

FY2013 Proposed Budget

**First Public Hearing
September 6, 2012**

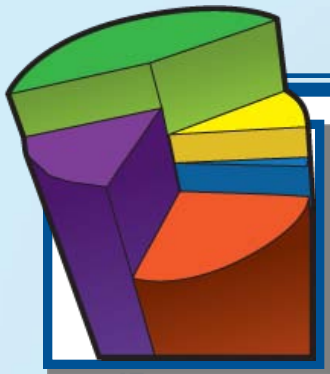


Outline

- Budget background
- FY2013 Budget strategy
- Citizen & employee outreach
- General Fund forecast (July 10)
- Changes to Proposed FY2013 Budget
- Updated General Fund forecast

Outline

- General Fund reserve
- Other funds
- Future Fiscal Issues
- Next steps



Budget Background

FY2012 Background

- In FY2012 property tax revenues decreased 4.6% or \$14M due to:
 - Decline in taxable values
 - Foreclosures and distressed sales depress prices
 - Excess inventory compared to demand
 - Low volume of new construction
 - 7.2% decrease in total General Fund revenue
- Between FY2007 and FY2012
 - Property taxes have decreased 35%
 - Total General Fund revenues have decreased 30%

Position Reductions

(FY2007 to FY2012)

- **Constitutional Officers and Independent Agencies decreased 730 positions or 19%**
 - **Lowest position count since FY1991**
- **BCC Departments decreased 975 positions or 35%**
 - **Lowest position count since FY1985**

Expenditure Reductions

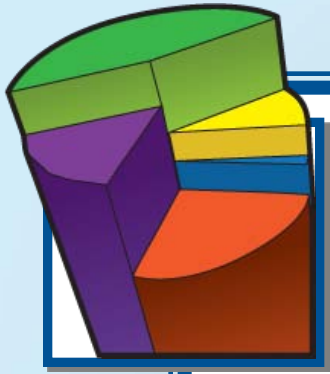
(FY2007 to FY2012)

- General Fund expenditure reductions from FY2007 to FY2012

Agency	\$	%
BCC Departments	(\$100.2M)	38.9%
Sheriff	(\$72.5M)	26.8%
Other Constitutional Officers	(\$14.4M)	26.1%
Independent Agencies	(\$6.6M)	27.0%

Note:

- Comparisons are between FY2007 and FY2012 budget except the Sheriff (FY2008 and FY2012)



FY2013 Budget Strategy

FY2013 Budget Strategy

- Over the past five years, the Board has pursued a multi-year strategy to achieve a sustainable market basket of services
- Budget reductions were made by BCC departments, Constitutional Officers, Court Support, and Independent Agencies
 - \$193.7M in General Fund reductions from FY2007-12
 - 1,705 positions eliminated from FY2007-12
- A Service Level Stabilization Account (SLSA) was established to cover potential future shortfalls in the General Fund

Service Level Stabilization Account



- The Service Level Stabilization Account (SLSA) is a prudent financial strategy to mitigate forecasted multi-year shortfalls in the General Fund
- The SLSA represents non-recurring funds generated by taking reductions in FY2010, 2011, and 2012 over and above what was necessary to balance the budget
- The FY2012 budgeted balance in the SLSA is **\$28.6M**

Service Level Stabilization Account



- Building up this “savings” account provides increased flexibility to successfully adjust to the new fiscal reality
- The SLSA can be used on a one-time basis to cover potential shortfalls in the General Fund
 - Provides flexibility in the budget to avoid making reductions to the point where revenues bottom out
 - Allows us to bridge to a time when the budget has stabilized and begins to improve
 - Because it is a non-recurring funding source, the SLSA will not structurally balance the General Fund on a recurring basis

FY2013 Budget Strategy

- **Stay the Course**

- ❑ Limit growth in the budget to revenue growth
- ❑ Continue streamlining and efficiency reductions
- ❑ Address unfunded Medicaid mandate by increasing revenue
- ❑ Spend down the Service Level Stabilization Account to balance the General Fund



FY2013 Budget Strategy

- Plan the budget based upon ten-year forecasts for the County's major funds
 - Forecasts are updated throughout the year
 - Budget targets are developed based on the unique forecasts for each fund
- Develop the budget consistent with the Board's adopted budget policies
 - Budget Policies appear as Exhibit A of the Budget Message

FY2013 Budget Process

- Focus on ability to sustain programs given revenue decreases, new unfunded mandates and ongoing property tax caps
- Community outreach prior to budget development
- “Deep dives” with departments as part of strategic planning process
- Continued focus on program-based budgeting and levels of service
- Constitutionals and Independents have individual budget work sessions with the Board

Management Initiatives

- The Board has established several strategic initiatives to chart a positive course for the future
 - Strategic Planning
 - High Performing Workforce
 - Volunteerism
 - Program-Based Budgeting
 - Multi-Year Forecasting

Program-Based Budgeting

- **FY2013 Proposed Budget represents a transition from line-item, management-driven perspective to program-based perspective**
- **Citizen-friendly perspective**
 - Programs represent services that citizens can relate to and understand
 - Performance measures relate cost of service to the level of service being delivered

Benefits of Program Budgeting

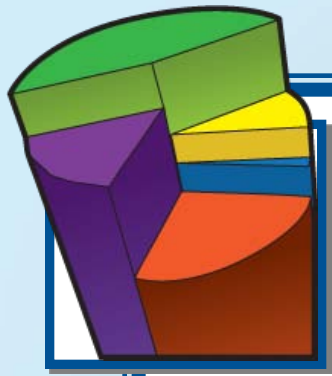
- **Program budgeting initiative began in FY2008**
 - Built on performance measurement initiative from FY2002
 - Increases transparency and understanding of the budget
 - Stratifies the budget into programs and allocates expenditures, revenues, positions, performance measures, and cost recovery for each program
 - New OPUS systems support program budgeting
- **Supports BCC Strategic Plan**
- **Focuses on outcomes and impacts**

Updated Budget Document

- Proposed budget document represents transitional document
- Adopted budget document will include additional program-based information (performance measures)
- Shift from “numbers” budget format to more user-friendly, program-oriented format
- Focus on alignment with the Strategic Plan, resources obligated, and outcomes

