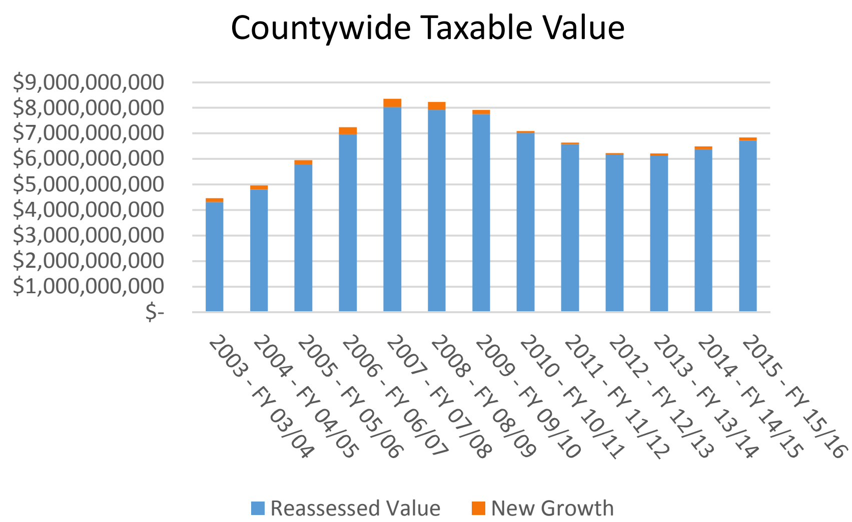
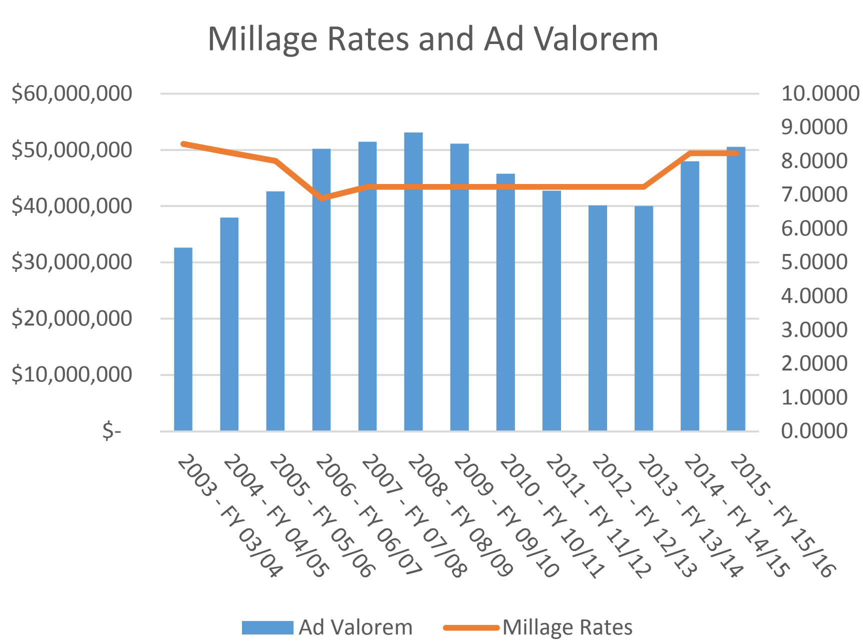
HOW THE RECESSION AFFECTED PROPERTY VALUES:



- Countywide taxable value decreased 26% ($8.4 billion in 2007 to $6.2 billion in 2013).
- In the last 2 years, the economy has improved and the taxable value has begun to increase ($6.2 billion to $6.8 billion) but the growth in taxable value is limited by the Florida Constitution.
    - Homestead Property - Regardless of the change in market value of the home, the Taxable Value is capped at the lower of 3% annually or the Consumer Price Index (CPI). 2014 CPI was 1.5%, 2015 was 0.8% and 2016 is 0.7%
    - In 2008, voters approved a Constitutional amendment which caps property that is not homestead at the lower of 10% annually or the actual increase in value. This prohibits the double digit increases in taxable value we experienced between 2003 and 2007.
- Predicting it will take at least 3 more years for taxable value to increase to the value it was in 2007.

