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Fred E. Marquis
Interim County Administrator

September 16, 2008

The Honorable Chairman and Members of the
Board of County Commissioners:

In accordance with my statutory responsibilities, I am pleased to present the **Fiscal Year 2009 Annual Operating and Capital Budget** for your consideration. This proposed financial plan is the result of your input and commitment to the budget process during the Budget Information Sessions in April, May, June, and the September statutory public hearing process. Your help and cooperation, along with that demonstrated by the Constitutional Officers, Independent Agencies, and Departments under the County Administrator, was critical in meeting the unprecedented challenges we faced this year.

The \$1,962,700,520 balanced budget continues Pinellas County's tradition of prudent fiscal management and responsive public services. The operating budget, including Enterprise departments, reflects a \$23.3 million or 1.6% decrease, while the non-recurring capital portion of the budget has decreased \$113.1 million or 17.0%. The total FY09 Budget is \$136,475,060 or 6.5% less than the total FY08 Budget.

Reflecting the decline in property tax revenues resulting from the downturn in the real estate market and the impact of exemption increases approved in the January, 2008 referendum (Amendment One), the General Fund budget decreased by \$59.2 million, or 7.9%. The county-wide millage rate remains at 5.4562 mills. The millage rates for other property tax supported budgets also were held at last year's rates, resulting in similar revenue declines and corresponding budget decreases.

This difficult budget year required us to look at all of our services and make some difficult choices. Focus on eliminating lower priority programs while maintaining the high quality of our public services was essential. Those services include award-winning parks and beaches, comprehensive social service programs for the less fortunate, superior emergency medical services, and well-maintained roads, bridges, and public buildings. By continuing these critical programs at a high level, we will remain a major tourist destination, high-technology business area, and an excellent place to live, work, and play.

In addition to the feedback received at the Board's Budget Information Sessions, the development of this budget was also guided by the Board's Strategic Plan: *Vision Pinellas*, which helps ensure that our everyday work is directed toward the Board's priorities. The following graphic presents a high level summary of the Strategic Plan's goals and strategies.

Vision Pinellas - BCC Strategic Plan

Strategic Focus Areas		Strategic Goals and Strategies				
Effective Government	Enhance community engagement	Improve key processes	Develop workforce of the future	High quality customer service	Competitive programs & services	Maximize best practices & technology
Environment, Recreation & Culture		Promote sustainability & environmental stewardship		Enhance public access to water and beaches		Enhance parks & recreational partnerships
		Protect and preserve environmental and park lands		Promote arts, culture & historic preservation	Enhance air quality	Enhance water quality & coastal resources
Public Safety	Reduce crime & jail population	Enhance law enforcement services		Improve emergency preparedness	Enhance EMS & fire services	
Transportation, Utilities & Stormwater	Properly maintain roads & bridges	Increase airport utilization	Improve traffic flow, safety & enhance roadways	Enhance public transit services & availability	Expand alternative transportation modes	
	Form regional transportation partnerships	Enhance solid waste mgmt.	Expand sanitary sewer systems	Improve stormwater drainage systems	Provide high quality drinking water	
Economic Development, Redevelopment, & Housing		Attract & retain high quality jobs	Ensure adequate sites for business & industry	Maximize investment from state, federal, and private sources	Preserve & revitalize neighborhoods	
		Preserve & enhance tourism industry	Match redevelopment to community priorities	Ensure adequate housing supply for ownership & rental at all income levels	Promote home ownership opportunities & education	
Health & Human Services	Eliminate barriers to accessing services	Better coordination of services			Promote & strengthen data-driven decision making and funding	
	Reduce homelessness	Increase access to affordable health and behavioral health care			Maximize opportunities to achieve self-sufficiency	

This budget will continue the implementation of these strategies through the development of departmental business plans. Through this process we will continue to pursue opportunities to do more with less, and to enhance our public services where financially feasible.

