



Internal Audit Committee of
Brevard County, Florida

High Level Ten-Year Expenditure Analysis
FY2004 – FY2013

October 29, 2014

Prepared By:



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October 29, 2014

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Brevard County, Florida
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As part of our risk assessment and financial condition process it was requested that we update the previously compiled high level analysis of expenditures for Brevard County ("County") for the past ten years. For the purposes of this analysis, fiscal year 2004 was used as the baseline for the ten year comparatives. We reviewed budget books, Comprehensive Annual Financial Reports (CAFRs), County presentations, Commission Meeting Minutes and other data sources to compile this report.

Our report is organized in the following sections:

Executive Summary	This section provides a high level analysis of trends and significant expenditures for the ten year period.
Overview	This section provides trends for : <ul style="list-style-type: none">• Total Brevard County Expenditures• Brevard County Population• Brevard County Property Values• Brevard County Full Time Equivalent (Employees)• Health Care Costs• General Fund Total Expenditures and Transfers• Charter Offices
Year by Year Analysis	This section includes the total change in expenditures year-over-year, as well as a high-level description of the areas where increased expenditures occurred, even when there was an overall decrease in total expenditures.

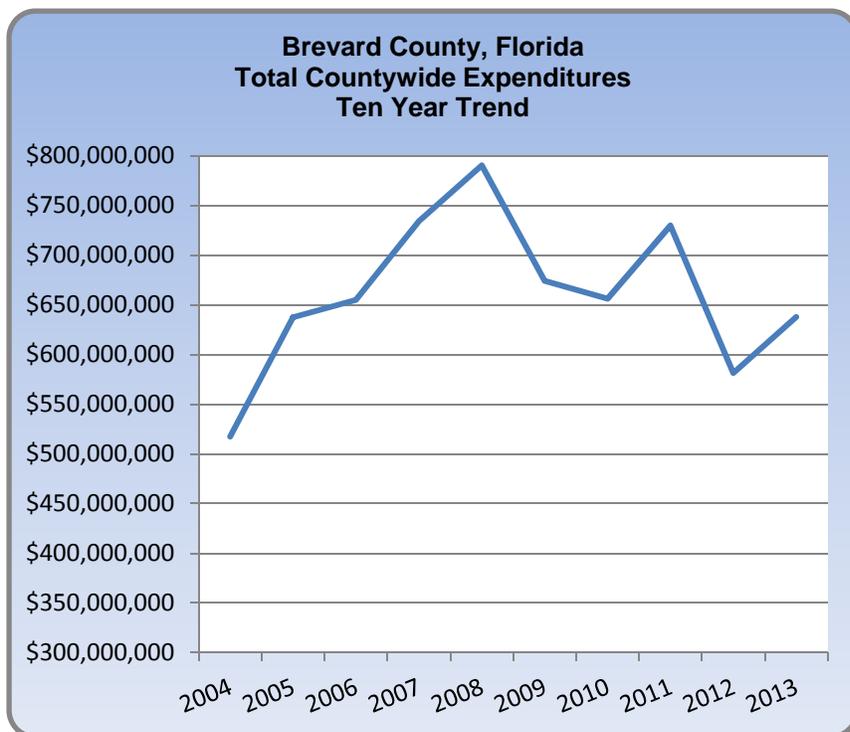
Respectfully submitted,

INTERNAL AUDITORS

Executive Summary

Executive Summary

As part of our risk assessment and financial condition review process, we have compiled a high level analysis of County expenditures for the past ten years. Using fiscal year 2004 as a baseline, we reviewed Budget Books, SAP (County's financial system) data, CAFR's, County Presentations, Minutes of Commissioner Meetings and other sources to compile this data.



Source: Brevard County Budget Office

Notable Trends include:

- *The population of Brevard County in 1999 was 467,401. In 2004 it was 521,422, and in 2013 it was 550,823. The 10-year increase is 5.6%, and the 15-year trend is 17.8%.*
- *Brevard Taxable Property Values fluctuated dramatically and have now stabilized back to 2004 levels.*
- *County FTE spiked significantly between 2004 and 2005 and has subsequently declined since 2008, back to 2000 FTE levels.*

Significant Expenditures

Healthcare Costs	Healthcare costs for all employees within the County (including Constitutional Offices) and overall throughout the County, have increased significantly over the last ten years. As noted in the Overview Section, the county's health plan expenses (including employer and employee contributions) have increased 56.4% over the ten year period. Per review of National Medical trends for Employer Contributions, the County is trending below national averages. Per discussion with the Insurance Director, this trend is directly related to an increase in catastrophic losses, which are defined as claims greater than \$100K.
General Government Operations	.This agency of the Board represents the collections of the general revenues of the County and the subsequent transfer of these revenues to other agencies. The remaining expenditures accumulated within that agency are for the General Fund Long-Term Debt Service and the Mandated Programs, which include Medicaid, Court Administration, Baker Act funding, Medical Examiner and others. The Mandated Program expenditures have increased to more than \$15M per year as of 2014. General Government Operations represents approximately 10% of the overall County expenditures.
Debt Service Reduction Measures	During the past three years, the County has made significant efforts to restructure its debt portfolio, making one-time payouts in order to realize long-term savings. Examples include defeasance of Parks bond referendum proceeds and outstanding utility debts, as well as general debts related to the Environmentally Endangered Lands program.

Executive Summary - continued

Significant Expenditures - continued

<p><i>Capital Improvement Program</i></p>	<p>As a result of years of deferred maintenance and backlogged renewal and replacement, agencies with dedicated revenue sources, such as user fees and grants, have ramped up their Capital Improvement Program over the last two or three years. These agencies include Utility Services, Solid Waste Management and Valkaria Airport. Other agencies, such as Public Works and Natural Resource Management have continued their projects and started new ones, as dedicated funding sources have been available. Agencies funded by General Revenue are still in a deferred maintenance state.</p>
<p><i>Parks and Recreation</i></p>	<p>The Environmentally Endangered Land (EEL) program was formed in 1990 and the County was authorized by referendum to Bond \$55 million for the project. In November 2004 citizens voted to extend the EEL program which provided up to \$60 million for additional funding over the next 20 years. Significant expenditures from these bonds occurred during the past ten years.</p> <p>In November of 2000, and again in November 2006, voters approved Parks and Recreation bond referendums. The County bonded approximately \$155 million to fund these projects through voter-approved millage. Significant expenditures related to the referendum projects were incurred during the past ten years, dropping off significantly over the past three years as referendum projects have been completed.</p> <p>Parks and Recreation receives the largest General Fund subsidy of any other Board agency (excluding Charter Offices). The amount of General Fund transfer has decreased over time, with 7% currently allocated to this department.</p>
<p><i>Charter Office - Sheriff</i></p>	<p>The Sheriff's office has grown from 925 FTE in 2004 to 1,201 FTE in 2013, which is an increase of 276 FTE or 30%. Both the Sheriff's total expenditures and General Fund allocation increased approximately 50% over this same period. The primary drivers of the FTE increases are related to jail expansion and an overall increase in the county-wide population. As detailed on page 10, the primary responsibility of the Sheriff's Office is law enforcement, making up an average of 54% of the total budget over the last ten years. The County Jail Complex is owned by the County and operated by the Sheriff's Office on their behalf. While the Sheriff's Office prepares and monitors the Jail Operations budget, the statutory responsibility for operating the jail rests with the County Board.</p>