Power of the Forecast

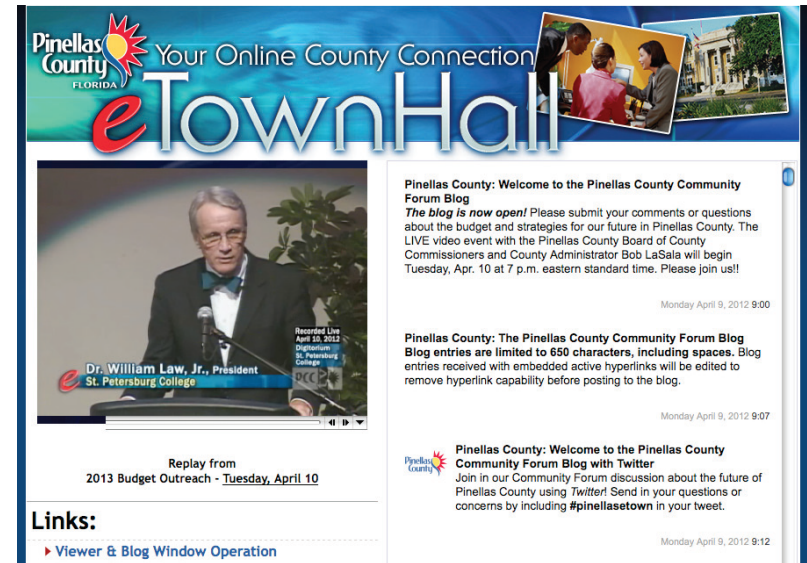
- Valuable tool that reflects the impact that decisions made in the present can have on future fiscal capabilities
 - Ex) adding a new program
 - Ex) approving a new revenue source
- Helps to identify future challenges, weigh potential options, and craft policy well in advance
- Provides transparency to the budget planning process

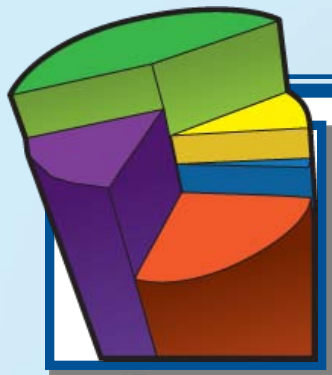


FY2013 Citizen & Employee Outreach

Community Outreach & Input

- Received valuable public input at three community meetings
- Telephone Citizens Preference Survey
- On-line Citizens Preference Survey
- Citizen Suggestions via County website





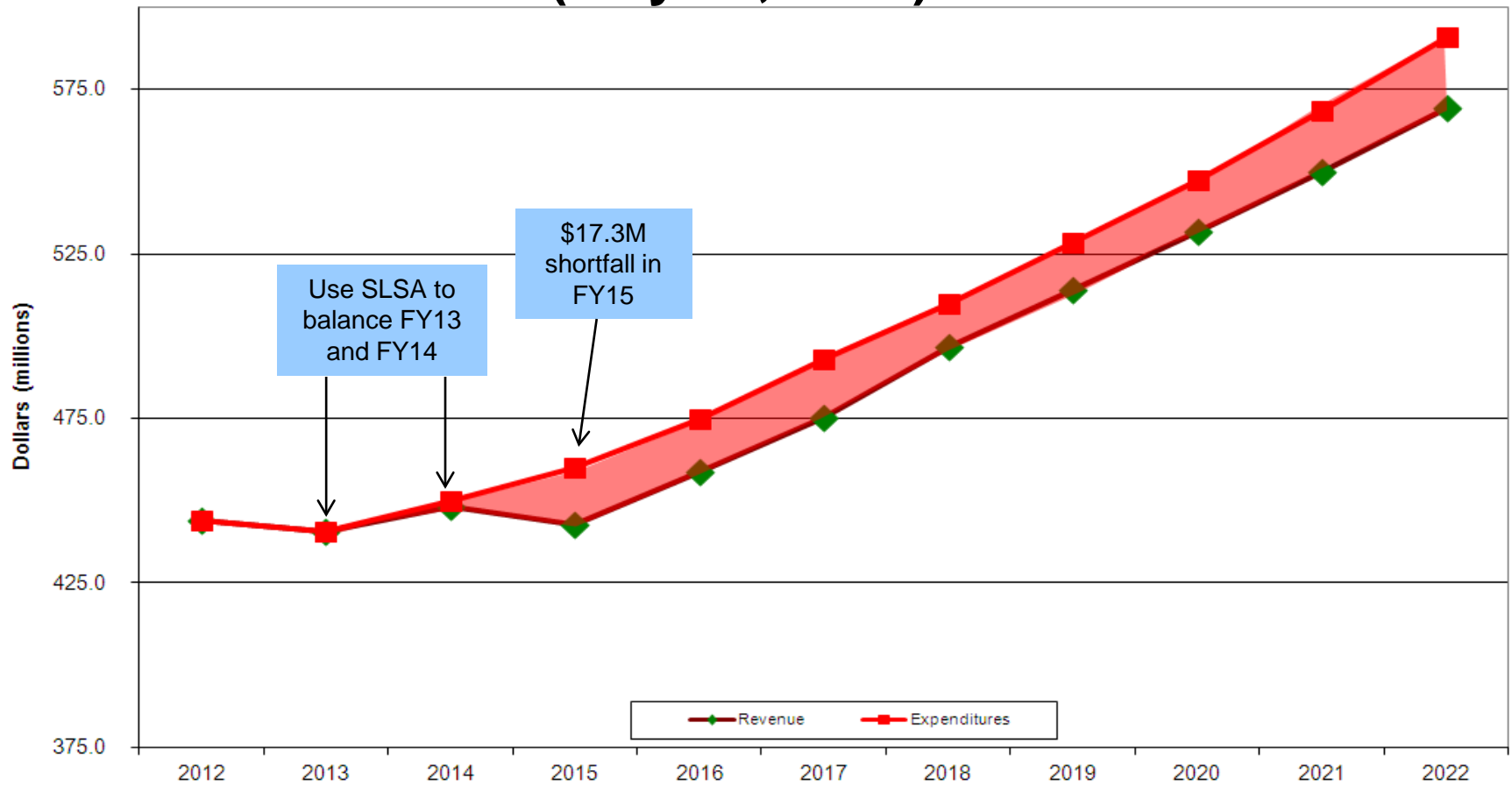
General Fund Forecast (July 10)

Ad Valorem Update

- Budget forecast (February, 2012) assumed 4% decrease of taxable values for FY2013
- Certified taxable values from the Property Appraiser as of July 1st:
 - Countywide: 1.8% decrease
 - MSTU: 3.3% decrease
- Positive impact to the General Fund of \$5M in FY2013 (vs February forecast)
- Also impacts future forecast years



Revised General Fund Forecast (July 10, 2012)



Net recurring
rev - exp

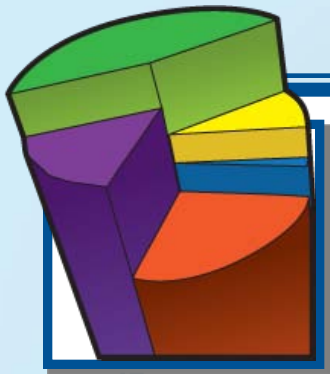
0	(1.6M)	(17.3M)	(16.1M)	(17.7M)	(13.2M)	(14.5M)	(16.0M)	(18.9M)	(21.5M)
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Citizens' Guide
to the Budget