In the FY09 Budget, there are several examples of this continuing emphasis:

- The commitment to affordable housing begun in FY07 is continued by providing a third year of funding. This brings the cumulative three-year amount of general resources transferred to the Housing Trust Fund to \$19.2 million.
- New economic development incentives of \$2 million have been dedicated to retain and expand businesses during this severe economic downturn.

- Efficiency of operations is being advanced through the allocation of \$4.3 million for the modernization and integration of our financial and human resources software systems (the OPUS project).

By utilizing accumulated reserves for these non-recurring improvements (Exhibit A), we will continue to make solid progress without negatively impacting our ability to maintain balanced budgets going forward.

User Fees and Other Revenues

To reduce the pressure on property taxes, we reviewed opportunities to optimize user fees and have recommended adjustments to obtain a proper amount of cost recovery while remaining competitive with our peer governments. Major areas of fee adjustments for FY09 include: building inspections, zoning applications, development reviews, environmental permits, park shelter reservations, and campground fees. Exhibit B is a complete listing of all proposed fee adjustments. We will also continue to explore alternative revenue sources through our Revenue Enhancement Program.

In the Utilities Funds, successful efforts to mitigate inflationary cost pressures and pursue efficiencies have limited residential and commercial water rate increases to the 3% approved by the BCC in the FY08 Budget. No increases in sewer rates or in solid waste disposal (tipping) fees are projected.

Reserves

The proactive steps taken in balancing the FY08 Budget maintained a strong financial position at the outset of the budget development process. Furthermore, BCC departments were directed to limit spending for FY08 to 97% of budget. The Constitutional Officers and Independent Agencies were asked to do likewise, and most have committed to similar savings. As a result, we will begin the new fiscal year with a higher General Fund beginning balance, which gives us additional flexibility to address one-time needs while balancing the budget.

Maintaining adequate reserves is key to the County's ability to deal with potential emergencies and unforeseen events such as fuel price increases. This is doubly important in view of our geographic location on the Florida Gulf Coast. We need to have the ability to maintain critical public safety, transportation, and other services during and after hurricanes and other severe storms. We need the resources to provide these services immediately and not rely on Federal funding, which is often made available as reimbursements and received months or years after the event. Having an adequate reserve also demonstrates stability to the financial markets. Although we have the lowest general revenue debt of any major Florida county, this stability enhances our ability to raise capital at a lower cost if required in the future. The FY09 budget will result in a projected ending General Fund balance which meets the Board's 15% policy target.

Capital Improvement Program

Using revenues primarily from the Penny for Pinellas local option sales tax and Enterprise user fees, the proposed Capital Improvement Program (CIP) meets service level requirements and funds projects that enhance the County's quality of life and economic vitality. On March 13th 2007, extension of the Penny through 2020 was approved by 57% of the voters. Their confidence, support, and mandate allows for dedicated revenue to continue meeting our community's infrastructure needs. More than \$551 million of the FY09 budget proposal is dedicated to capital projects. This investment also provides jobs to the construction trades that have been hurt during this economic downturn.

Transportation improvement programs remain a major focus of the CIP. Funding is included to continue the implementation of major arterial road projects, such as:

- The Belleair Causeway Bridge Replacements (now under construction)
- Major improvements to Starkey Road (County Road 1) from Bryan Dairy Road to Tyrone Boulevard as well as other segments
- Upgrades for Keystone Road and Ulmerton Road
- Improvements to 22nd Avenue South, Sunset Point Road, Belcher Road, and 62nd Avenue North

Other important transportation initiatives funded include the Intelligent Transportation System (ITS) and Traffic Signal System upgrades, along with resurfacing and rehabilitation projects to maintain the quality of the County's existing road and sidewalk networks.