Year	Other Significant Annual Expenditures
2005	<p>Natural Resources Management increased by approximately \$21 million primarily due to beach and dune restoration projects initiated by hurricanes Frances and Jeanne. These expenditures were funded by grants and the Tourism Development office.</p> <p>Solid Waste Department expenditures increased by approximately \$16 million and this was primarily due to additional waste collections as a result of the 2004 hurricanes. Additionally, there was an increased bond payment of \$2 million and these expenditures were paid by assessments, fees, and grants.</p>
2006	<p>Planning and Zoning increased by approximately \$26 million, due primarily to impact fee collections.</p> <p>Facilities increased by approximately \$7 million primarily due to an expansion of the detention center and these expenditures were principally funded via sales taxes, bonds, and the General Fund.</p> <p>Housing & Human Services increased by approximately \$5.9 million primarily due to CDBG grant project costs, state mandated expenses, and BOCC approved COLA adjustments. These expenditures were funded by grants, General Fund transfers, and charges.</p>

Executive Summary - continued

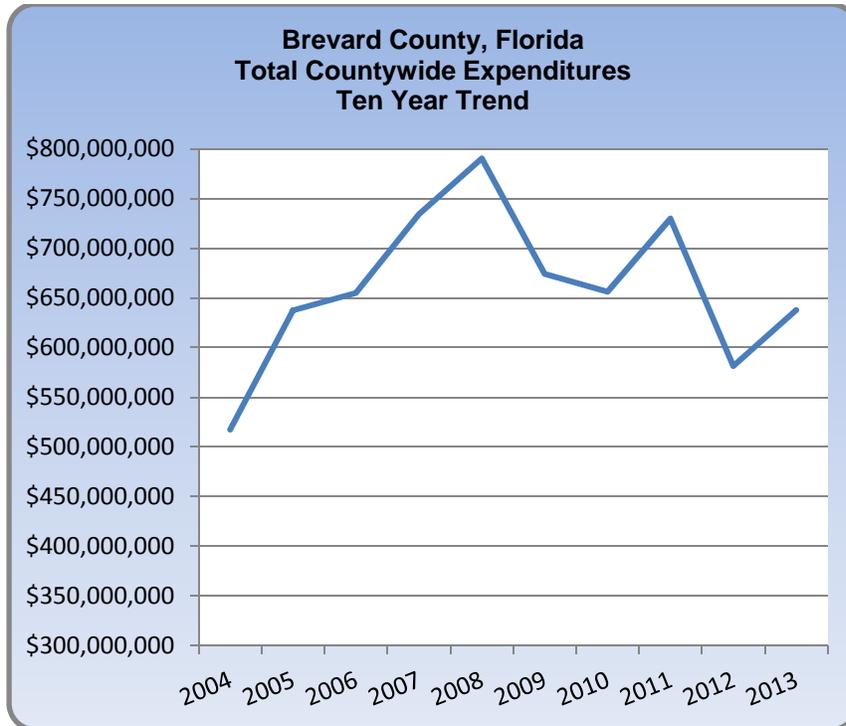
Year	Other Significant Annual Expenditures
2007	<p>Utility Services increased by approximately \$11.6 million primarily due to an increase in construction projects and debt payments. These expenditures were funded by user fees.</p> <p>The Tourist Development Office increased by approximately \$7.2 million in large part due to debt payment, promotional advertising, and beach re-nourishment. These expenditures were funded by a hotel sales tax.</p> <p>The Solid Waste Department increased by approximately \$4.3 million primarily due to increased salaries, FRS premiums, increased capital expenditures, and increases in capital reserves. These expenditures were funded with assessments, charges, and fees.</p> <p>Facilities increased by approximately \$3.9 million as a result of the continuation of construction projects and these expenditures were funded by sales taxes, bonds, and the General Fund.</p>
2008	<p>Transit Services increased by approximately \$4.7M primarily due to bus purchases and repairs, and maintenance. These expenditures were funded by grants.</p>
2009	<p>The Merritt Island Re-development Agency increased by approximately \$3 million, primarily due to several construction projects and land acquisition for the Fortenberry Stormwater Project. These expenditures were funded by taxes levied within the district.</p> <p>Natural Resource Management's increase of approximately \$2.5 million was primarily due to emergency beach and dune restoration projects initiated as a result of Tropical Storm Fay. These expenditures were funded by grants.</p>
2010	<p>Grants and Aid associated with Education and Transportation Impact Fees, which are collected and administered through the Planning and Development Department, experienced an increase of \$8.1M as a result of increased payments to the School Board for education impact fees and to the Viera Company for school site donations, partially offset by decreases in the transportation impact fees as a result of the Board-approved moratorium on March 9, 2009.</p>
2011	<p>The Parks and Recreation Department defeased 2007 bond proceeds, resulting in a one-time increase in total expenditures of \$65M. The defeasance was a combination of \$44.6M refinanced debt and \$18.8M in unspent bond proceeds from the voter-approved referendums. The savings as a result of the defeasance was expected to be used to fund ongoing park operations.</p> <p>Utility Services defeased the department's outstanding bond issue, resulting in a one-time increase in debt-related expenditures of \$21.6M. This defeasance was funded by existing reserves and loans from Solid Waste and Insurance reserves, paid back by 2013. The savings as a result of the defeasance was expected to be used to fund the backlog of renewal and replacement projects.</p>
2012 and 2013	<p>During these years, the capital improvement programs for multiple agencies that have dedicated revenue sources, such as Utility Services, Public Works, Solid Waste Management, Natural Resource Management and Valkaria Airport (among others) have increased their focus on capital improvements, as a result of significantly backlogged replacement and renewal programs, mandated improvements, and capacity needs. These are outlined specifically in the year-by-year analysis section.</p>

Overview

Overview

Total Brevard County Expenditures

Brevard County total expenditures for the last ten years have had significant fluctuations as illustrated below.