Unincorporated Area (MSTU)

- Another term for the unincorporated area is the Municipal Services Taxing Unit or MSTU
- The population of the MSTU is larger than any of the cities in the County (276,000)
- MSTU services are paid for by unincorporated area residents only
- MSTU residents do not pay utility taxes or franchise fees like most city residents
- MSTU General Fund Millage Rate
 - Proposed Budget: 2.0857 mills
 - No change in rate since FY2008



Changes to Proposed FY2013 Budget

Ad Valorem Update

- **County-wide General Fund Millage Rate**
 - **Proposed Budget: 5.0608 mills**
 - Included 0.25 mill rate increase to address unfunded Medicaid mandate
 - **TRIM Notice: 5.0307 mills**
 - Board reduced rate based on updated Medicaid mandate requirements
 - **Revised Proposed Rate: 5.0105 mills**
 - Board directed reduced rate based on updated Medicaid mandate requirements

Non-Recurring Project Allocations Included in Proposed Budget (General Fund)

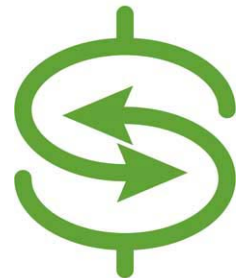
- ▣ **Justice CCMS project: \$3.9M**



- Funds the anticipated expenditures through the third year of the project. To date, \$7.7M will have been budgeted for this project. Additional funding in future years will be needed to complete this project (\$3.9M)

- ▣ **Centralized Chiller Project: \$1.5M**

- Funds one-fifth of the interfund loan from Solid Waste fund. Remaining loan balance due to be paid in future years (\$6.0M).



Additional Funding Approved (General Fund)

- **Clerk of the Circuit Court - OPUS Staffing Support (\$149K recurring)**
- **BTS - OPUS Technical Staff (\$250K recurring)**
- **BTS - Wide Area Network Redundancy (\$78K recurring)**
- **BTS - WiFi Connectivity (\$360K one-time; \$110K recurring starting FY2014)**

Additional Funding Approved (General Fund)

- Health & Human Services: \$840K recurring
 - Support for homeless initiatives
 - Funded on one-time basis annually since FY2010
 - Pinellas Hope - \$500K
 - Homeless street outreach activities - \$300K
 - Turning Point - \$40K

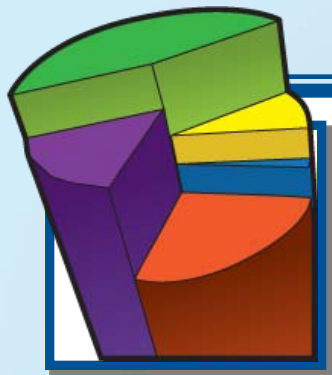
Pinellas **H**ope
A Program of Catholic Charities
Diocese of St. Petersburg

Funding Options (General Fund)

- County-wide Requests: \$1,470,390 recurring
- Non-recurring Requests: \$360,000
- Per Board direction on 7/31 and 8/7, Service Level Stabilization Account funds have been allocated to support the additional requests

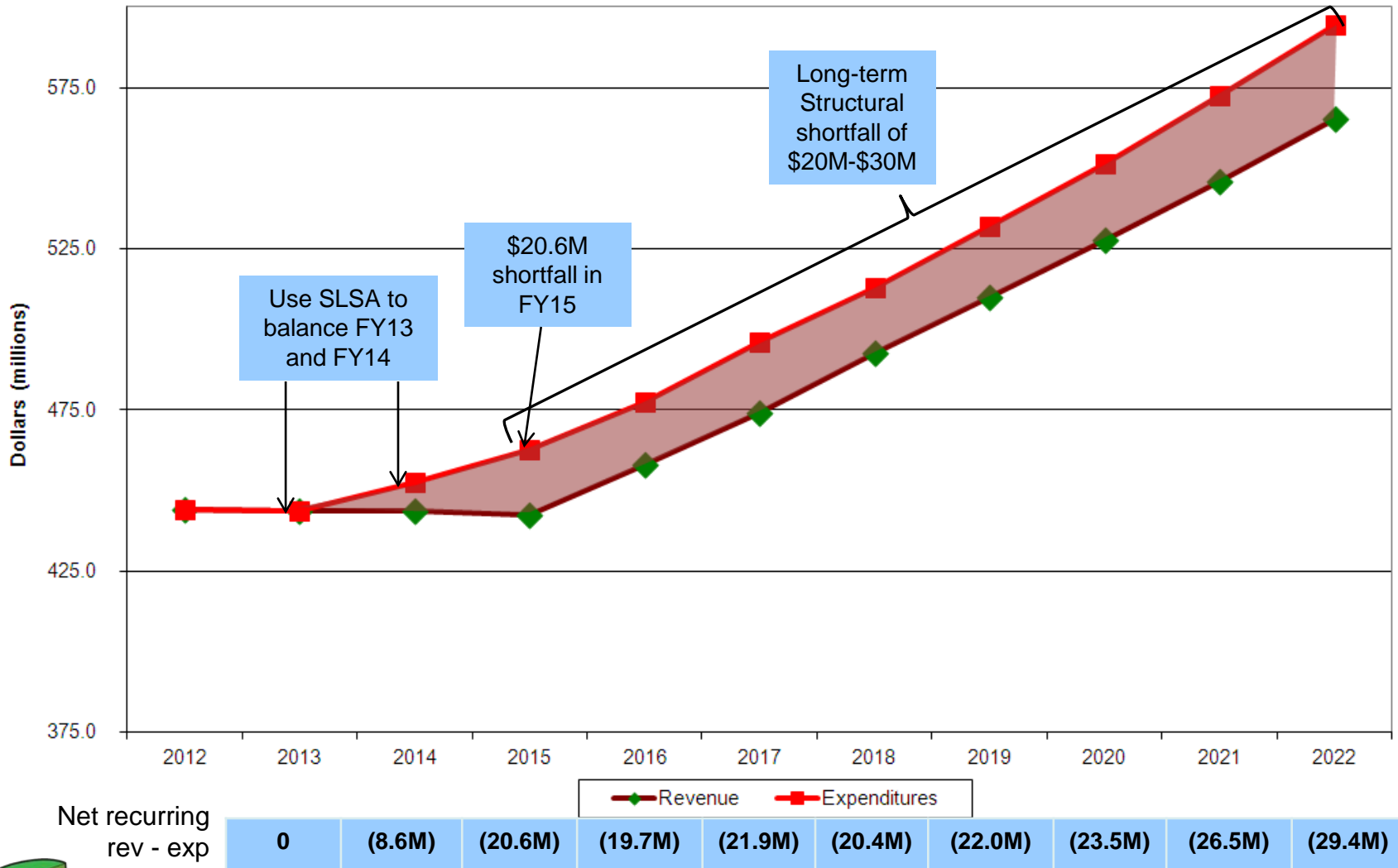
Additional Funding Requests (Non-General Fund)

