OFFICE OF THE
COUNTY ADMINISTRATOR

Robert S. LaSala
County Administrator

September 22, 2009

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

In accordance with my statutory responsibilities, I present the **Fiscal Year 2010 Annual Operating and Capital Budget** for your consideration.

This year we have faced unprecedented challenges in preparing the budget. We are grateful for the guidance and support you have given us as we worked through this process. We also want to extend our thanks to the Constitutional Officers and Independent Agencies for their positive and constructive efforts to cope with the new budget constraints. We are particularly grateful to all of the employees of the County, who have continued to provide exemplary service to the public while approaching the uncertainties of this budget with patience and thoughtfulness.

In my career as a public administrator, I have experienced many years which required difficult decisions to balance the budget. This year's fiscal challenges are truly historic in nature. Yet I am confident that our strategic approach to this situation is sound and will result in the type of quality public service Pinellas citizens have come to expect. The difference is that the range of services we provide will necessarily be more limited than in the past.

As with other Florida local governments, budget pressure has impacted this organization over the last three fiscal years. Up until now, non-mandatory program areas and administrative support capability have borne the brunt of the reductions. With the current recession, the worst economic downturn since the Great Depression, it is simply not possible to avoid affecting direct public services.

315 Court Street, Room 601
Clearwater, FL 33756
Phone: (727) 464-3596
FAX: (727) 464-4384
Website: www.pinellascounty.org

The problem is not limited to one fiscal year. Consensus economic forecasts show further economic weakness through 2010 with a modest recovery in 2011. We currently project another year of reduced revenue in FY11 followed by a relatively flat year. Following that, we anticipate a return to slow growth (0-5% per year).

When economic activity returns to the new "normal" level, which is yet to be defined, existing and potential new caps on property taxes will blunt the recovery for Pinellas and all other Florida local governments. The task before us is to adapt County government to fit our revenue constraints, not just now but into the future.

As the scope of the problem began to emerge, we determined to focus our efforts on one major goal:

> **Resize government to deliver a sustainable basket of quality services in a consistent, predictable, and reliable manner.**

To accomplish this, we made adjustments to the traditional annual budget approach. We are planning the budget based upon two, three year funding cycles (FY10-FY12 and FY13-FY15). The funding cycles are independent, yet linked together, and will be adjusted going forward. Using this strategy, we aimed to transform the organization while limiting disruption and potential negative impacts.

The budget I am presenting to you encompasses your decisions on the staff's recommendations for that transformation and is consistent with the Board's adopted budget policies (Exhibit A). Some of these adjustments will be painful. Most County services have been provided in response to needs identified by our citizens, and it is always more difficult to subtract than add. We have eliminated some programs, and made significant reductions in many others, not because they were not worthwhile, but because we must refocus our efforts on what we can afford. I believe that the result will be a County government that is still responsive to critical needs, and maintains the key public services that we must provide at a level of excellence that sustains the quality of life in Pinellas County.

The $1,659,297,040 balanced budget continues Pinellas County's tradition of providing high quality services to the public while prudently managing the public's funds. The operating budget, including Enterprise departments, reflects a $55.6M or 3.9% decrease, including decreases of 11% in County Administrator governmental operations and in Constitutional Officers' funding. The non-recurring capital portion of the budget has decreased $285.8M or 48.8%. The total FY10 Budget is $341,798,900 or 17.1% less than the total FY09 Budget.

The severe economic recession and the continuing downturn in the real estate market have had a significant impact on the resources available for FY10. Reflecting these realities, the General Fund budget decreased by $81.5M, or 11.8%; when one-time expenditures are excluded, the decrease in recurring expenditures is even larger. The county-wide millage rate remains at 5.4562 mills.

The millage rates for other property tax supported budgets remain the same except for the following Fire District millages which have been increased to cover contractual requirements: Belleair Bluffs, Gandy, Largo, Safety Harbor, Tarpon Springs, and Highpoint. In addition, the millage rate for the Feather Sound Community Services District has decreased from 0.8928 mills to 0.5660 mills. The millage rate for the Pinellas Planning Council decreased from 0.0170 mills to 0.0125 mills, a level that can be sustained through FY12.

Before going into the details of this year's budget, I would like to review the background that led up to our current financial situation.

BUDGET BACKGROUND

From FY02 to FY07 there were unusually large increases in property values in Pinellas County and throughout the state. Across Florida, the public hearings for Fiscal Year 2007 budgets brought out many citizens who were upset about their proposed property taxes as presented on their "Truth in Millage" (TRIM) notices. Most of those who expressed their frustration were persons who owned property that was not homesteaded and therefore not protected by the "Save Our Homes" taxable value increase cap, such as commercial and rental business owners and owners of second homes. In response to the public's concerns, the Board of County Commissioners reduced the FY07 county-wide millage rate by 0.701 mills (over 10%), the first millage rate reduction since the 1997 budget year.

Impact of Save Our Homes Amendment

Not all local governments were as responsive to the situation as Pinellas, and this dramatic growth in taxable values resulted in a surge in property tax revenues that became the focus of legislative concern. In reality, the primary problem has been the systematic inequities resulting from the "Save Our Homes" amendment to the Florida Constitution which has capped the growth in taxable values for homesteaded properties (permanent residences) since 1996. The amendment was intended to protect homeowners from escalating property tax bills resulting from growth in market value, a situation that was perceived to be forcing some people, particularly residents on fixed incomes, to sell their homes.

While this objective has no doubt been achieved, there have been dramatic, and in many cases unforeseen, consequences as a result of Save Our Homes. Because of the large amount of market or "just" value not taxed due to the Save Our Homes exemption, a disproportionate share of any increase in tax revenue has been placed on properties that are not established permanent residences, such as businesses, rental properties, and newly purchased homes. A further unintended consequence was that as a result of rental properties being converted to condominiums (condo conversions) many rental units had been removed from the market, helping to fuel a crisis in available affordable housing.