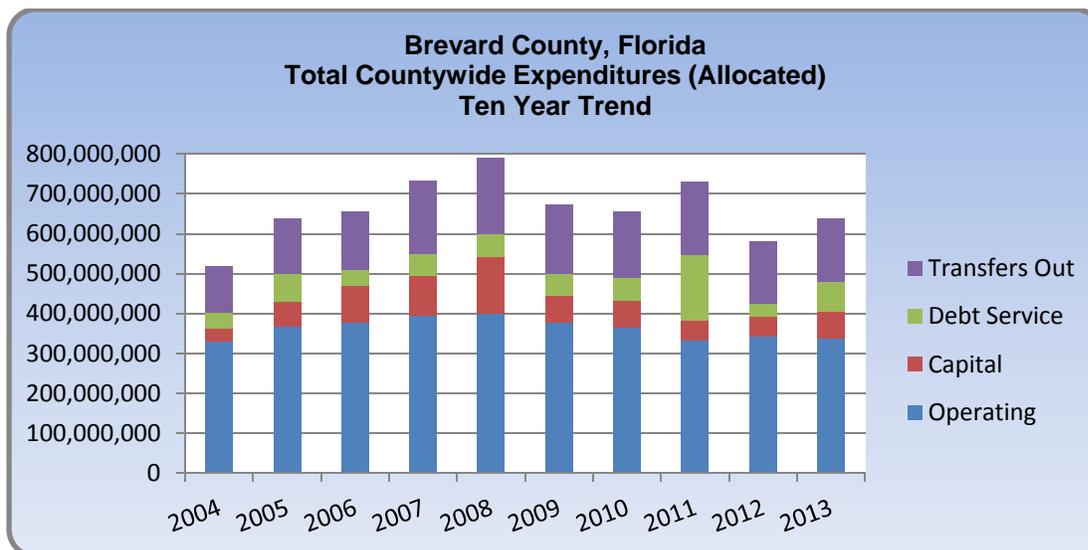


Total Countywide Expenditures as reported by the Budget Office show significant spikes over time, mainly as a result of varying capital expenditures and debt service. There is an overall increase of 23.3% for the ten years.

As further illustrated below, Operating Expenditures have decreased in each of the last 5 years and, in 2013, were consistent with 2004 levels.

Source: Brevard County Budget Office

Included in the above amounts are the expenditures made for capital improvements and construction, as well as debt payments made primarily for the purposes of new construction. The allocation trend of Operating, Capital, and Debt Service expenditures is shown below, as well as the amounts transferred to other agencies. Operating expenditures have decreased each year since 2009.

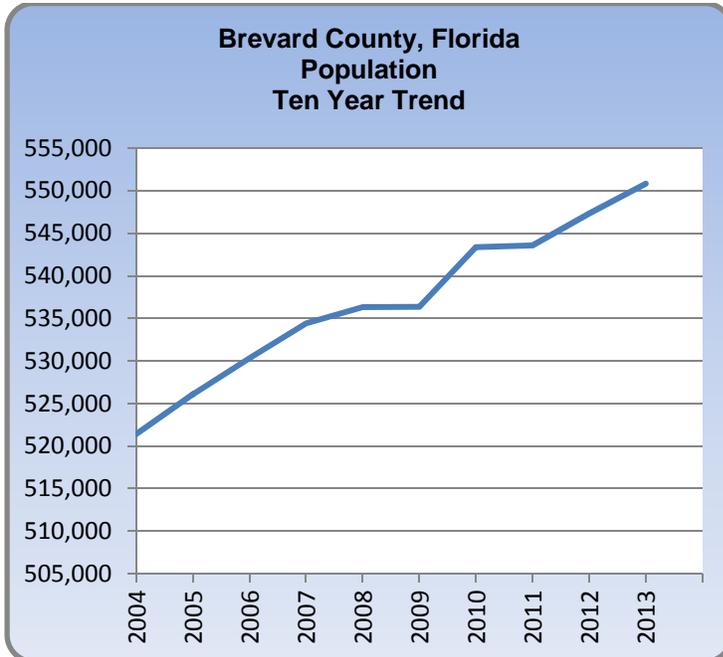


Source: Brevard County Budget Office

Overview

Brevard County Population

The population as reported by the United States Census Bureau has been on a steady increase over the ten year period with the exception of years 2009 and 2011 as noted below.



The population of Brevard County in 2004 was 521,422. In 2013 it was 550,823. This was a 5.6% increase.

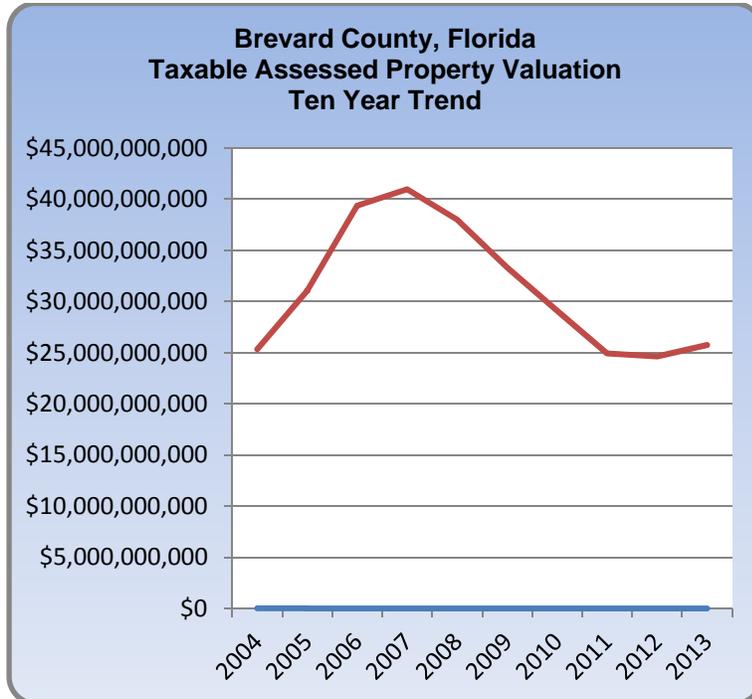
The 15-year increase between 1999 and 2013 was 17.8%.