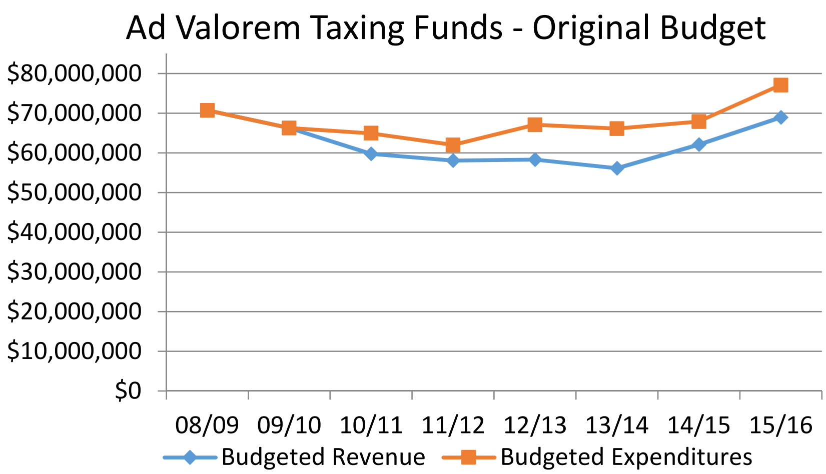
EFFECT ON PROPERTY TAX RATES AND COUNTY REVENUE:



- Ad Valorem (Property Tax) revenue is the primary funding source to provide governmental services to residents. The BOCC must annually set a millage rate that when multiplied by the tax base, generates sufficient revenue to fund these services. As the tax base grows, millage rates can be lowered and still generate the same amount of revenue. When the tax base declines, either tax rates must increase or the BOCC receives less revenue.

- As the tax base grew 2003 – 2006, the BOCC was able to reduce the millage rate but still generated additional revenue.
- When values dropped 2007 – 2013, the BOCC maintained a steady millage rate, therefore seeing a decline in revenue form $53 million to $40 million.
- Now that the economy is improving, the BOCC understands that the limitations on the growth of the tax base will hinder having sufficient operating revenue so they increased the millage rate 1 mil in 2014 which gets revenue close to what was being generated in 2008 before the economic downturn.

BALANCING THE BUDGET:

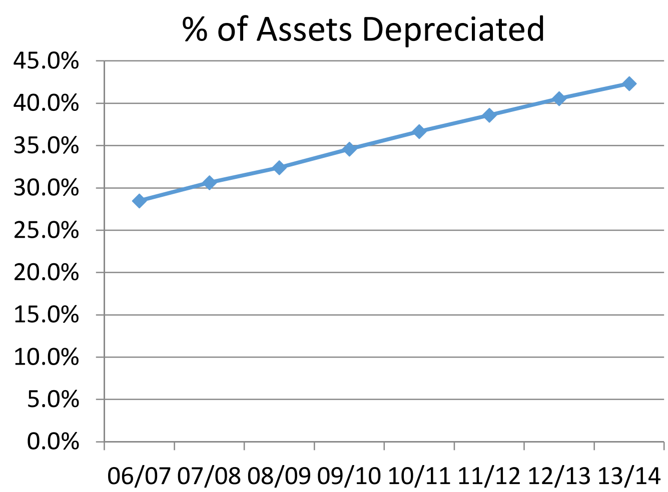


Year	One Cent	Reserves	Total
10/11	$5,176,174	$0	$5,176,174
11/12	$3,934,083	$0	$3,934,083
12/13	$6,401,800	$2,333,687	$8,735,487
13/14	$5,254,800	$4,718,147	$9,972,947
14/15	$5,481,989	$354,818	$5,836,807
15/16	$5,861,493	$2,314,239	$8,175,732
Totals	$32,110,339	$9,720,891	$41,831,230