The increases in values for fiscal years 2002 through 2007 notwithstanding, the historical trend over the previous sixteen years in Pinellas has been an average annual increase of about 5% in values (including new construction). Most observers believed that the market would correct itself and return to more normal patterns. To some extent, the value growth part of the problem could be expected to correct itself over time.

Legislative Property Tax Roll-Backs

However, the Florida Legislature perceived property tax reform as one of the two most critical issues (along with property insurance reform) that needed to be addressed in 2007. In June, a three-day Special Session of the Legislature produced a mandate that was unlike anything ever seen before in its forced downsizing of local government in Florida. In addition, the Legislature did not make similar reductions to FY08 school property taxes, which they control, even though these taxes make up about 40% of most property owners' tax bills.

Unfortunately, this solution failed to address the real inequities that were the focus of public discontent and instead has the potential for even greater disparities in the future. The Legislature adopted two key items impacting property tax reform. The first approach involved statutory changes requiring all counties, cities, and special districts to roll back property tax collections in FY08 to a point below the FY07 collections adjusted for new construction (also known as the "rolled-back rate"). This target ranged from 3% to 9% below the rolled-back rate depending on the State's calculation of how much the taxing authority's property tax revenue increased from FY02 to FY07. Independent Districts, and Dependent Districts many of which have the primary purpose of providing Fire or Emergency Medical Services, were all targeted at 3% below the rolled-back rate.

These calculations, and the resulting reduction categories, did not adequately acknowledge the lower tax profile of Pinellas. Pinellas County was required to cut 7% below rolled-back (the second-most-severe level), even though:

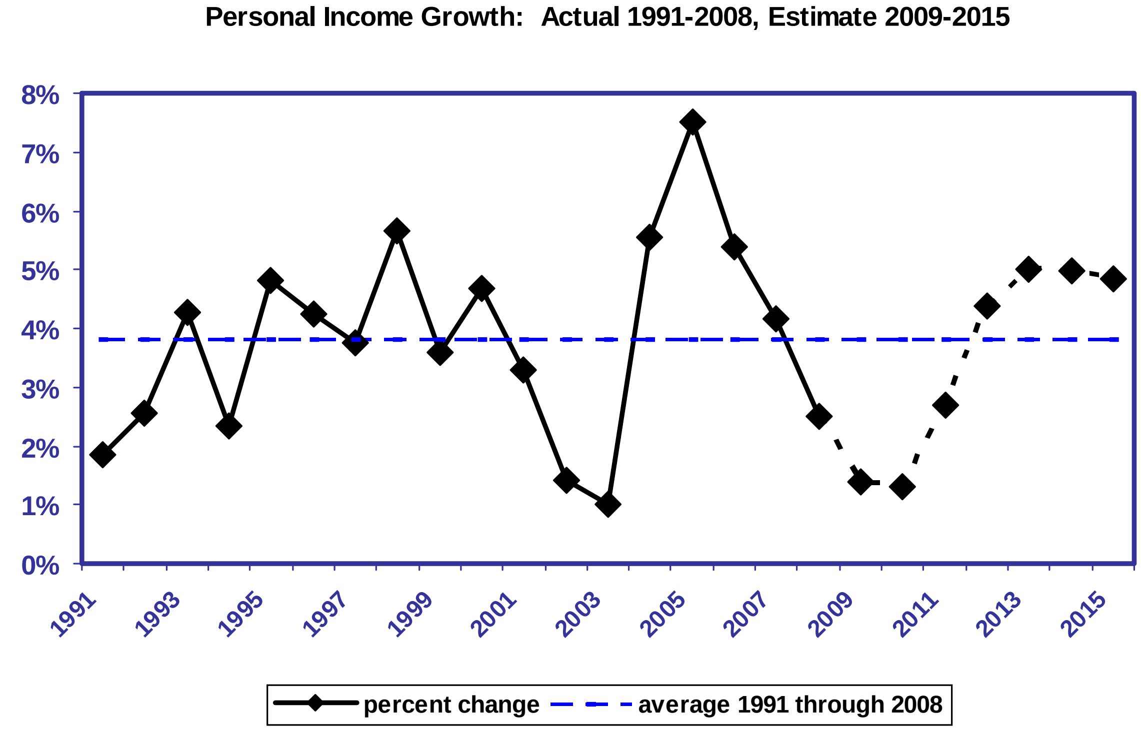
- Our FY02–FY07 percentage increase in per capita property tax was below the state's average increase for counties;
- Our FY07 per capita property tax was less than Orange, Hillsborough (and other counties) that were in the 3% or 5% cutback categories;
- A city with the same percentage increase was required to cut only 5%;
- The State's numbers did not reflect seasonal or tourist population impacts; and
- The State's numbers did not take into account the additional cost pressures for an urban coastal county (such as property insurance).

As a result of the 7% tax roll-back, property tax revenues in the General Fund decreased 4.6% or $20M. Pinellas County was required to cut over $32M from the FY08 General Fund budget. Overall, 170 full-time positions were eliminated. By focusing reductions on administrative and support areas and the elimination of vacant positions, the effect on public services was not severe in FY08.

<u>Property Tax Revenue Cap</u>

The other item adopted by the Legislature with important long-term implications was the implementation of a property tax revenue cap. Beginning in FY09, property tax revenue increases will be limited to new construction plus the statewide percentage increase in per capita personal income. As shown in Figure 1, this percentage has averaged about 3.8% from 1991-2008. It is anticipated that from 2009-2011, growth in personal income will be below average or only 1-3%. Even this minor increase is neutralized by the historic decreases in property valuation.

Figure 1: Personal Income Growth



Source: Florida Legislature Office of Economic and Demographic Research – February 2008-January 2009

The long-term impact of this cap is that property tax revenue will be constrained even if taxable values increase beyond the average increase in personal income. Local governments can override these revenue caps with varying levels of super-majority votes of the governing board or by referendum, depending on the degree that the revenue exceeds the cap. To date, we have not seen an impact from this cap because values have actually declined since it was passed.