Source: Brevard County Budget Office, United States Census Bureau

Overview - continued

Brevard County Property Values

Property values in Brevard County had significant spikes in 2005 and 2006 before declines in 2007 through 2011. In 2013, the values stabilized (though with a slight decline of 1.2%), and in 2013, the values rose 4.5%.

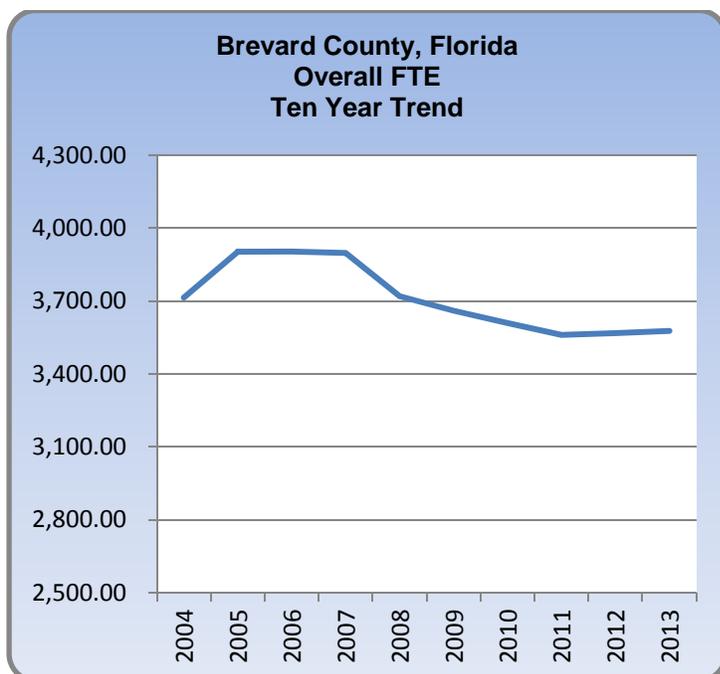


Property values in Brevard County peaked in 2006 and 2007. Subsequent declines from 2008 to 2011 coincide with the recession.

The 2013 taxable assessed value was on par with the 2004 value, making the 10-year trend virtually flat.

Source: Brevard County Property Appraiser (excerpted from 2008 and 2009 CAFR)

Brevard County Full-Time Equivalents (Employees)



County FTE spiked significantly between 2004 and 2005 and has subsequently declined since 2008, back to 2000 FTE levels.

Source: Brevard County Budget Office

Overview - continued

Health Care Costs

History of Health Plan Expense & Membership

Plan Year	Plan Expense	Employee Membership	Retiree Membership	EE/RET Cost per Month	Cost per Month % Change
2003	\$27,884,416	4,122	631 (15.3%)	\$488.89	
2004	\$30,450,939	4,272	626 (14.6%)	\$518.08	5.9%
2005	\$35,842,121	4,384	654 (14.9%)	\$592.86	14.4%
2006	\$39,749,113	4,560	749 (16.4%)	\$623.92	5.2%
2007	\$45,090,211	4,757	778 (16.4%)	\$678.86	8.8%
2008	\$48,793,767	4,852	861 (17.7%)	\$711.73	4.8%
2009	\$50,740,856	4,854	899 (18.5%)	\$734.99	3.3%
2010	\$45,650,235	4,727	933 (19.7%)	\$627.11	(-8.5%)
2011	\$45,490,537	4,452	945 (21.2%)	\$702.40	4.5%
2012	\$43,330,369	4,008	867 (21.6%)	\$740.69	5.5%
2013	\$47,628,650	4,089	722 (17.6%)	\$824.99	11.38%

Health Plan expense, including employer and employee contributions, increased 56.5% over the ten year period. Costs-per-member increased nearly 70%.

Source: Brevard County Human Resources

Employer Contribution Rate History

Plan Year	Employer Paid Contribution Rate (PEPM)	% Change From Prior Year	Plan / National Trend	Plan Year	Employer Paid Contribution Rate (PEPM)	% Change From Prior Year	Plan / National Trend
2001	\$447.55	11.00%		2008	\$855.72	8.25%	6.7% / 10.7%
2002	\$495.71	10.76%	16% / 1.11%	2009	\$907.08	6.00%	3.8% / 10%
2003	\$555.20	12.00%	13% / 13.1%	2010	\$783.59	-13.61%	-9.4% / 10.9%
2004	\$587.12	5.75%	5% / 13.7%	2011	\$822.77	5.00%	-1.6% / 10.5%
2005	\$633.02	7.82%	9.4% / 12.4%	2012	\$822.77	0.00%	7.4% / 9.8%
2006	\$708.98	12.00%	7.8% / 12%	2013	\$822.77	0.00%	13.1% / 8.6%
2007	\$790.52	11.50%	11.3% / 11.3%	2014	\$859.80	4.50%	8.3% / 8.3%
AVG	\$532.56	10.12%	10.42% / 12.27%	AVG	\$858.44	1.45%	4.04% / 9.8%

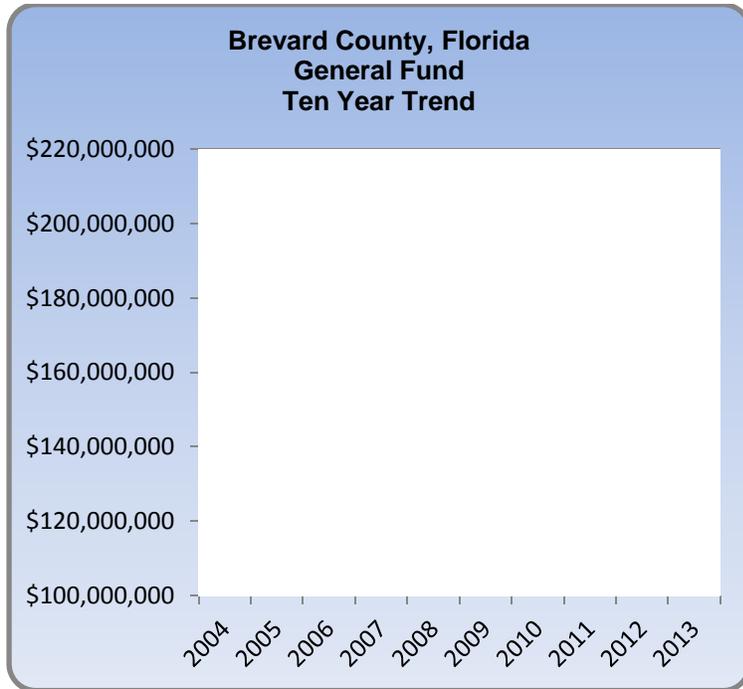
This table compares the County ("plan") Contributions to National Medical Trends. It shows that the County's claim experience is worse than the National trend.