Funding for a wide range of other CIP programs is included in this budget, including Beach Nourishment, Public Safety, Park Improvements, Environmental Conservation/Water Quality, Storm Water Flood Control, and improvements to our Airport, Water, Sewer, and Solid Waste Systems, to include:

- Howard Park Facility Renovations and Replacements
- Eagle Lake Park Development
- Environmentally Sensitive Land Acquisition
- Habitat Restoration in Preserves and Parks
- Beach Renourishment at Treasure Island and Long Key
- Enhancement of the 800 Mhz Emergency Radio System
- Alligator Creek, Bee Branch, Bear Creek, Curlew Creek, and 46th Avenue Area Storm Water Drainage Improvements
- Utilities Solid Waste, Sewer, and Reclaimed Water System Upgrades and Rehabilitations
- Utilities Water System 48" Water Main Replacement and Water Treatment/Blending Facility
- Airport's Terminal Expansion

Overall, there are 286 projects or program areas that comprise the proposed six year CIP. A complete listing of our Capital Project allocations is included in Section L of this document.

Budget Development Background: FY07 and FY08

During fiscal years 2003 through 2007, property values in Pinellas County reflected the national trend of explosive growth. Taxable value growth for homesteaded properties under the “Save Our Homes” cap was limited to 3% or less per year, but there was no similar cap for rental housing, commercial, industrial, and other properties. Although the Board reduced the county-wide millage rate by 0.701 mills or 10.3% in FY07, many other local governments in the State did not take similar action. The resulting spike in property taxes gave rise to a statewide public demand for tax reform. The Legislature responded to this pressure by dictating property tax rollbacks for fiscal year FY08. Pinellas County was required to cut over \$80 million from the FY08 budget, including 292 positions which equaled about 5% of the workforce. By eliminating service improvements and focusing reductions on administrative and support areas, the effect on public services was not severe in FY08. However, it was clear that further reductions would have a much greater impact.

In addition to the property tax rollback, the 2007 Legislature imposed ongoing revenue caps. In fiscal years 2009 and later, property tax revenue increases will be limited to new construction plus the statewide percentage increase in personal income. This percentage, 4.15% for FY09, averaged about 3.8% during the previous five years.

FY09 Budget Development

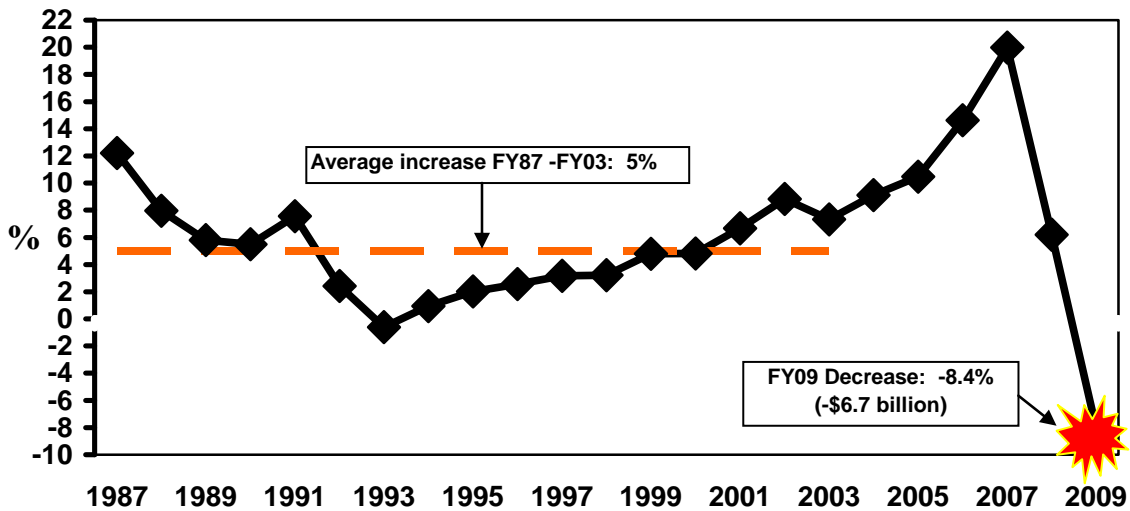
This year’s budget situation was unique in several ways. This was largely due to the passage of Amendment One, placed on the ballot by the Legislature and approved by the voters of Florida on January 29, 2008, which reduced the taxable property value. Also, the economic downturn which began last fiscal year intensified, which further reduced property taxes and also reduced other revenue sources.