<u>Impact of Amendment One</u>
The FY09 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 property tax revenues. Also, the economic downturn which began in FY08 intensified, which further reduced property taxes and also reduced revenues from other important sources.

Amendment One made the following changes which reduced taxable property values and revenues available to local government:

- o "Doubled" the existing $25,000 homestead exemption (except for school taxes)
- o Allows for up to $500,000 of the Save Our Homes exemption to be applied to another property (portability)
- o Imposed a 10% cap on assessments for non-homestead property (school taxes exempt)
- o Instituted a new tangible personal property exemption of $25,000

Real Estate Market Downturn

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. To complicate the situation even further, the economy, which was in a slowdown mode, 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.

As we prepared 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 $55M. Therefore, the General Fund departments under the Board of County Commissioners were instructed to submit budgets that were $25M or 10% less, than the previous year. The Constitutional Officers and Independent Agencies were also requested to achieve reductions of 10%, which equated to $30M. Because of the diligent efforts of everyone concerned, these targets were achieved and the budget balanced.

For the Board departments, the preparation of reductions built on the work which was initiated with the FY08 budget. 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.

In FY09, as a result of Amendment One and the decline in the real estate market, property tax revenues in the General Fund decreased 8.7% or $35M. Pinellas County was required to cut over $54M from the FY09 General Fund budget. Overall, 353 full-time positions were eliminated which equaled about 5% of the workforce.

In summary, over the last two years, property tax revenues in the General Fund decreased by a combined $55M. This resulted in over $86M in reductions to the General Fund budget, including the elimination of 523 full-time positions.

ECONOMIC CONDITIONS

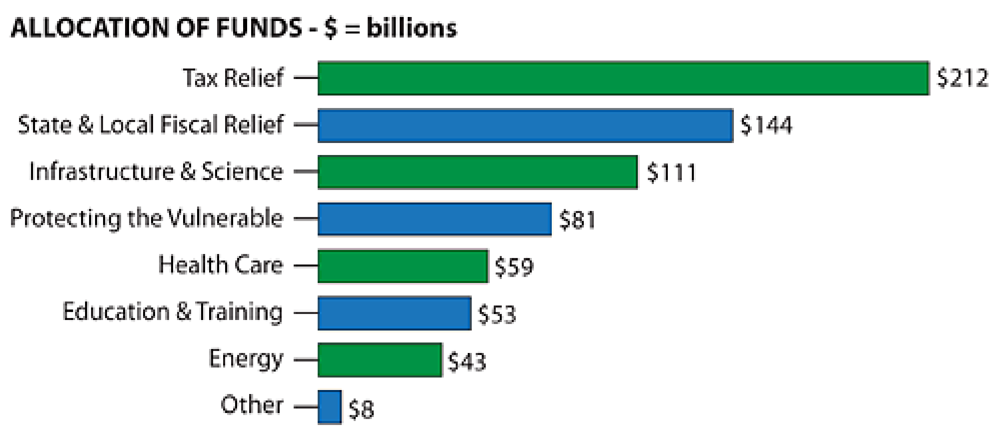
The Great Recession

The economic conditions we have faced in preparing the FY10 Budget are even more daunting. The nation is in the midst of the worst economic recession since the Great Depression. This slowdown, which has been described as a “fiscal tsunami”, began in December, 2007 and has affected virtually every segment of the economy. Florida has been hit particularly hard, reflecting the declines in construction, tourism, and population growth, three key factors in the Florida economy. Real estate market values have fallen dramatically. Florida had the second most foreclosures of any state in 2008. Both housing starts and commercial construction are down more than 50% since 2007. Tourism is off sharply as the residents of other states have less money to spend on leisure activities, including travel. Population growth is lower than at any time since the 1950’s, as many people who might otherwise be moving to the state are unable to sell their homes elsewhere and have seen their retirement funds shrink along with the stock market. As a result of these and other factors, Florida is second only to Michigan in the percentage of jobs lost during the recession, and second only to California in the total number of jobs lost. Unemployment has further depressed sales, leading to additional layoffs in the retail sector and reinforcing the downward spiral of economic activity.

Federal Stimulus Package

The Federal Government has taken action to help revive the economy, including passage of the American Recovery and Reinvestment Act (commonly referred to as the “Stimulus Package”) in February 2009. This $787B plan, the largest in the nation’s history, includes tax cuts, tax credits, and a variety of spending initiatives as shown in Figure 2.

Figure 2: American Recovery and Reinvestment Act – Total Funding Approved



The Stimulus Package includes billions of dollars of funding in areas such as community and economic development, rural area development, environment, health, education, human services, sciences, public safety and transportation (transit, guideways, roads, Amtrak, high speed rail) and elimination of federal agencies backlogs, such as, the Army Corps of Engineering and Bureau of Land Management projects. The majority of the stimulus monies are being directed to the states, not local governments.

In Florida, a large portion of the stimulus funds are devoted to Florida Department of Transportation (FDOT) projects. In Pinellas County, stimulus funds will assist with the reconstruction of US 19 from north of Whitney Road to north of State Road 60 (Gulf to Bay), which includes the construction of a limited access mainline roadway, frontage roads, and three interchanges. The recipient of these Stimulus Package funds is Florida Department of Transportation, District 7. The District will be lead for the construction. The total amount of Stimulus Package funding for the project is $45M of which $21M is local stimulus funds. Total project cost is $132M.

The amount of funds that the Pinellas County government is eligible for is limited to county governments, highly urbanized areas, and to programs offered by Pinellas County. The County is not eligible for Stimulus funds that are targeted to functions provided by other local governments or agencies, such as, transit (PSTA), transportation (FDOT), weatherization (Urban League), education (school district and/or St. Petersburg College), and labor and development (Worknet).

Requests for Stimulus Funds
As of August 24th, Pinellas County had applied for $18.3M for programs created by the Stimulus Package. Some programs are formula distributions and go directly to Pinellas County (the County still is required to apply); and others are using a competitive grant process. The County has applied, but has not received notification of dollar awards, for the following Stimulus Package funds:

- Ft. DeSoto Park ($4.4M) – Recirculation of tidal pools under the causeway to the park and construction of dune walkovers.