- **BTS - CADD Technical Staff (\$160K recurring for Capital Improvement Program fund)**
 - Administrative costs charged to projects are increased
- **DEI – ATMS/ITS In-Sourcing (\$40K recurring SAVINGS for Transportation Trust Fund)**



Updated General Fund Forecast

Revised General Fund Forecast



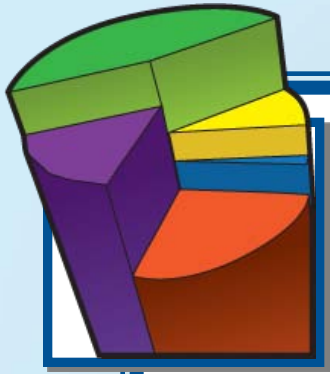
Citizens' Guide
to the Budget

Multi-Year Budget Strategy

- Forecasted long-term structural shortfall of \$20-30M
 - Balancing options
 - Make recurring reductions needed to structurally balance the General Fund over the long-term
 - Increase revenues to offset all or a portion of projected shortfalls
 - Blend of expenditure reductions and revenue increases

Multi-Year Budget Strategy

- **Potential Risks to the Forecast**
 - ❑ Florida Retirement System costs
 - ❑ Fragile Economic Recovery
 - ❑ Proposed Constitutional Amendments
 - ❑ State response to Affordable Care Act
 - ❑ Other State Mandates



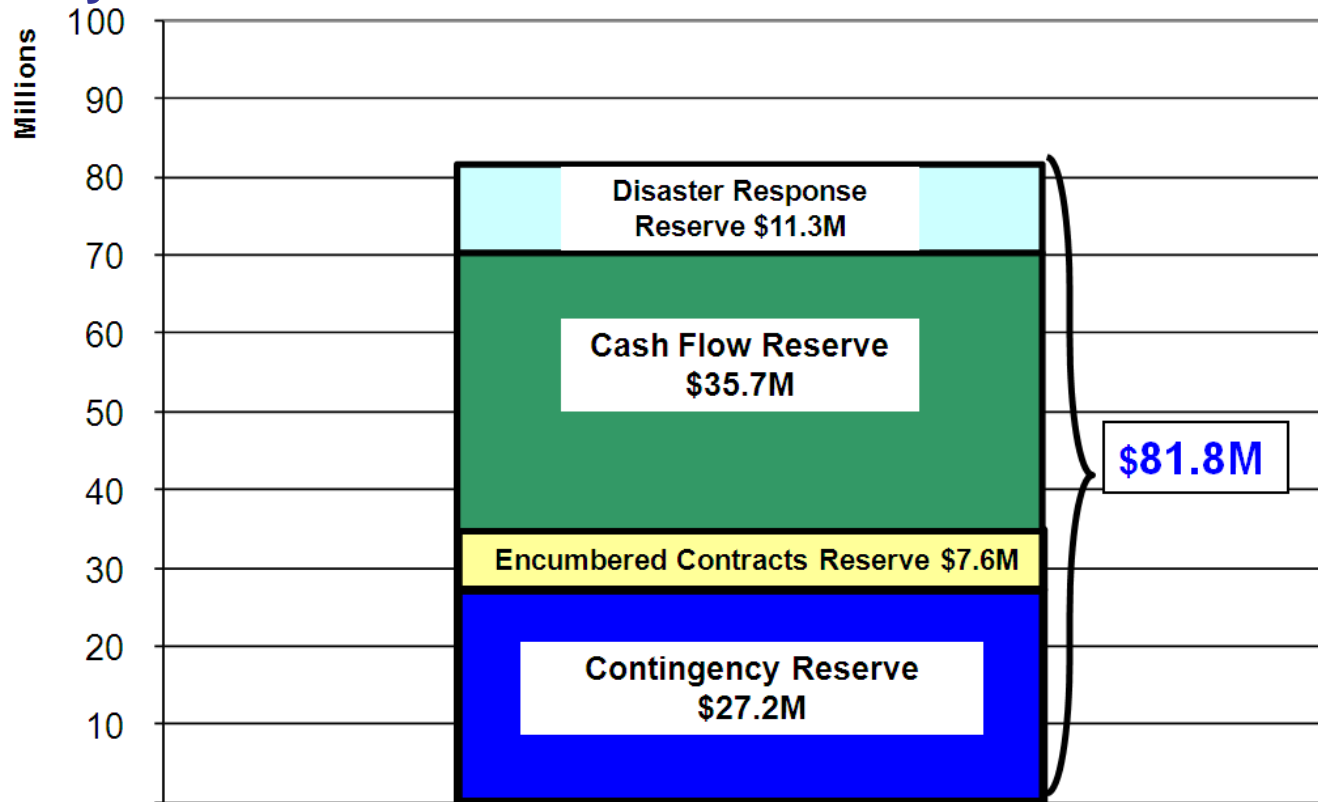
General Fund Reserve

General Fund Reserve Policy

- Budget reserve of at least 15% of General Fund Resources
 - Consistent with recent County practice
 - Aligned with Government Finance Officers Association Recommended Best Practice
 - Board indicated desire to bolster reserves when possible
- Propose **\$81.8M** in FY2013 budget (15%)
 - Accommodates funding of non-recurring allocations

Proposed FY2013 General Fund Reserve

- FY2013 Reserve of **\$81.8M** is consistent with adopted reserve policy of at least 15% of General Fund Resources



Components of Reserve

- **Contingency Reserve: \$27.2M**
 - Unanticipated revenue shortfalls or expenditures
 - Revenue examples
 - Sales tax proceeds
 - Local government sharing from the State
 - Development driven revenues such as building permits and zoning fees
 - Expenditure examples
 - Volatile fuel costs
 - Electric rate increases
 - Water/Sewer rate increases
 - Leave payouts for laid off positions

Components of Reserve

- **Encumbered Contracts Reserve: \$7.6M**
 - Resources committed to be expended in the following fiscal years due to timing issues
 - Accrued leave earned but not used
 - Encumbrances
 - Grants revenue received but not spent
- **Cash Flow Reserve: \$35.7M**
 - Necessary to meet cash flow needs (working capital)
 - Property tax revenue represents two-thirds of total revenues and most is not received for at least two months