Amendment One made the following changes to the property tax base:

- “Doubled” the existing \$25,000 homestead exemption (except for school taxes)
- Made up to \$500,000 of the Save Our Homes exemption portable
- Imposed a 10% cap on assessments for non-homestead property (school taxes exempt)
- Instituted a new tangible personal property exemption of \$25,000

At the same time, the real estate “bubble” burst, and market values for property declined. The result was an unprecedented decrease in the property tax base.

Countywide Taxable Values Annual Rate of Change



The Board has the option to increase the millage rate to recover some or all of the tax revenue lost due to the decline in the tax base. Your clear direction was that you did not intend to break faith with the 67% of Pinellas County voters that approved Amendment One. Therefore, we held the FY08 millage rates constant and worked within the revenue those rates generated.

To complicate the situation even further, the economy, which was in a slowdown mode last year, deteriorated to the point that other revenues such as sales taxes and state revenue sharing declined dramatically. The end result of all of these changes was a significant reduction in our General Fund revenues and similar effects on many other funds.

Strategy for Balancing the Budget

As we began to prepare for the FY09 Budget, our estimate was that the General Fund resources would decline to a level of 10% less than the FY08 budget, a reduction of over \$55 million. Therefore, the General Fund departments under the Board of County Commissioners, for which I have management authority, were instructed to submit budgets that were \$25 million or 10% less, than the previous year. The Constitutional Officers and Independent Agencies were also requested to achieve reductions of 10%, which equated to \$30 million. Because of the diligent efforts of everyone concerned, these targets were achieved and the budget balanced. The dollar and position reductions are summarized in Exhibit C.

For the Board departments, the preparation of reductions built on the work which was initiated with the FY08 budget. Last year, the departments identified all of the service programs within their budgets and defined all of the associated costs for each. The programs were then categorized as mandatory or non-mandatory. For FY09, the departments were given individualized reduction target amounts which

reflected a 4% cut in mandatory programs and a 20% cut in non-mandatory programs. In total, those reductions equaled the 10% reduction goal. The departments were required to identify the specific programs and costs proposed for reduction or elimination, and equally important, the associated impact on services. The goal was to meet critical needs with high quality and reduce lower priority programs where possible.

Two of the largest BCC departments are Health and Human Services (HHS) and Culture, Education, and Leisure (CEL). The methods they used in reducing their budgets are illustrative of the approach followed by the rest of the organization.

Health and Human Services thoroughly reviewed their method of providing services and developed an entirely new strategy designed to optimize clinical care. Critical elements of this new strategy were collaboration with payors, hospitals, and providers; transparency of standards, payments, and data; accountability for results; and alignment to the economic situation. Medical and pharmacy services provided through the department were reduced by \$8.5 million. The new strategy will focus on providing a ‘medical home’ for clients that will reduce the unnecessary use of hospital inpatient and emergency room services. Primary care will be available at three Health Department sites and five community health centers. Case and disease case managers will provide early intervention. By developing and implementing a new Uninsured Health Care Collaborative, access to care will be increased, costs reduced, and some levels of service provided will actually be enhanced.

In a similar process, the Culture, Education and Leisure Department has streamlined its operations. Maintenance functions have been consolidated on a regional basis rather than on an individual park basis. This allowed for the elimination of middle management positions, including several park supervisors and assistant park supervisors. There also is a marked reduction in park maintenance workers due to the use of roving maintenance crews. The consolidation of the park districts from North, Central and South to North and South also allowed the reduction of managerial staff. Other changes included the elimination of six resident Park Supervisor positions. The department will rent the residences to law enforcement personnel who will serve as security for the regional parks. Although mowing will be reduced from every 7 days to every 10 days, and restrooms and shelters will be cleaned somewhat less frequently, the restructuring of the department will allow us to maintain a high quality overall level of service throughout the park system.