- Energy efficiency activities ($3.8M) – The request is for seven projects that provide energy efficiency and conservation; these include residential outreach programs, retiming of traffic signals, installing solar powered flashers for school zones; contractor sustainability education, livable community concepts added to the County's Land Development Code and building a chiller plant for the Clearwater campus.

- Justice assistance ($290K) – Retain investigative capacity for investigation and prosecution of mortgage and foreclosure related fraud.

- Law enforcement ($2.0M) –The request is for twenty projects/programs that meet the State's criteria to be implemented by eight police departments, the Sheriff's Office and seven other agencies.

Stimulus Funds Awarded

The County has been notified that $7.1M in ARRA program funds have been approved:

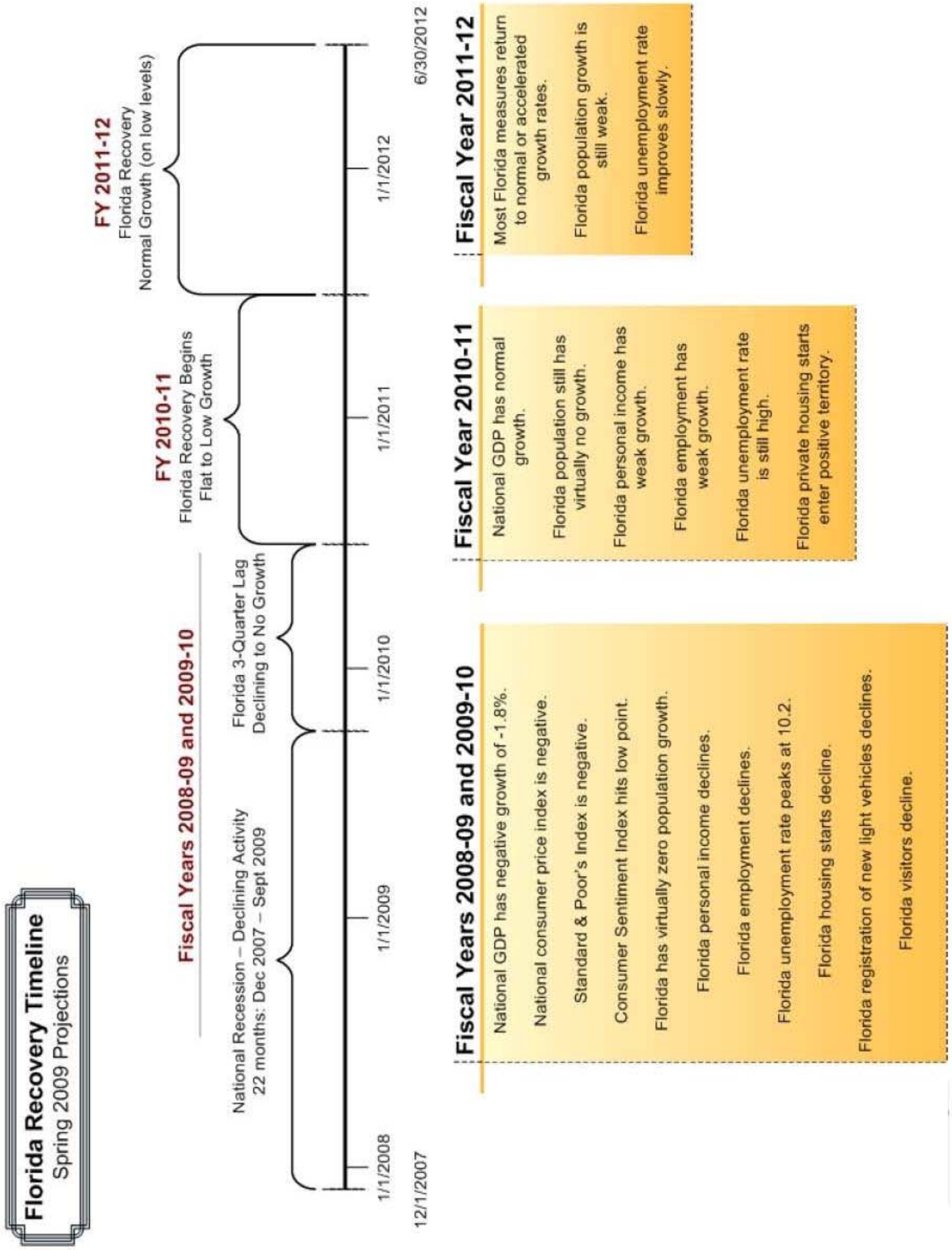
- Airport ($5.4M) - Terminal renovation, including improvements to the public address system.
- Homeless prevention ($1.2M) - Short-term rental assistance to families and individuals, and construction of a community service center.
- Health resources capital program ($327K) - Replacement of the mobile medical vehicle to accommodate updated procedures, processes and increased foot-traffic.
- Mobile medical unit operations ($155K) – Additional staff to increase the number of indigent patients served annually.

Information on the County's applications for Stimulus Package funds and our awards is located on the County website http://www.pinellascounty.org/recovery/. This site also links with Federal Recovery Act website as well as the State of Florida's.

Slow Economic Recovery

While many economists believe that this plan will help "jump start" a recovery, it will take time for the plan to have its full impact or benefit, and the turnaround is not expected to begin until late in calendar year 2009. Florida's recovery is expected to lag even further behind. The tourism sector, and the population growth that drives construction and related industries, are dependent on the recovery of other states for their return to "normal" levels. As shown in Figure 3, the recovery of Florida's economy is currently not expected to begin flat or minimal growth until mid-2010 and low levels of growth are not anticipated to be reached until mid-2011. When the recovery does occur, leading economists expect it will be a lengthy process, with growth taking more of a "U" shape than a sharp "V." It is estimated that it will take three to five years (2013-15) until Florida's economy reaches previous levels of normal growth.