Components of Reserve

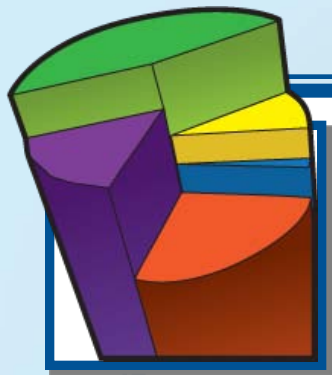
- **Disaster Reserve: \$11.3M**
 - Pinellas is a high hazard coastal county
 - Need cash on hand to pay for disaster response
 - Emergency operations center and emergency shelters
 - Sheriff overtime
 - Public Works emergency response personnel
 - Debris removal
 - FEMA or State reimbursement only covers a portion of the costs and may not be received for months or years
 - Depending on timing, other available reserves could also be used for disaster response



Costs for Recent Hurricanes

Year	Event	Location	Cost
2004	Hurricane Dennis	Escambia County	\$29M
2004	Hurricane Charley	Charlotte County	\$124M
2004	Hurricane Ivan	Escambia County	\$196M
2005	Hurricane Wilma	Palm Beach County	\$325M





Other Funds

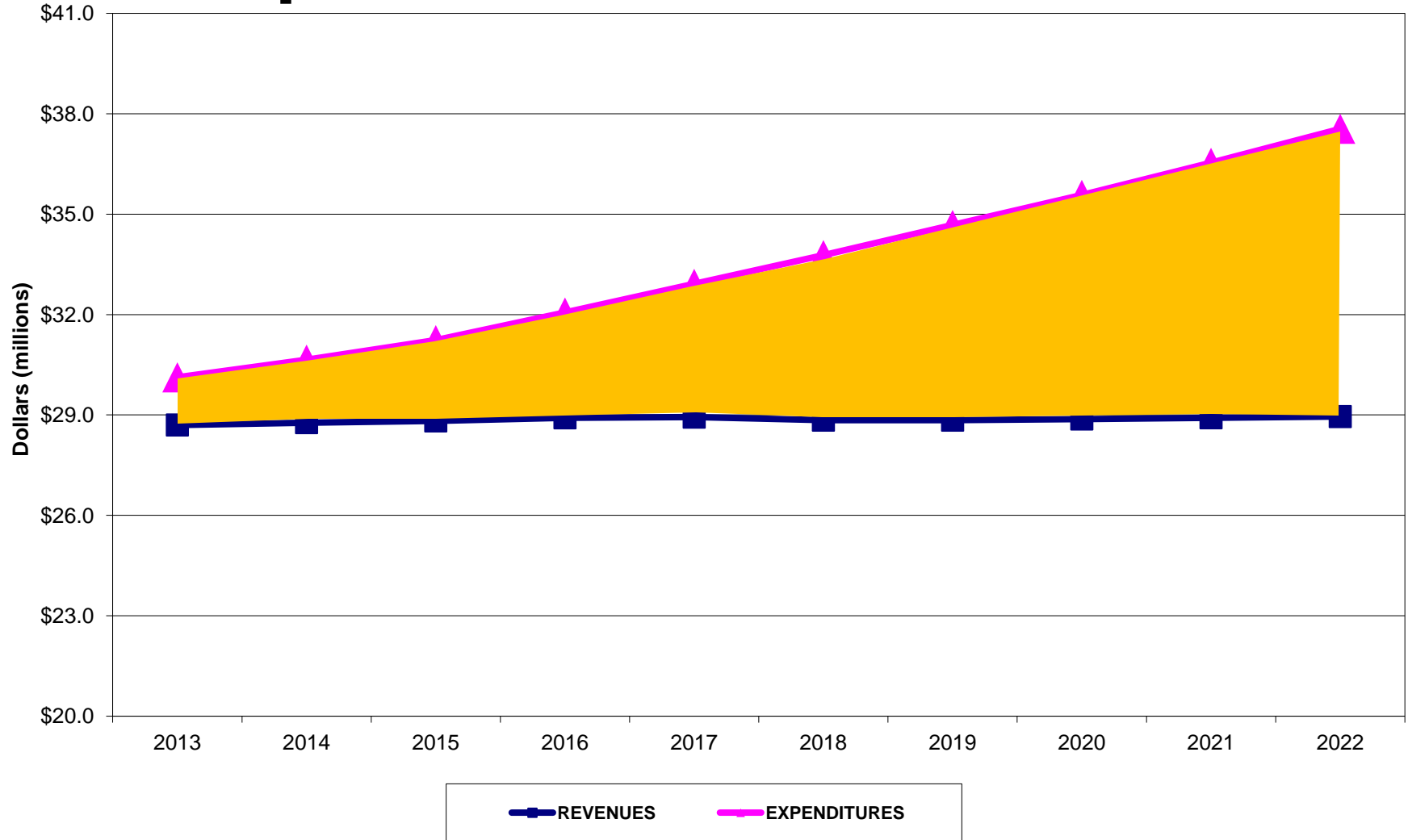
Fund Review: Transportation Trust Fund

- Fund is not in balance beginning in FY2013 resulting in depletion of fund balance in FY2019
 - Results from inflationary pressures on expenditures exceeding the relatively flat growth in gas tax collections
 - Will need to take action by FY2017 or FY2018



- Balancing strategies
 - Revenue subsidy from General Fund
 - Offset \$10.5M of storm water expenditures with an independent revenue source
 - Imposition of additional local option gas taxes
 - Reductions in program service levels

Transportation Trust Fund Forecast



Fund Review: EMS Fund

- Fund is not balanced through the forecast period
 - FY2013 is balanced based on increasing EMS millage rate from 0.8506 to 0.9158 (7.7% increase)



- Proposed millage increase requires majority vote
- Reduces reserve from 25% to 18.6% (\$16.8M)
- Additional millage increases will be necessary to sustain same level of service with current delivery model
- Millage cap is 1.5000

Fund Review: EMS Fund

(Millage Increase Drivers)

- **Increased Requests from First Responders (\$2.0M or 5.1% increase)**
- **Decrease in Taxable Values (1.7% decrease)**
- **Matching Recurring Revenues to Recurring Expenditures**
- **Maintaining an 18.6% Reserve Level**