Source: Brevard County Human Resources

Overview - continued

General Fund Total Expenditures and Transfers

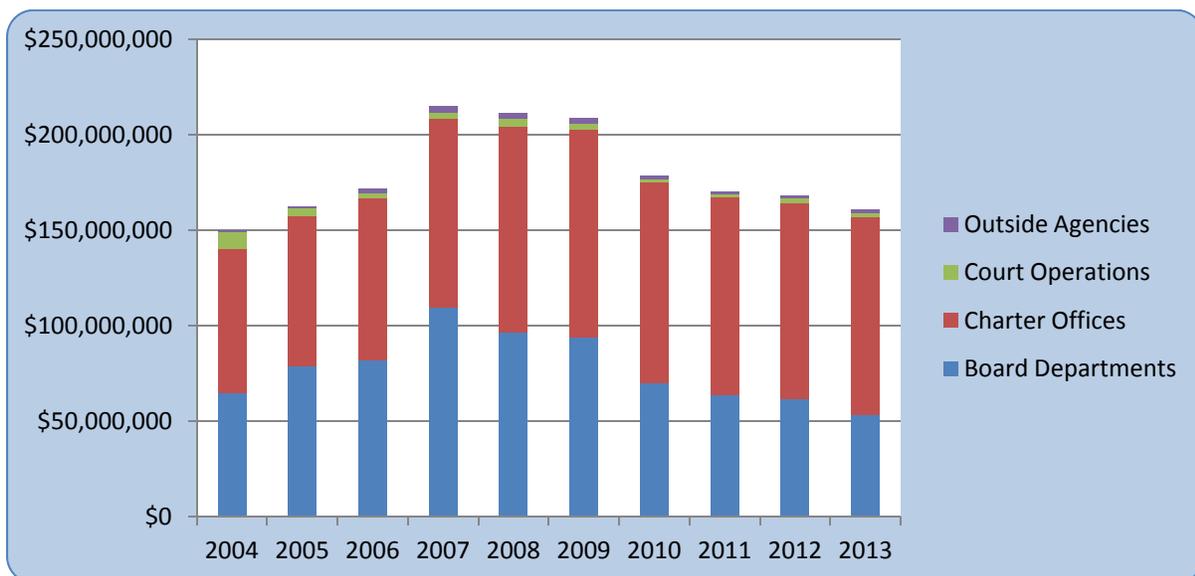
The General Fund transfers increased between 2004 and 2007, with a decline since. The 2013 total transfer was at its lowest since 2004.



The General Fund supports activities throughout the County, including significant allocations to Charter Offices as shown below.

Source: Brevard County Budget Office

The make-up of the General Fund transfers is shown below between Board Departments, Charter Offices, Court Operations and Outside Agencies. The most significant General Fund transfers include the Sheriff, Parks and Recreation, Fire Rescue and Central Services. Central Services include Facilities, Purchasing, Asset Management and Fleet Services at the County. The majority of the General Fund transfer to Central Services is for Facilities.