Figure 3: Florida Recovery Timeline



Source: Florida Legislature Office of Economic and Demographic Research - May 18, 2009 presentation

MULTI-YEAR BUDGET FORECAST

Traditionally, the County has prepared its operating budget focusing on one fiscal year. This reflects the statutory requirement that appropriations must be approved annually. The statute does not prevent multi-year budgeting processes, but each fiscal year's budget must be officially adopted one year at a time.

Six-Year Outlook

For FY10, we are implementing a Six-Year Budget Framework. In this concept, we are planning the budget based upon two three-year funding cycles (FY10-FY12 and FY13-FY15). The funding cycles are independent, yet linked together like boxcars on a train. They will be adjusted going forward in response to changing conditions. Taking this longer range strategic view helps avoid short-term fixes and aids in identifying and addressing underlying structural problems. In the present instance, the framework allows us to recognize the multi-year decline in revenues resulting from the recession and take more effective pro-active measures to deal with this situation.

Power of the Forecast

The power of the forecast lies in its ability to reflect the impact that decisions made in the present can have on future fiscal capabilities. Choosing to increase service levels by adding staff or other recurring expenses will negatively impact the potential shortfall in every year thereafter. Cutting user fees would have a similar effect. On the other hand, a new revenue source that is structured to grow will have a positive impact, as would a reorganization or consolidation that improves operating efficiency. The forecast can be a valuable tool in understanding how policy changes have real consequences that last far beyond a one-year budget solution. It also provides transparency to the planning process that will enable us to anticipate future challenges and make the appropriate decisions.

In preparing the forecast, we have used realistic assumptions for our primary revenue sources and for our expenditure requirements.

General Fund Forecast

The General Fund is usually viewed as the most important of the County's operating funds. Most of the sources of revenue in the General Fund can be used for any general governmental purpose. This differs from special revenue, enterprise, internal service, debt service, and capital improvement funds where revenues are earmarked for certain purposes. Similarly, expenditures in the General Fund support 34 departments and agencies, encompassing a wide range of programs, including public safety, health and human services, and culture and recreation.

For FY09, as the economic recession deepened, total General Fund revenues were projected to be approximately $12M less than budgeted. To meet this reduced level of resources, departments and agencies were asked to expend only 97% of their budgets. This overall target is expected to be met.

The decline of the property tax base (-11.4%) and business-cycle related revenues such as sales taxes has continued into FY10. The preliminary multi-year forecast prepared in early 2009 indicated that the General Fund faced a revenue shortfall of approximately

$85M over the next two fiscal years. A strategy was developed to address this problem in the first year by reducing expenditure budgets and creating a $15M Service Level Stabilization Account. The reductions that have been incorporated into this budget were sufficient to balance the budget and fund a Service Level Stabilization Account of $7.2M. This smaller Stabilization Account means that additional steps will need to be taken in FY11 to either increase revenues or further reduce expenditures.

Overall, the FY10 General Fund budget is $81.5M, or 11.8%, lower than the FY09 budget.

<u>Property Tax Revenue</u>

The revenue source that receives the most attention is **Property Taxes**. Property taxes for FY09 were levied based on taxable values as of January 1, 2008. This means that the continuing decline in values during calendar year 2008 did not impact the FY09 budget, but has a major impact on FY10. So too will the further decline in the real estate market in calendar year 2009 as it will not be reflected until the FY11 budget process. In determining the values as of January 1, 2009, which are the basis for FY10 calculations, the Property Appraiser also had to factor in the impact of mortgage foreclosures, which have continued at record levels this calendar year. Foreclosures do not have a significant impact on current year collections because of the recovery mechanisms for delinquent taxes. If taxes are unpaid by June 1st, a Tax Certificate is offered for sale by the Tax Collector. The certificate is sold to an investor, and the County receives the equivalent of the taxes due. This recession has seen a dramatic increase in tax certificate sales as shown in Figure 4.

Figure 4: Tax Certificate Sale Data for Pinellas County

	June 2005	June 2006	June 2007	June 2008	June 2009	% Change 2009-2005
Number of Certificates Issued	12,165	12,574	17,807	21,599	23,265	**91%**
Value of Certificates Issued	$29,024,967	$35,562,762	$62,223,358	$76,373,807	$87,686,042	**202%**
Number of Certificates Sold	11,729	12,288	16,859	19,456	20,213	**72%**
Number of Certificates Issued to County	435	286	923	2,143	3,052	**602%**
Number of Parcels advertised and paid prior to sale	3,810	4,481	5,493	7,051	5,660	**49%**

Source: Pinellas County Tax Collector

Although they do not affect the percentage of property taxes collected during the fiscal year, foreclosures tend to depress market values of surrounding properties and this has a negative impact on the tax base. As shown in Figure 5, foreclosure filings increased significantly beginning in 2007 and are currently about four times higher than the historical norm.

Figure 5: Foreclosure Case Filings Month by Month 2006-2009

Pinellas County Foreclosure Case Filings Comparison 2006-2009

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	TOTAL
2006	255	253	315	247	281	259	273	321	324	403	398	369	3,698
2007	506	469	494	513	479	557	650	642	662	899	894	773	7,538
2008	963	1,016	1,035	1,134	1,118	1,112	1,086	999	1,295	1,390	969	1,198	13,315
2009	1,263	1,284	1,420	1407	1,275	1,236	1365						9,250