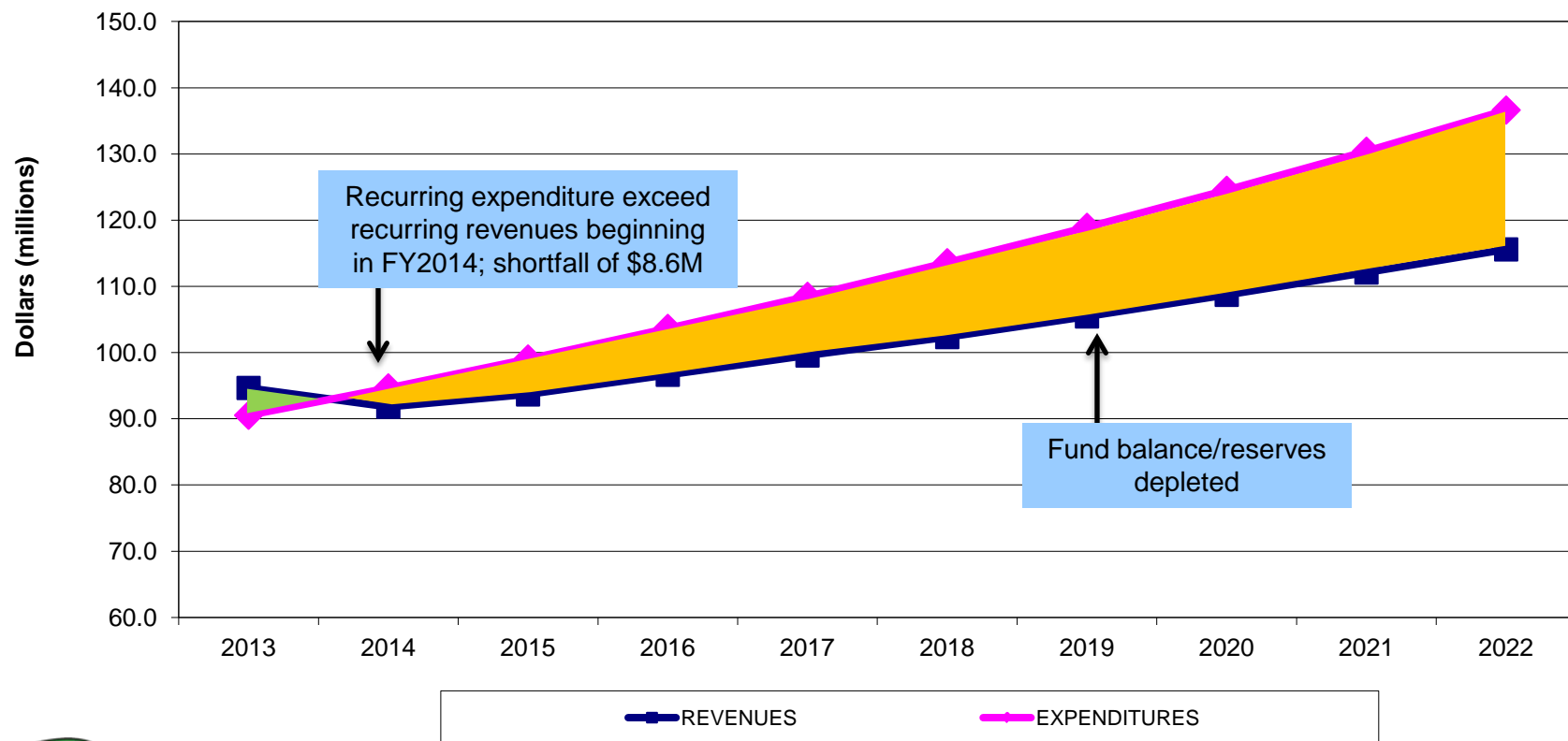
Fund Review: EMS Fund **(without millage increase)**

- **FY2013**
 - Millage rate maintained at 0.8506
 - Reserve level = 15.1% (\$13.7M)
- **FY2014 (based on forecast)**
 - Reserve level = 2.2% (\$2.0M)
 - Fund balance/reserves depleted in FY2015
 - Millage rate increase of 53.8% to 1.3079 necessary to raise reserve level to 25%
- **FY2015 (based on forecast)**
 - Millage rate increase of 90.9% to 1.6241 necessary to raise reserve level to 25%
 - Exceeds 1.5 mill cap

EMS Fund Forecast

- Current level of EMS funding is not sustainable

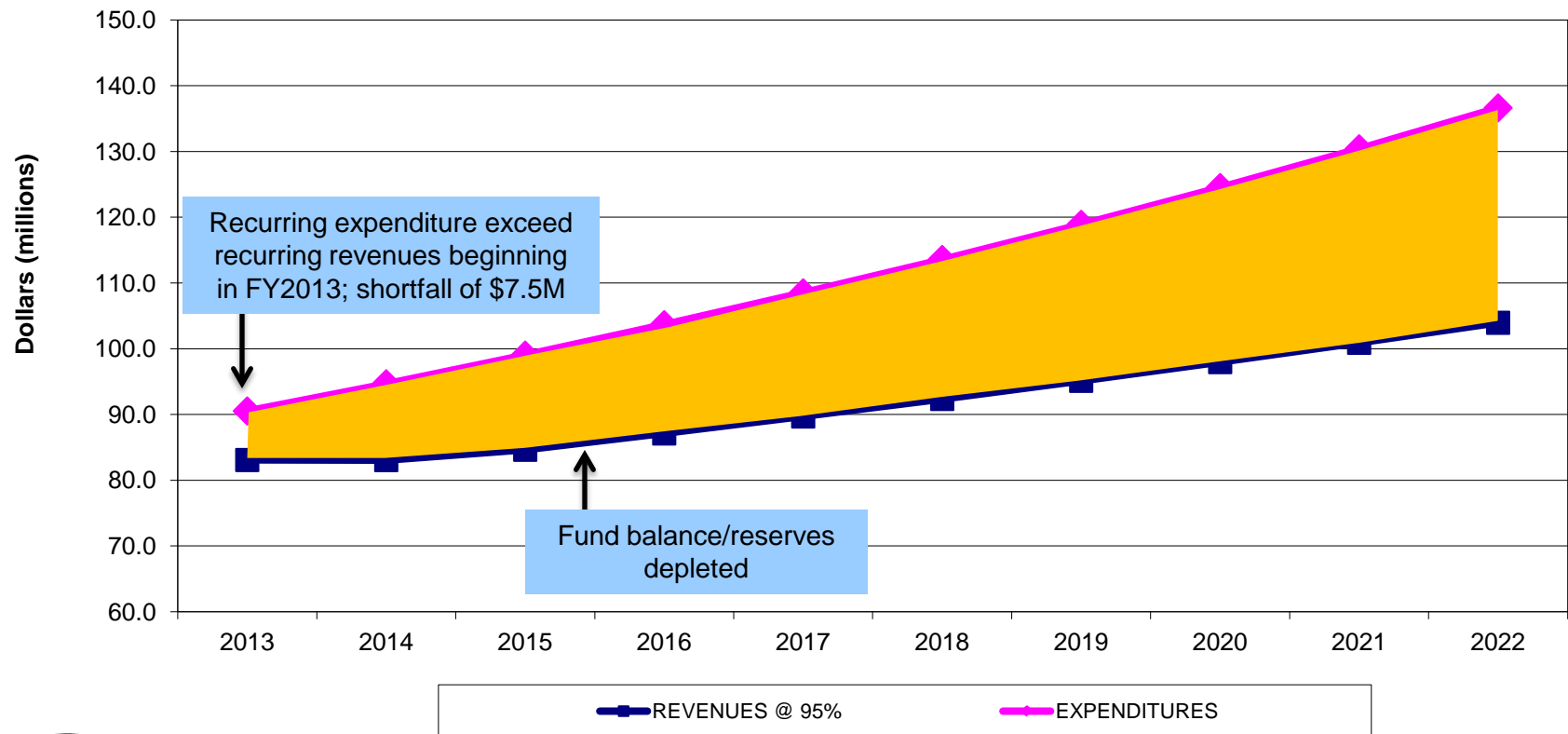
- Assumes 0.0652 mill increase in FY2013 to 0.9158
- Annual increases to first responder agreements and ambulance contract