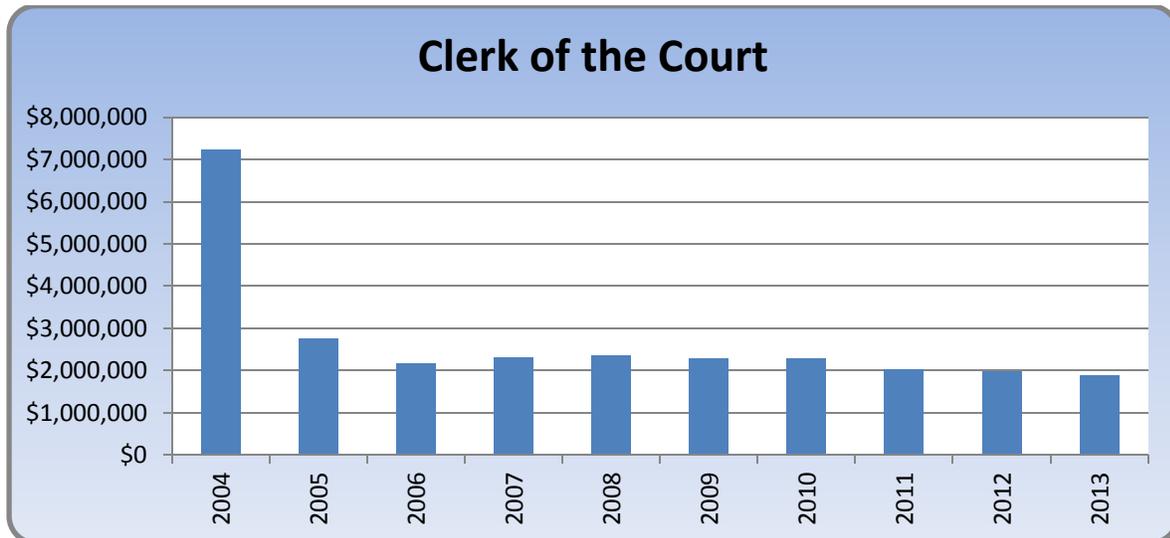


Source: Brevard County Budget Office

Overview - continued

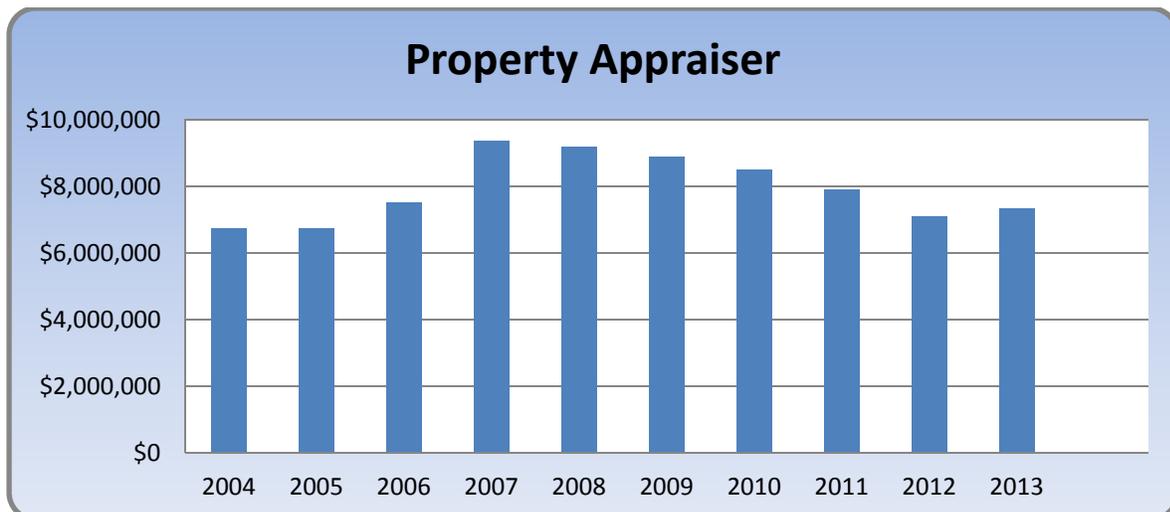
Charter Offices

The Charter Offices include: the Clerk of the Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The charts below show trends for general fund allocations to the Charter Offices. These graphs do not depict the entire budget of those offices, but only the amount of general fund transfer received from the County Board. Historically, the Sheriff's Office has received the largest portion of general fund allocation, followed by the Property Appraiser, Tax Collector, Supervisor of Elections and the Clerk of the Court.



Source: Brevard County Budget Office

Article V of the Florida Constitution establishes the judicial branch of state government and defines the elements of the state courts system, including trial and appeals courts. In 1998, voters passed Revision 7 to Article V, which directs the state to pay for "essential elements" of the trial courts system; counties previously paid for some of these functions through the general fund. The implementation of Revision 7 occurred over a four-year period, and the State now sends the Article V funds directly to the Clerk; those direct amounts are not reflected in the graph above. The decrease between 2004 and 2005 reflects that change.

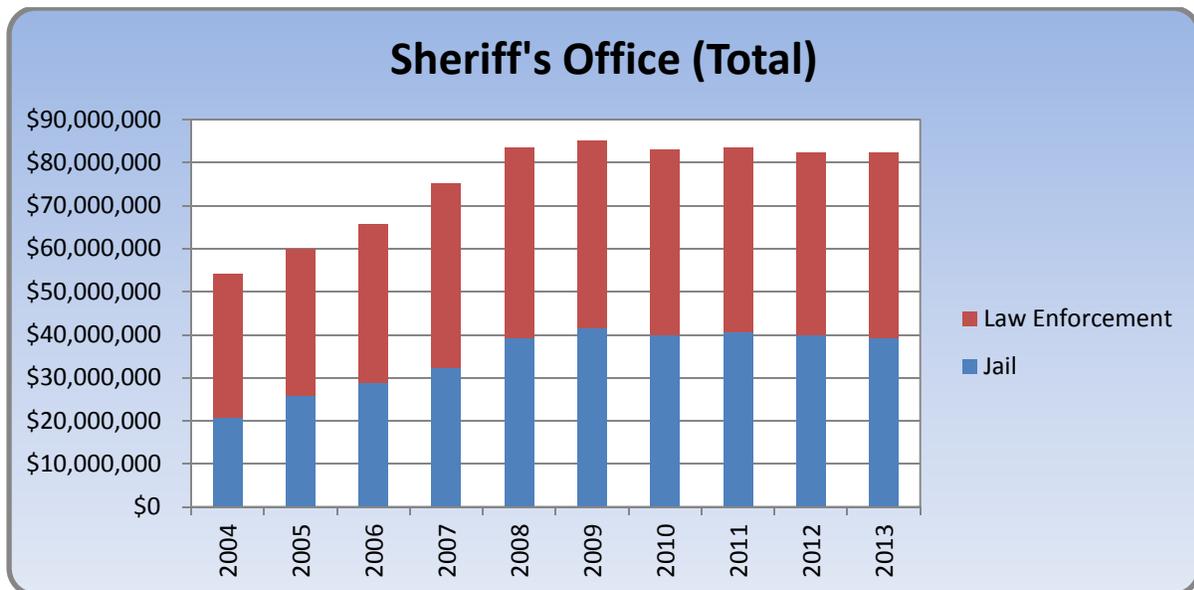


Source: Brevard County Budget Office

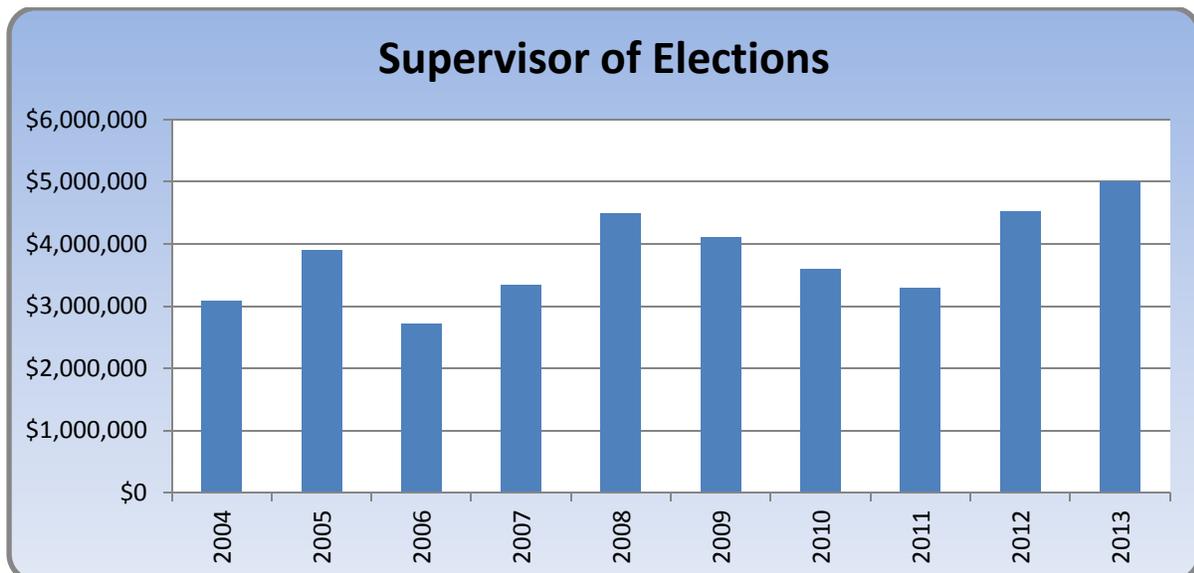
Overview - continued

Charter Offices - continued

The primary responsibility of the Sheriff's Office is law enforcement. The County Jail Complex is owned by the County and operated by the Sheriff's Office on their behalf. While the Sheriff's Office prepares and monitors the Jail Operations budget, the statutory responsibility for operating the jail rests with the County Board. We have shown the trends for the total office and the separate functions below. The ten-year trend for 2004-2013 showed an increasing ratio of the total costs for the Jail Ops (from 38% in 2004 to 49% in 2009), when it stabilized and was roughly 45/55 as of 2013.



