	\$ 221,139	N/A*	N/A*	OWN	
Belle Glade	\$ 1,915,817	\$ -	\$ 1,050,000	OWN	
Boca Raton	\$ 9,735,779	\$ -	\$ 15,850,000	OWN	YES
Boynton Beach	\$ 8,070,762	\$ 175,686	\$ 4,614,622	OWN	
Briny Breezes	\$ 45,792	\$ -	\$ -	LEAGUE	
Cloud Lake	\$ 14,770	\$ -	\$ 13,000	LEAGUE	
Delray Beach	\$ 7,038,705	\$ -	\$ 1,864,200	LEAGUE	YES
Glen Ridge	\$ 23,975	\$ -	\$ 13,000	LEAGUE	
Golf	\$ 28,135	N/A*	N/A*	NO STATUS**	
Greenacres	\$ 4,312,550	\$ 441,384	\$ 2,679,119	LEAGUE	
Gulf Stream	\$ 110,293	\$ -	\$ -	LEAGUE	
Haverhill	\$ 220,703	\$ -	\$ 192,743	OWN	
Highland Beach	\$ 397,851	\$ 19,622	N/A*	OWN	
Hypoluxo	\$ 299,038	\$ 27,744	\$ 44,856	LEAGUE	
Juno Beach	\$ 366,000	\$ -	\$ 350,000	LEAGUE	
Jupiter	\$ 6,639,989	\$ -	\$ 4,683,000	OWN	YES
Jupiter Inlet Colony	\$ 44,836	\$ 16,206	\$ 24,000	LEAGUE	
Lake Clarke Shores	\$ 374,844	N/A*	N/A*	OWN	
Lake Park	\$ 953,204	\$ -	\$ 319,648	LEAGUE	
Lake Worth	\$ 4,149,293	\$ -	\$ 1,837,356	LEAGUE	
Lantana	\$ 1,182,697	\$ 308,103	\$ 849,505	LEAGUE	

*N/A\* - Surtax information was not available or could not be located in publicly posted information.*

*NO STATUS\*\* - Information about an Infrastructure Surtax Citizens Oversight Committee was not available or could not be located in publicly posted information.*

EXHIBIT C - (cont'd)

Entity	Disbursements from FL DOR (1/1/17 - 9/30/18)	FY 2017 Actual Surtax Expenditures	FY 2018 Adopted Surtax Budget	Citizen Oversight Committee Status	Surtax Funds Bonded?
Loxahatchee Groves	\$ 358,837	\$ -	\$ 213,748	LEAGUE	
Manalapan	\$ 45,811	\$ -	\$ 27,361	OWN	
Mangonia Park	\$ 218,284	N/A*	N/A*	OWN	
North Palm Beach	\$ 1,350,653	\$ -	\$ 1,305,000	OWN	
Ocean Ridge	\$ 197,191	\$ -	N/A*	OWN	
Pahokee	\$ 605,859	\$ 45,864	\$ 545,900	LEAGUE	
Palm Beach	\$ 888,574	\$ 350,847	\$ 500,000	OWN	
Palm Beach Gardens	\$ 5,692,575	\$ 3,443,778	\$ 3,415,525	OWN	YES
Palm Beach Shores	\$ 127,604	N/A*	N/A*	NO STATUS**	
Palm Springs	\$ 2,527,591	N/A*	N/A*	OWN	
Riviera Beach	\$ 3,752,578	\$ -	N/A*	OWN	
Royal Palm Beach	\$ 4,089,796	\$ -	\$ 2,535,000	OWN	
South Bay	\$ 365,290	\$ -	\$ 80,000	LEAGUE	
South Palm Beach	\$ 151,820	\$ -	\$ 83,500	NO STATUS**	
Tequesta	\$ 628,494	N/A*	N/A*	OWN	
Wellington	\$ 6,647,407	\$ -	\$ 3,506,000	OWN	
West Palm Beach	\$ 11,912,391	\$ -	\$ 6,836,867	OWN	
Westlake	\$ -	\$ -	N/A*	NO STATUS**	
<b>Subtotal County:</b>	<b>\$ 128,560,395</b>	<b>\$ 50,128,384</b>	<b>\$ 68,804,213</b>	<b>OWN - 21</b>	
<b>Subtotal</b>	<b>\$ 85,706,930</b>	<b>\$ 4,829,233</b>	<b>\$ 53,433,949</b>	<b>LEAGUE - 15</b>	<b>Bonded - 4</b>
<b>Total:</b>	<b>\$ 214,267,325</b>	<b>\$ 54,957,617</b>	<b>\$ 122,238,162</b>	<b>NO STATUS - 4</b>	

N/A\* - Surtax information was not available or could not be located in publicly posted information.

NO STATUS\*\* - Information about an Infrastructure Surtax Citizens Oversight Committee was not available or could not be located in publicly posted information.

**EXHIBIT C - (cont'd)**

Entity	FY 2019 Proposed Surtax Budget	Entity	FY 2019 Proposed Surtax Budget
Palm Beach County	\$ 70,931,963	Loxahatchee Groves	\$ -
Atlantis	\$ 272,000	Manalapan	N/A*
Belle Glade	N/A*	Mangonia Park	N/A*
Boca Raton	\$ 13,460,000	North Palm Beach	\$ 720,000
Boynton Beach	\$ 9,786,693	Ocean Ridge	N/A*
Briny Breezes	N/A*	Pahokee	N/A*
Cloud Lake	N/A*	Palm Beach	\$ 500,000
Delray Beach	\$ 17,262,764	Palm Beach Gardens	\$ 3,344,525
Glen Ridge	\$ 17,425	Palm Beach Shores	N/A*
Golf	N/A*	Palm Springs	N/A*
Greenacres	\$ 2,251,250	Riviera Beach	N/A*
Gulf Stream	\$ -	Royal Palm Beach	\$ 3,535,000
Haverhill	N/A*	South Bay	\$ 238,000
Highland Beach	N/A*	South Palm Beach	N/A*
Hypoluxo	\$ 400,000	Tequesta	N/A*
Juno Beach	\$ 433,000	Wellington	\$ 3,536,000
Jupiter	\$ 10,120,104	West Palm Beach	\$ 11,362,587
Jupiter Inlet Colony	\$ -	Westlake	N/A*
Lake Clarke Shores	N/A*		
Lake Park	\$ 486,000	<b>Subtotal County:</b>	<b>\$ 70,931,963</b>
Lake Worth	\$ -	<b>Subtotal Municipalities:</b>	<b>\$ 55,224,815</b>
Lantana	\$ 735,579	<b>Total:</b>	<b>\$ 126,156,778</b>

*N/A\* - Surtax information was not available or could not be located in publicly posted information.*