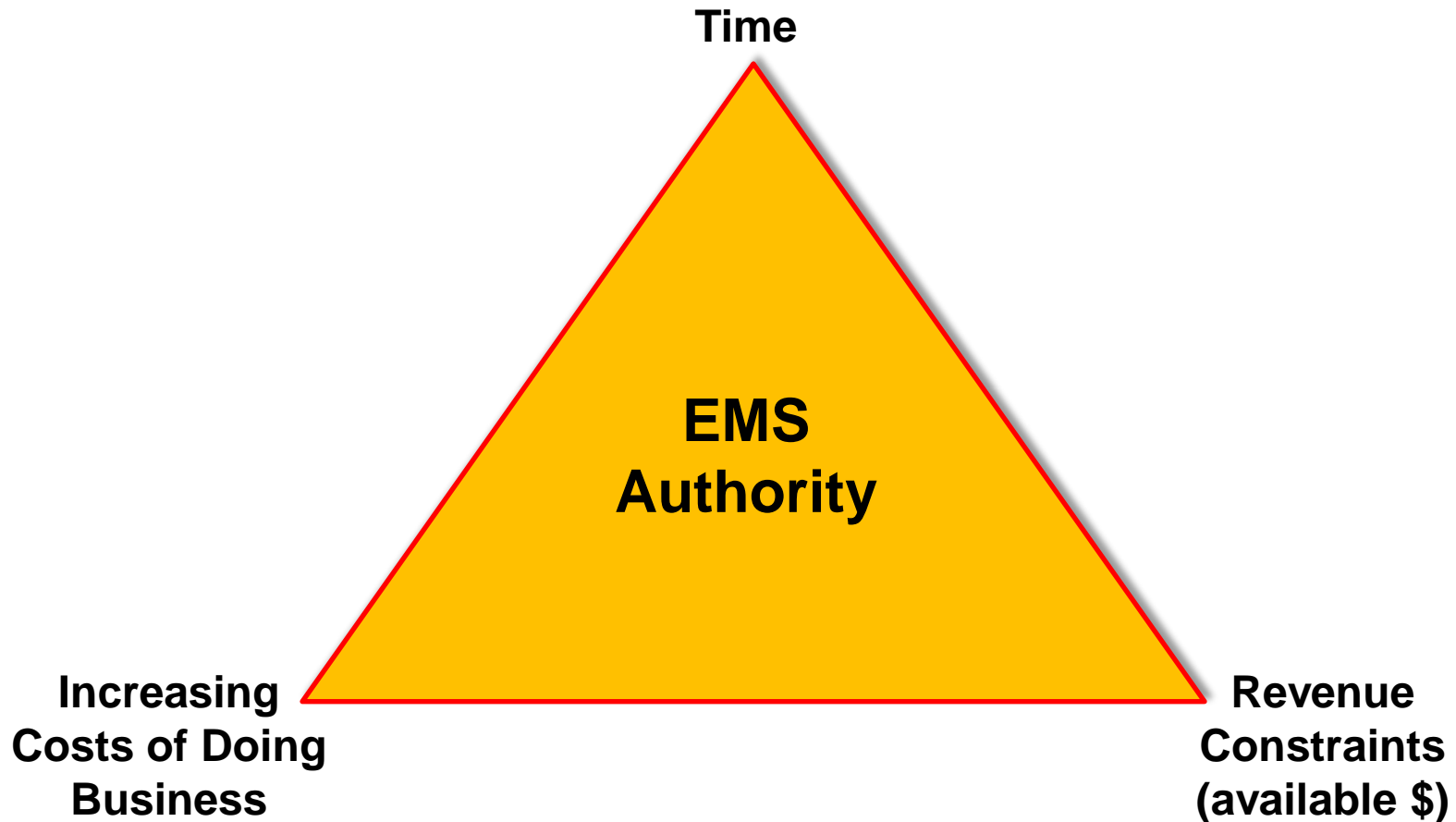
EMS Fund Forecast

• Current level of EMS funding is not sustainable

- ❑ Assumes no millage increase
- ❑ Annual increases to first responder agreements and ambulance contract