Source: Brevard County Sheriff's Office

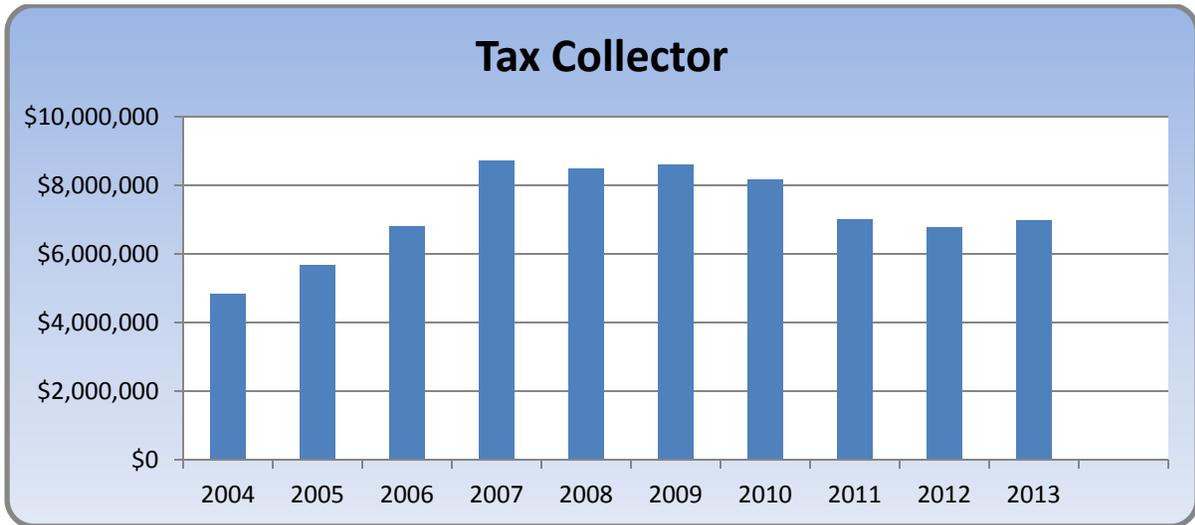


Source: Brevard County Budget Office

Expenses related to the November 6, 2012 General Election fell within 2012 and 2013. Additionally, the constitutionally-mandated reapportionment and redistricting that occurs with a Presidential Election once every 20 years also fell within those periods.

Overview - continued

Charter Offices - continued



Source: Brevard County Budget Office

Year by Year Analysis

Year by Year Analysis for Fiscal Year 2004

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2004 decreased by approximately \$79M from the previous year. This decrease is partially due to the one-time bond refunding of \$60M that occurred in 2003 for utility services. Increases in expenditures were primarily due to the following:

Financial Highlights:

1. The Sheriff's Office received an increase in transfers of approximately \$3.8M from the general fund. Increase in expenditures was primarily due to a new COPS grant for the addition of 12 new Road Patrol Deputies and unexpected expenses associated with Hurricanes Charley, Francis and Jeanne.
2. Planning & Development increased by approximately \$1.4M primarily due to increased staffing. These expenditures were funded by user fees, General Fund and impact fees.
3. An increase in Fire Rescue by approximately \$3.6M primarily due to the addition of 911 ambulance crews and increased personnel costs as a result of collective bargaining. These expenditures were paid by Ad Valorem, General Fund and user fees.

Year by Year Analysis for Fiscal Year 2005

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2005 increased by approximately \$126M. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. Public Works increased by approximately \$37M primarily due to road and sidewalk construction and \$4.5M in equipment purchases, debt service, installation and maintenance, and hurricane-related road and drainage repairs. These expenditures are funded by FPL franchise fees, impact fees, MSTU, FEMA and CGT.
2. Transportation Engineering Department increased by approximately \$35M primarily due to road and sidewalk construction projects and equipment purchases, debt service, installation and maintenance and repairs for streetlights, and hurricane related road and drainage repairs.
3. Parks and Recreation increased by approximately \$34M primarily due to an increase in CIP and EEL debt service expenditures. These expenditures were funded by a referendum and EEL Ad Valorem.
4. Natural Resources Management increased by approximately \$21M primarily due to beach and dune restoration projects initiated by Hurricanes Frances and Jeanne. These expenditures were funded by grants and TDC.
5. Solid Waste Department expenditures increased by approximately \$16M and this is primarily due to additional waste collections as a result of the 2004 hurricanes. Also there was an increased bond payment of \$2M. These expenditures were paid by assessments, charges and fees and grants.

Year by Year Analysis for Fiscal Year 2006

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2006 increased by approximately \$36M. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. Planning and Zoning increased by approximately \$26M primarily due to impact fee collections.
2. Fire Rescue increased by approximately \$9M primarily due to the purchase of an additional advanced life support fire engine, 800 MHz radios, increase in staffing and EMS salaries, and emergency equipment for new station.
3. Facilities increased by approximately \$7M primarily due to an expansion of the detention center. These expenditures were primarily funded via sales taxes, bonds and the General Fund.
4. Housing & Human Services increased by approximately \$5.9M primarily due to CDBG project costs, state mandated expenses, health insurance premiums and BOCC approved COLA adjustments. These expenditures were funded by grants, General Fund and charges.
5. The Sheriff's Office received an increase in transfers of approximately \$5.7M from the general fund. Increase in expenditures is primarily due to funding of salary increases from the implementation of a salary step pay-plan and the full year funding of 114 new positions approved in 2005 on a staggered hiring schedule, 4 new Deputy positions for judges assigned to the county by the state, new Deputy positions for the creation of the Sexual Offender Tracking Unit, and 8 Correction Deputy positions for the opening of the first tent. Additionally, the first half of the Cody Salary study was implemented at mid-year.