Source: Pinellas County Clerk of the Circuit Court

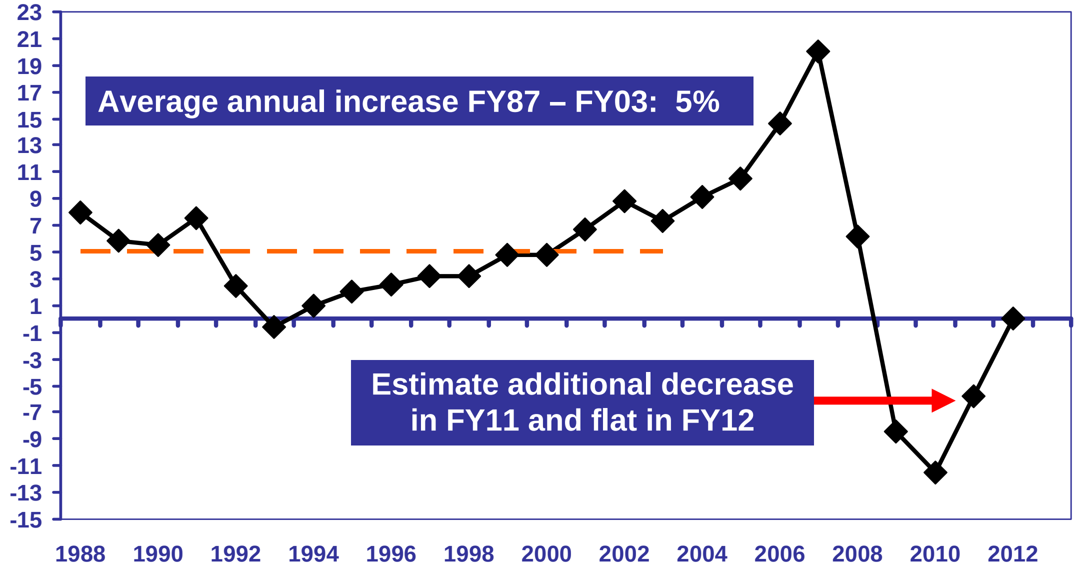
The taxable values for FY10 were certified by the Property Appraiser on July 1, 2009. The county-wide value decreased by 11.4% compared to the FY09 values. This was slightly better than our planning assumption, which was a 13.5% decrease. It is the second year in a row that the tax base has declined. Prior to this the tax base has only decreased once since World War II, a small -0.6% dip in FY93. Some of the major components of the overall taxable value decrease are shown in Figure 6.

Figure 6: Taxable Values by Property Type Code

Single Family Residential	-10.2%
Condominia	-18.6%
Improved Commercial	-9.3%
Improved Industrial	-6.7%

As shown in Figure 7, the assumption in the forecast is that taxable values will decline again for FY11 by half as much as FY10, then remain flat in FY12 before returning to a growth mode in FY13. In the future, growth will be restrained by the property tax revenue caps put in place by the Legislature in 2007. The amount of new construction in Pinellas County will not provide the boost that other counties that are not essentially built-out will enjoy. For example, Orange and Hillsborough counties have large undeveloped areas that are available for major residential, commercial and industrial expansions. In FY08, the new construction in Orange County essentially offset the mandated Legislative property tax rollback. Our forecast, however, anticipates that the new ongoing rate of growth will be 3%, compared to the 5% average growth in the years before the real estate boom.

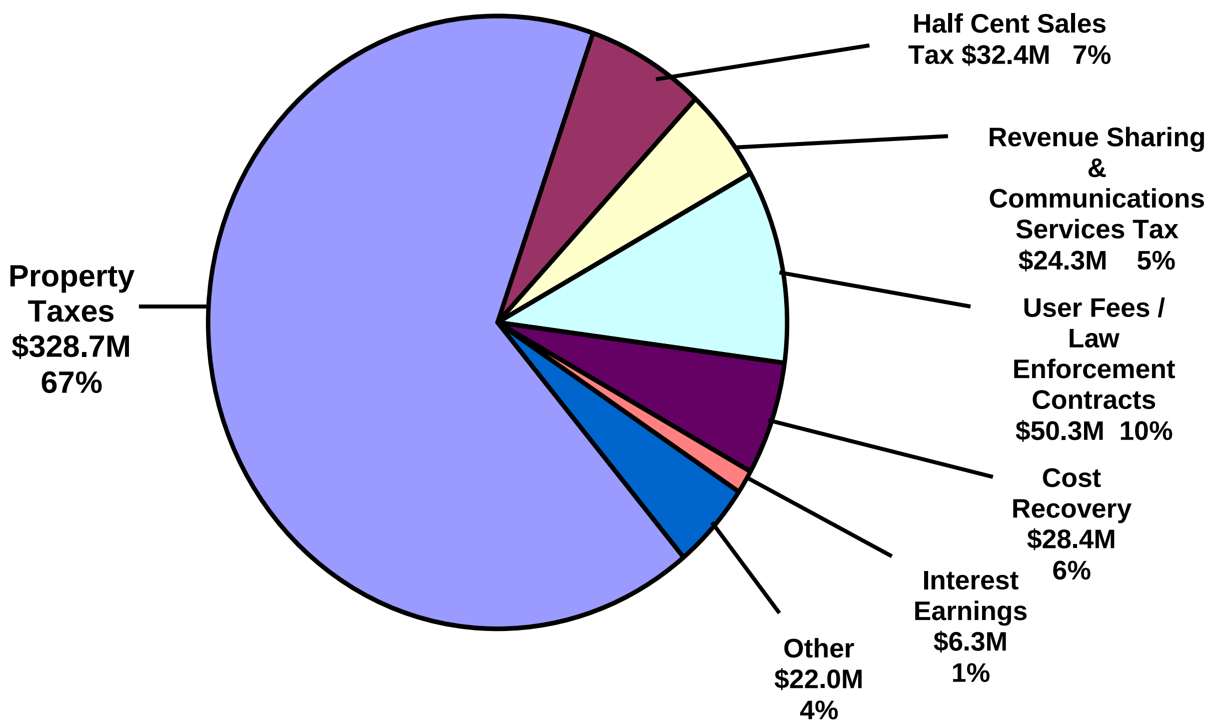
Figure 7: Countywide Taxable Values Annual Rate of Change



The caps require that the maximum millage rate that can be approved by a simple majority vote of the Board of County Commissioners equals the prior year's maximum rolled-back rate adjusted for the change in per capita Florida personal income. A two-thirds vote of the Board may approve up to 110% of this maximum. Any higher millage rate requires a unanimous vote of the Board, or a referendum. Based on current information from the Florida Department of Revenue, it appears that the County may have some flexibility for increases in the short term because we did not levy the maximum millage in FY09 and do not propose doing so in FY10. However, this interpretation of the statute has not been tested. Even if there is no immediate impact from the cap, the anticipated slow recovery of the real estate market supports the conservative projections in our forecast.