EMS Millage Implications

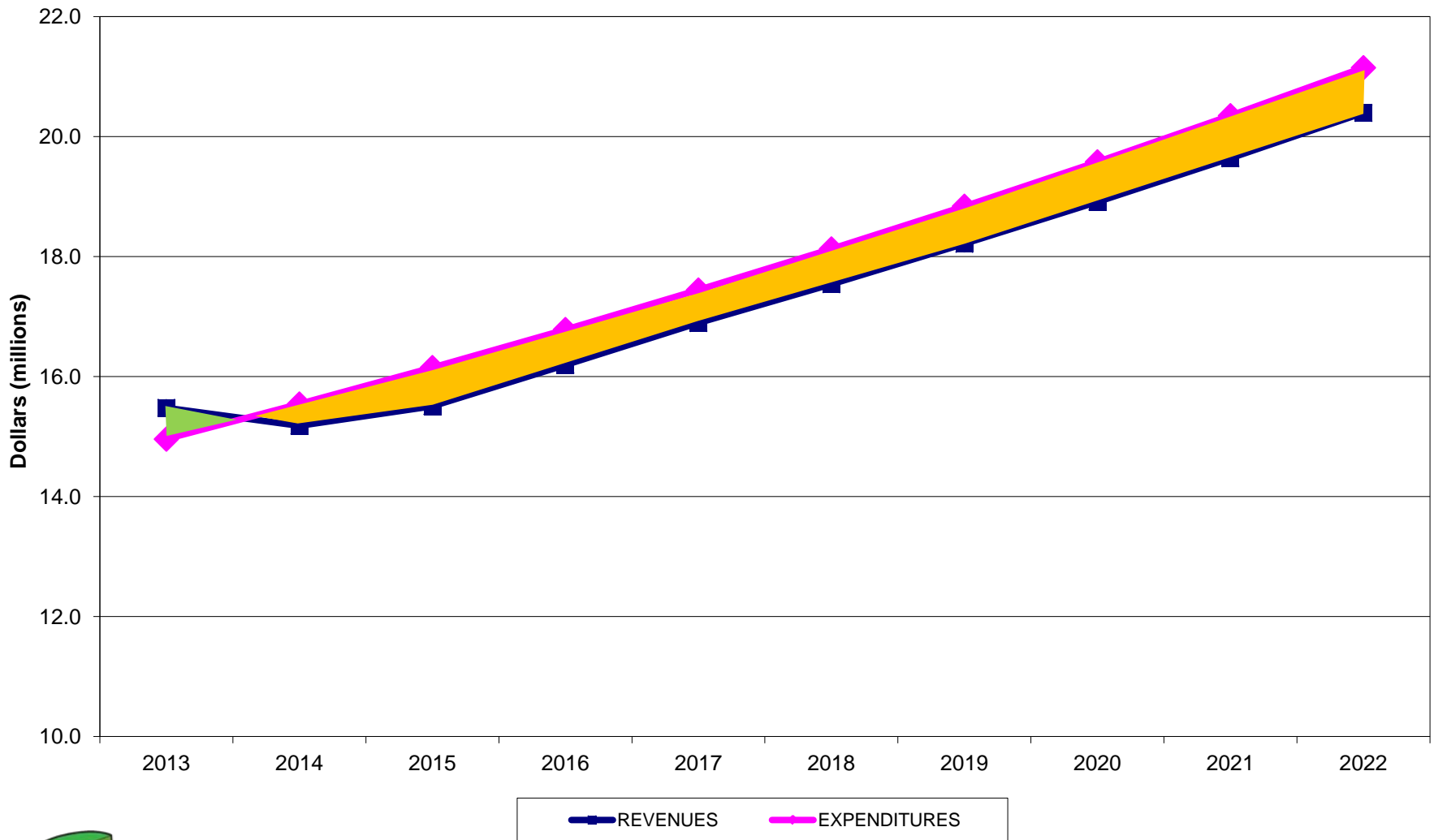


Fund Review: Fire Districts Fund

- Fund is not in balance due to reductions in property tax revenue collections
 - Fund information presented in a consolidated manner to provide a high level perspective
 - Budgetarily, each fire district is balanced separately
 - Taxable values decreased in 9 of 12 fire districts (3.1% increase to 6.4% decrease)
 - 5 out of 12 fire districts have proposed millage increases in FY2013



Fire Districts Fund Forecast



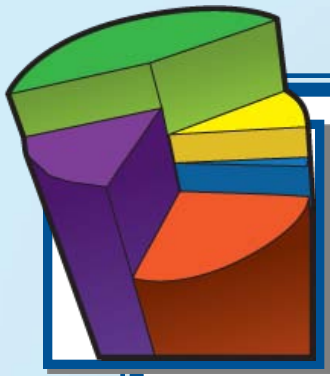
Citizens' Guide
to the Budget

Fire District Millage Rates

Fire Districts	FY2012 Adopted Millage	FY2013 Proposed Millage	Variance	Millage Caps	Millage Increase Drivers
Belleair Bluffs	1.7320	1.7320	-	5.0	
Clearwater	2.6591	3.2092	0.5501	5.0	Taxable Value decrease (6.4%), Operating request increase (\$150K), Reserve request increase (\$254K)
Dunedin	2.2576	3.5525	1.2949	5.0	Taxable Value decrease (0.5%), Decrease in BFB (\$178K), Operating request increase (\$153K), Reserve request increase (\$8K)
Gandy	2.2602	2.2602	-	5.0	
Largo	3.5133	3.5609	0.0476	5.0	Taxable Value decrease (4.0%)
Pinellas Park	2.3675	2.3675	-	5.0	
Safety Harbor	2.6800	2.7631	0.0831	5.0	Reserve request increase (\$29K)
Tarpon Springs	2.3745	2.3745	-	5.0	
Seminole	1.9581	1.9581	-	10.0	
High Point	4.1916	4.1916	-	10.0	
Tierra Verde	1.9087	1.9118	0.0031	3.0	Operating request increase (\$7K), Reserve request increase (\$63K)
South Pasadena	3.1257	2.6181	(0.5076)	5.0	Operating request decrease (\$122K)

Palm Harbor Recreation & Library District

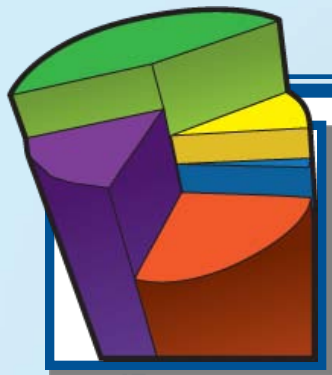
- **Proposed millage increase to 0.5000 mills in FY2013**
- **Increase 14.2% from current rate of 0.4378 mills**
- **Requested by Palm Harbor Community Services Agency at May 8 BIS**
- **Generates additional \$189K in ad valorem revenues and offsets 2.6% decrease in tax base (\$36K decrease in revenue)**
- **Restores maximum millage rate that was rolled back per state legislative action in FY2008**



Future Fiscal Issues

Future Fiscal Issues

- **General Fund**
- **EMS Fund and Fire Districts**
- **Transportation Trust Fund**
- **Stormwater**
- **Attracting & Retaining Talent with Competitive Compensation**



Next Steps

Next Steps

September

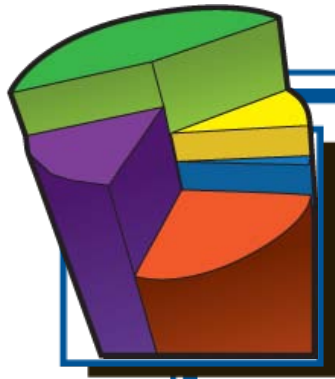
September 6: 1st Public Hearing – BCC adopts **tentative** FY2013 millage rates and budgets

September 18: 2nd Public Hearing – BCC adopts **final** FY2013 millage rates and budgets

October

October 1:
Beginning of fiscal year 2013





Citizens' Guide to the Budget

www.pinellascounty.org/budget