Other BCC department reductions to some of the most visible countywide public services include the following:

- The Animal Services shelter will be open to the public five days per week rather than six days.
- Funding for local non-profit social action agencies will be reduced by 20%.

- The mobile veterinary clinic (Animobile) hours of operation will be reduced by 50%.
- The 4H program, the Florida Master Naturalist education program, and several other County Extension outreach education programs will be eliminated.
- Public Works eliminated 23 positions with minimal service impact by consolidation, realignment of staff, and contracting.
- The use of County vehicles was reviewed and the size of the fleet reduced, saving fuel, maintenance, and replacement costs.

Constitutional Officers and Independent Agencies

- The Constitutional Officers and Independent Agencies also reduced their budgets to a level 10% below FY08 through the elimination of positions, consolidation of office space, reducing overhead expenses, and other efficiencies.

Other Funds

- As a result of reduced property tax revenue, funding for the County Health Department, Fire Districts and Emergency Medical Services (EMS) will be declining. A review of the EMS/Fire services and contracts will be conducted in FY09 to determine a sustainable level of expenditures within the decreasing revenue environment.
- Support to member libraries of the Public Library Cooperative has been cut by 10%, which reflects the decline in taxable values.
- The Feather Sound and Palm Harbor Community Services Districts will also see reduced property tax revenue.

Unincorporated Area (MSTU) Budget

We assign costs in the General Fund between the County-wide budget and the Municipal Services Taxing Unit (MSTU) budget, based upon services provided to these areas including storm water drainage, zoning application processing and appropriately allocated indirect costs for the agencies directly involved in providing MSTU services. Most of the MSTU budget, Exhibit D, is devoted to funding the Sheriff's road patrol operations in the unincorporated area.

The MSTU tax base was reduced by \$2.1 billion or 10.3%, and the resulting \$4.2 million loss of revenue is reflected in the following service adjustments:

- Six Environmental Management code enforcement positions were eliminated to focus efforts on complaint driven enforcement.
- County Connection Centers (funded partially by the MSTU) will be consolidated from four locations to two locations.
- Building and Development Review Services permit and inspection staffing and contract services were reduced to reflect the decreased level of economic activity.
- Operating support for the East Lake Community Library has been reduced by 10%.

Sales tax support for the MSTU remains constant at \$3 million in FY09. The MSTU continues to operate as one of the only municipal service areas without support from an electric franchise fee, utility services tax or storm water utility fee.

Improving our Performance

The new fiscal realities make it even more important that we continue to use all the tools at our disposal to make government more effective, efficient, and customer-focused. We will continue to integrate strategic planning and performance management with our business processes. Training courses such as Strategic Planning, Facilitation Skills, Process Mapping & Improvement, Performance Measurement, and others help to reinforce this direction. The citizen survey conducted in FY08 provided valuable feedback on County services which aided in determining our priorities during this difficult budget year.

The County continues to be actively involved in the Florida Benchmarking Consortium and the International City/County Management Association's Center for Performance Measurement. This enables us to benchmark the County's performance in key areas to other high performing local governments.

Looking Forward

This is the 23rd budget that I have presented to the Board, and it has been the most challenging. I would like to express my gratitude to our Department Directors, the Constitutional Officers, and other Appointing Authorities, along with the many employees of the County at all levels, who responded to this situation with dedication and creativity.

Unfortunately, we have not seen the last of the changes that have restricted our ability to respond to our citizens' needs. Several new Constitutional Amendments are being discussed that would erode local control of budgets even further. Amendment One did not address the fundamental inequities resulting from the Save

Our Homes amendment; in fact, portability may make those inequities worse, which could prompt even more legislative action. Added to this will be the need to deal with continuing pressures for improved services and the need to adapt to the ever-changing global economy.

I want to express my sincere appreciation to the Board for placing your confidence in me as your Interim County Administrator. I know Pinellas County will continue to live up to our shared vision and set the standard for public service in America.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred E. Marquis". The signature is stylized with a large, looped initial "F" and a cursive "Marquis".

Fred E. Marquis
Interim County Administrator