As shown in Figure 8, property taxes comprise more than two-thirds of the revenue supporting the General Fund. The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to: Sheriff's law enforcement, detention, and corrections; support of the Court system, including facilities and technology; health and human services; environmental management; emergency management and communications; parks and leisure services; general administration; and the operations of the Property Appraiser, Tax Collector, and Supervisor of Elections.

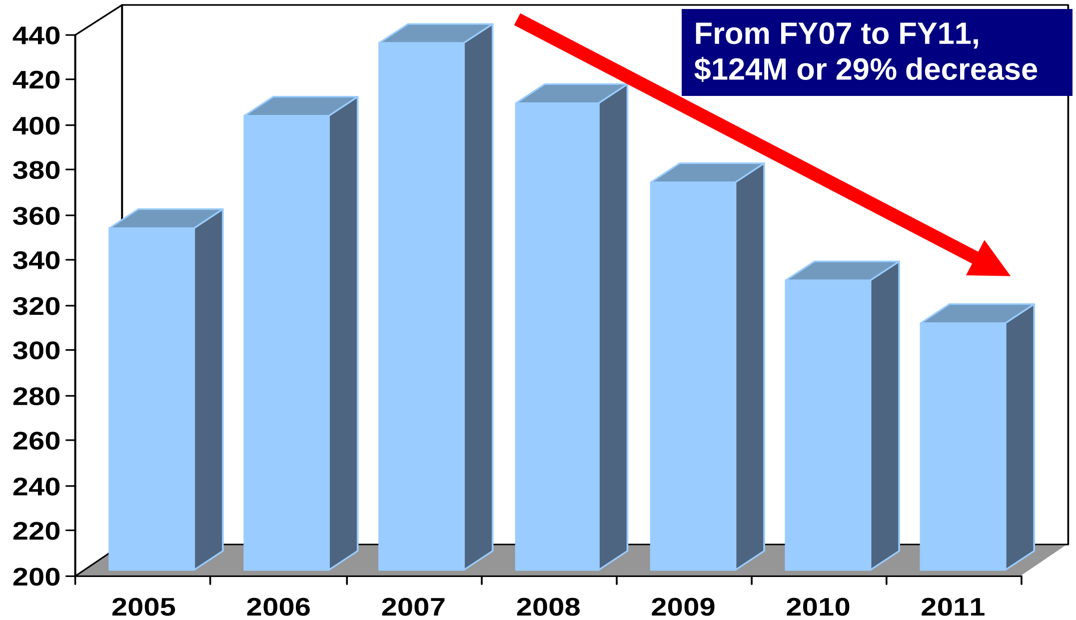
Figure 8: FY10 General Fund Revenue Budget



Property Taxes are normally one of the most reliable revenue sources available to local governments. As a result, most cities, counties, school districts, etc. rely on the stability of property taxes to build their budgets. Unfortunately, due to the combined result of mandatory legislative roll-backs, the passing of Amendment One, and a correction in the real estate market, taxable values have decreased dramatically resulting in a negative multi-year impact in property tax revenue as shown in Figure 9. The decline in property tax revenue from FY08 to FY11 will exceed the increases that occurred from FY04 though FY07. The additional revenue resulting from the run-up in values from 2003 through 2006 is no longer available, and the FY10 budgeted revenue is less than the FY05 revenue.

The negative impact from reduced property tax revenue is generally less pronounced to the municipalities in Pinellas County. Their General Fund revenue mix usually reflects other revenues such as franchise fees and utility taxes that can help mitigate the impact of a reduction in property tax revenue.

Figure 9: General Fund Property Tax Revenue (FY05-11) in millions



Note: FY11 amount is based on preliminary estimate of -6%

Among the other funds that rely in whole or in part on property taxes are Emergency Medical Services and the Fire Districts. All of the property tax funds are expected to experience a pattern in taxable value decline and growth that is similar to the General Fund. The percentage changes will vary depending on the composition of the tax base for each district.

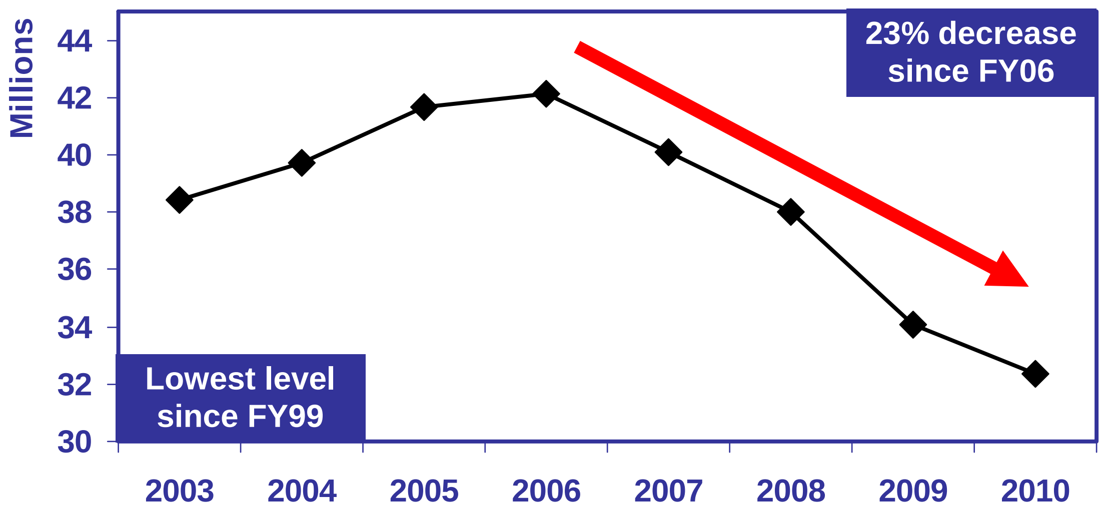
Property taxes are calculated by multiplying the property's taxable value (Market Value less Save Our Homes cap less Exemptions) by the millage rate set each year by taxing authorities. The FY10 property taxes are levied based on the Property Appraiser's assessments as of January 1, 2009. For FY10, countywide taxable values have decreased from $73,118,247,221 to $64,792,185,671 or 11.4%.