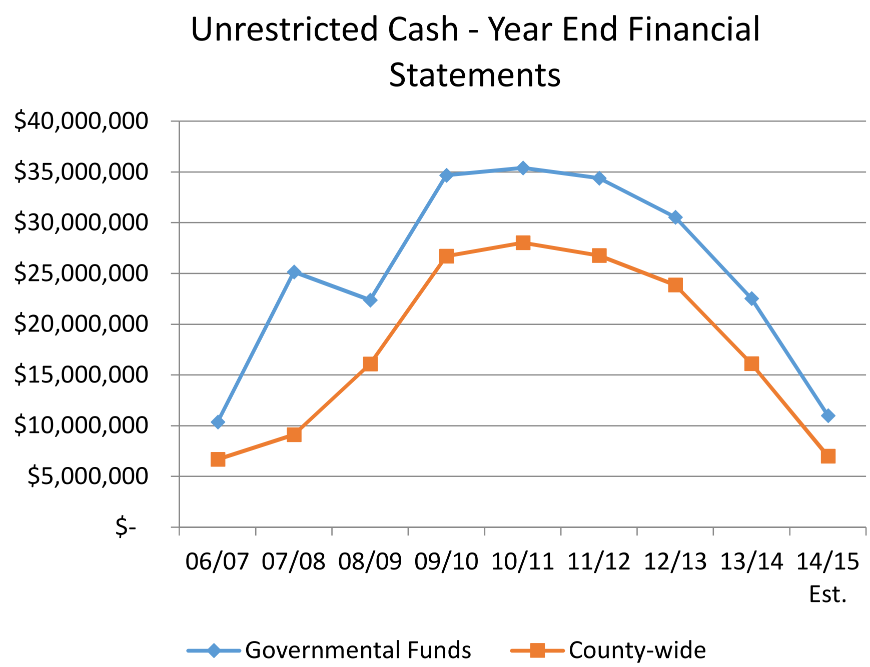
- As revenues declined, the BOCC reduced expenditures and was operating at less cost annually than in FY 2008/2009. Examples of reduced costs include:
  - BOCC eliminated 68 full time positions (18.5% of staff)
  - Refinanced gas tax bond to a more favorable rate
  - Revised personnel policies and employee benefit packages
  - Renegotiated Union contracts
  - Consolidated services with other governmental agencies
  - Eliminated the Pavement Management Program
- Beginning in FY 10/11, revenues were not sufficient to pay for budgeted expenditures so you see an annual operating deficit.
- Since the BOCC did not want to burden the Taxpayers with higher taxes, they voted each year to use One Cent sales tax and Reserves (savings account) to balance the budget.
  - One Cent Sales tax adopted in 1995. Originally intended to fund and maintain capital projects but later amended so it could be used to fund any governmental purpose except to pay debt. Used $32.1 million for operations over the last 6 years.
  - Between 2006 and 2010, the BOCC was able to build up a significant reserve balance. This was critical to remove the 2004 negative credit watch rating. It was also important because the reserves were able to provide $9.7 million to balance the budget and to continue funding some capital projects such as the Sheriff Administration building and matching state funding for road projects.
- In 2014, the deficit grew too large to continue funding with One Cent and Reserves alone so the BOCC increased the millage rate by 1 mil. The 1 mil brings in $6.5 million per year but you can see the deficit still exists and continues to grow.

SO WHAT'S THE PROBLEM?:

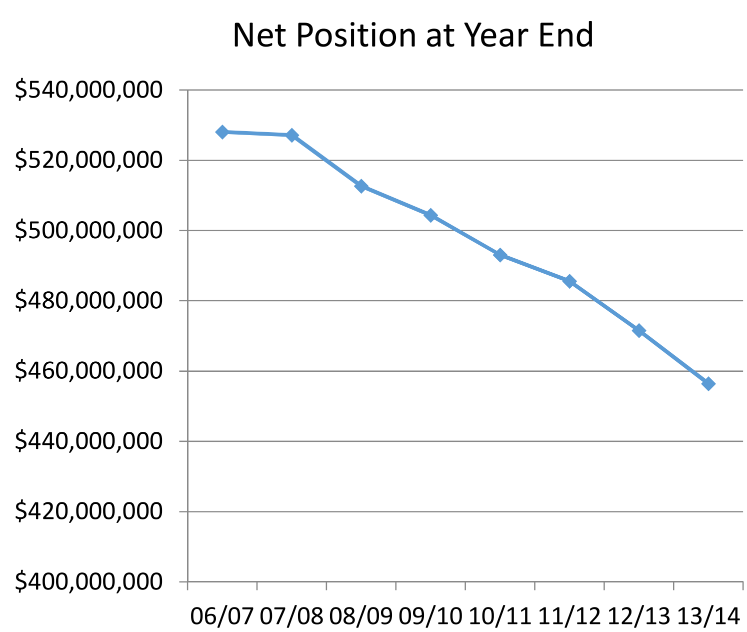
Category	Capital Assets	Net Capital Assets	% of Assets Depreciated
Land, WIP	$81 million	$81 million	non-depreciable
Buildings	$58 million	$37 million	36%
Machinery & Equipment	$32 million	$8 million	75%
Leasehold Improvements	$1 million	$1 million	0%
Infrastructure (roads, bridges, drainage, sidewalks)	$617 million	$328 million	47%
Totals 9/30/14	$789 million	$455 million	42%



- Annually the external auditors have to submit the County's financial reports to the State. The State Auditor General's office requires each auditor to provide results to a Financial Condition Assessment which is a series of tests to determine any concerns and also compares you to peer groups. In this test regarding the County's capital assets, you see an increasing trend in the % of assets depreciated. The Auditor General states that "an increasing trend suggests that a local government may not be systematically investing in its capital assets which could mean increasing costs for maintenance and replacement.
- Nassau County has more than $789 million in capital assets and we have an obligation to the Citizens to take care of these assets which the Taxpayers purchased and use daily.
- Of most concern is the equipment and the infrastructure categories.
  - Infrastructure: The County has more than 800 miles of roadway and approx. half is paved and half is not. Of the half that is paved, engineering had a study completed in 2011 which scored the condition of each County road (PCI – Pavement Condition Index). At that time, the overall rating was 66 which is "Fair" condition. The study showed that it would cost $6.3 million annually to maintain the 66 PCI and it would require $7.5 million annually to bring the roads up to a 70 PCI which is considered "Satisfactory". The BOCC currently contributes $0 to the pavement management program and the roads are deteriorating.
  - Equipment: It is very difficult for staff to provide services when equipment is down and this seems to always be the case, especially with graders, mowers and tractors which are needed to maintain the 400 miles of dirt roads throughout the county. We need reliable equipment to provide services.
- If the One Cent Sales Tax was being used for capital as it was intended, the County would have a minimum of $8.5 million per year to take care of roads, equipment, parks and buildings. More importantly, there would be a funding source that could be used as a match to secure State and Federal funding dollars to help Nassau County.



- One of the main reasons that the County's bond rating was downgraded and notified of "negative credit watch" in 2004 was due to the lack of unrestricted cash. The BOCC worked hard to set aside cash for emergencies as well as have savings for large projects such as the Sheriff Administration Building. Between funding the Capital Improvement Plan over the last several years and drawing down almost $10 million to fund the operating budget, you can see the decline in unrestricted cash each year.
- We recommended a revision to our Financial Policies which the BOCC adopted. This requires a minimum fund balance of at least two months operating expenses which will protect the County's bond rating. Additionally, the cash is needed for cash flow purposes and in case of an emergency such as a hurricane.
- There is currently very little cash in excess of the 2 month minimum so continuing to use reserves to balance the budget will not be an option in the future.



- Assets – liabilities = net position. This is equivalent to the value of the company in the business world. Net Position has decreased 13.5% over the last 7 years. This is due to declining cash balances (reserves) as well as depreciating assets.
- The Auditor General's office states that "decreasing results indicate financial position is weakening. Nassau County performed the worst of the peer groups in the state with a loss of 3.17% last year, while the peer groups had an average net position that increased 2%.
- We want to live in a County that is able to provide service levels that Citizens want and need. We also want to be able to take care of our infrastructure and ensure that we are prepared to provide service levels to the increasing population so we don't burden the existing residents. Without responsible planning, we can't achieve these goals and without adequate resources, quality of life will deteriorate and the County will be forced to go into debt to provide adequate service levels.