Year by Year Analysis for Fiscal Year 2007

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2007 increased by approximately \$85M. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. The Sheriff's Office received an increase in transfers of approximately \$6M in appropriations from the general fund. Increase in expenditures was primarily due to the full year funding of the Cody Salary Study, 6 new Deputy positions for new judges assigned to Brevard County by the State and a new SRO position for Viera High School. In addition, the Sheriff's Office Computer Aided Dispatch (CAD) system was replaced using Commercial Paper.
2. Utility Services increased by approximately \$11.6M primarily due to an increase in CIP projects and debt payments. These expenditures were funded by user fees.
3. The Tourist Development Office increased by approximately \$7.2M primarily due to debt payment, promotional advertising and beach re-nourishment. These expenditures were funded by a hotel sales tax.
4. Employee Health Plan expense increased by approximately \$5.5M. This increase correlates to a 9% cost-per-month change per plan member. (These amounts include the employee portion of contributions.)
5. Solid Waste Department increased by approximately \$4.3M primarily due to increased salaries, FRS premiums, increased capital expenditures and increases in capital reserves. These expenditures were funded with assessments, charges and fees.
6. Facilities increased by approximately \$3.9M as a result of the continuation of CIP projects. These expenditures were funded by sales taxes, bonds and the General Fund.

Year by Year Analysis for Fiscal Year 2008

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2008 increased by approximately \$57M. Increase in expenditures are primarily due to the following:

Financial Highlights:

1. Parks and Recreation increased by approximately \$55.7M and this is primarily due to one-time land acquisitions for EEL. This expenditure was funded by an EEL referendum.
2. Fire Rescue increased by approximately \$7.1M primarily due to a new fire rescue unit and related equipment, an aerial engine, mobile data terminals for 21 engines, and new fire engines. These expenditures were funded by Ad Valorem, General Fund, user fees and assessments.
3. The Sheriff's Office received an increase in transfers of approximately \$9.5M in appropriations from the general fund. Increases in expenditures were primarily due to the addition of 96 positions at the jail complex for the opening of the Medical/Mental Health Wing and 4 Road Patrol Deputies for the Town of Malabar.
4. Transit Services increased by approximately \$4.7M primarily due to bus purchases and repairs and maintenance. These expenditures were funded by grants.

Year by Year Analysis for Fiscal Year 2009

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2009 decreased by approximately \$98M. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. The Merritt Island Re-development Agency increased by approximately \$3M primarily due to several CIP projects and land acquisition for the Fortenberry Stormwater Project. These expenditures were funded by restricted use taxes.
2. Natural Resource Management increased by approximately \$2.5M primarily due to emergency beach and dune restoration projects initiated as a result of Tropical Storm Fay. These expenditures were funded by grants.
3. The Sheriff's Office received a general fund increase of \$1M, and these funds went towards board-approved salary step increases for sworn personnel.

Year by Year Analysis for Fiscal Year 2010

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2010 decreased by approximately \$34M. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. Grants and Aid associated with Education and Transportation Impact Fees, which are collected and administered through the Planning and Development Department, experienced an increase of \$8.1M as a result of increased payments to the School Board for education impact fees and to the Viera Company for school site donations, partially offset by decreases in the transportation impact fees as a result of the Board-approved moratorium on March 9, 2009.
2. The Tourism Development Office incurred an increase of \$5M as a result of costs associated with the South Reach Federal Shore Protection project, as well as promotion and advertising of the Space Coast in other markets. These increases were funded by the State and the Tourism Development Tax.
3. The Sheriff's Office incurred an approximate \$3.5M increase in total expenditures. These increases were absorbed by the Sheriff's office other revenue sources and did not impact the overall General Fund transfer to the Sheriff.
4. Approximately \$1.4M in increases relate to the increased capital expenditures of the E911 system. Also during 2010, the E911 system was transferred from the Information Technology Department to the Emergency Management Office, at which time IT personnel were also centralized. These changes results minor cost reductions that also offset the increases in capital expenditures.

Year by Year Analysis for Fiscal Year 2011

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2011 increased by approximately \$80M. These increases in expenditures can be primarily attributed to defeasance of debt service, funded by restricted revenue sources that were for capital expenditures to be funded by those bonded debts. Those defeasance items include the following:

Financial Highlights:

1. The Parks and Recreation Department defeased 2007 bond proceeds, resulting in a one-time increase in total expenditures of \$65M. The defeasance was a combination of \$44.6M refinanced debt and \$18.8M in unspent bond proceeds from the voter-approved referendums. The savings as a result of the defeasance was expected to be used to fund ongoing park operations.
2. Utility Services defeased the department's outstanding bond issue, resulting in a one-time increase in debt-related expenditures of \$21.6M. This defeasance was funded by existing reserves and loans from Solid Waste and Insurance reserves, paid back by 2013. The savings as a result of the defeasance was expected to be used to fund the backlog of renewal and replacement projects.

Year by Year Analysis for Fiscal Year 2012

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2012 decreased by approximately \$151M. A significant portion of the decrease is attributed to the debt defeasance that occurred during 2011, as previously described, as well as reduced capital expenditures in the Parks and Recreation Department, also as a result of defeasing the unspent referendum bond proceeds and delaying additional project expenditures until the defeasance was completed. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. Approximately \$6M increased capital expenditures in the Public Works Department, for various roadway projects. These projects are funded by a combination of Municipal Service Tax dollars, as well as General Fund for those areas that do not have a separate MST.
2. Approximately \$5M in increased capital expenditures by the Solid Waste Management office, funded by user fees.
3. Valkaria Airport began planned expansion, funded by the Federal Airport Improvement Program grant, and expended \$3M during 2012 as a part of that program.

Year by Year Analysis for Fiscal Year 2013

High-Level Financial Overview:

Overall, expenditures for Fiscal Year 2013 increased by approximately \$55M. Increases in expenditures are primarily due to the following:

Financial Highlights:

1. The Parks and Recreation Department refinanced debt related to the Environmentally Endangered Lands program, resulting in a one-time increase of \$26.5M in debt service payments.
2. The Natural Resource Management Office expended an additional \$4M in Stormwater Capital Improvement Projects, primarily funded by additional intergovernmental revenues.
3. Valkaria Airport continued planned expansion, funded by the Federal Airport Improvement Program grant, and expended \$5M during 2012 as a part of that program, an increase of \$2M over the previous year's expenditures.
4. Public Works, Solid Waste Management and Utility Services continued to fund capital projects, resulting in an approximately \$7M increase over the prior year's capital program.