The millage rate is expressed in "mills." One mill is one dollar of taxes per thousand dollars of taxable value. For example, a tax base of $50 billion would generate $50M for a one mill tax levy. In terms of individual property taxes, the current 5.4562 mill county-wide tax levy on a home with a taxable value of $150,000 would result in a property tax of $818.43.

<u>Other Major Revenues</u>

The second largest General Fund revenue source is the **State Shared Half-Cent Sales Tax**. This is a portion of the State's six cent sales tax that is shared with counties and cities. Normally this source increases with economic activity and inflation, but reflecting the recession, collections have declined over the past two years and are expected to decline again in FY10 as shown in Figure 10. The projected revenue for FY10 is the lowest in eleven years (since fiscal year 1999).

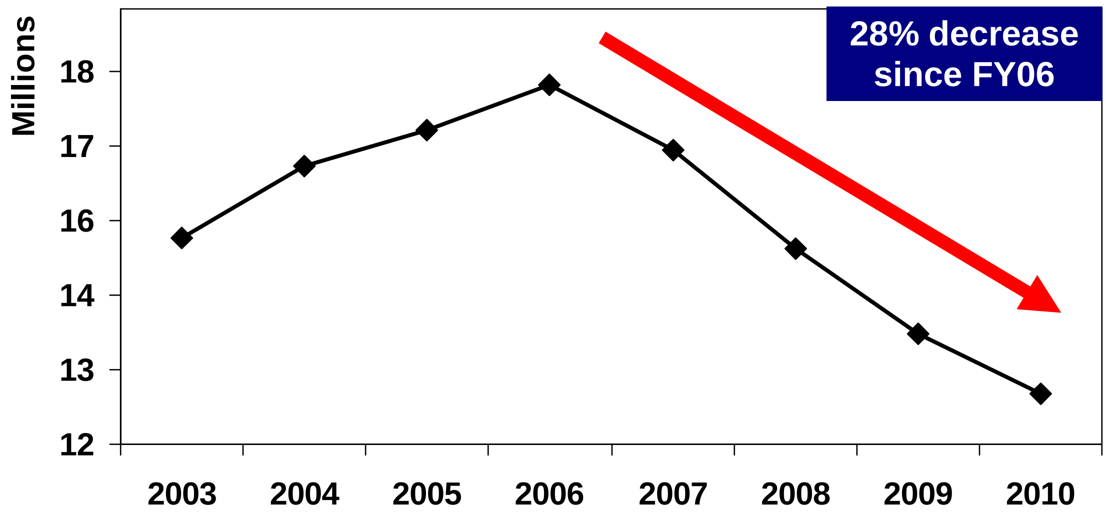
Figure 10: Half-Cent Sales Tax Revenue (FY03-10) in millions



Estimated Sales Tax revenues for FY10 are 23% under the peak year of FY06. In FY11 and later years, we anticipate a return to a growth mode, but because the recovery will be slow, the growth is not expected to approach historical patterns.

The third major General Fund source, **State Revenue Sharing**, is also primarily based on the State's sales tax revenue. The total amount of the State's distribution of revenue sharing funds for FY09 will not be definitively known until after the annual adjustments which usually occur in August, after the State has closed its fiscal year which ends June 30. After a long-term decline partially due to legislative reductions in the formula, moderate growth had resumed in recent years. Similar to sales taxes, Revenue Sharing has been negatively impacted by the recession as shown in Figure 11. The projected revenue for FY10 is the lowest in eighteen years (since fiscal year 1992). The forecast assumes that there will not be any changes to the sharing formula, and growth will reflect the slowly recovering economy.

Figure 11: Local Government Revenue Sharing Revenue (FY03-10) in millions



A cautionary note for long term planning relates to the scarcity of undeveloped land in Pinellas County. We will see relatively fewer new residents in the future compared to other counties with more opportunities for expansion. Because the distribution formulas for both shared sales taxes and revenue sharing are partially based on population, Pinellas will represent a declining percentage of the state total and therefore the percentage of these revenues will decline also. However, this is not expected to have a major impact in the short term.

The fourth major revenue in the General Fund is the **Communications Services Tax** which replaced franchise fees on telephone, cable television, and similar services several years ago**.** This tax is paid by unincorporated area residents and is dedicated entirely to providing services for them through the Municipal Services Taxing Unit (MSTU). The General Fund includes operations for both county-wide functions and activities specific to the unincorporated area. These segments are tracked separately within the fund. MSTU expenditures are about 10% of the total. Communications Services Tax basic revenues are essentially flat, but the amounts the County will receive in FY09 through FY11 are below normal, reflecting Department of Revenue adjustments for service provider errors in prior years' collections. Very minor growth in this revenue source is anticipated for FY12 through FY15.

<u>User Fees</u>

In the forecast, the other General Fund revenue sources assume modest growth in future years. These revenues include **User Fees** (also known as Charges for Service) which are reviewed annually as part of the budget process and adjusted as necessary**.** Public Safety user fees include the Sheriff's **Law Enforcement Contracts** for services provided to various cities within the county. These contracts are renegotiated annually. In the category of **Cost Recovery,** Full Cost Allocations prepared by an independent consultant ensure that other operating funds reimburse the General Fund for the administrative support provided to their operations (Board of County Commissioners, Purchasing, County Attorney, etc.), and Capitalized Billings perform a similar function for capital project funds.

The **Governmental User Fee Schedule** reflects charges for services assessed by departments under the County Administrator. Exhibit B contains a summary of fee changes as well as detailed user fee schedules by department. The fees are intended to recover costs associated with the provision of services that benefit a specific user rather than having these costs subsidized by property taxes. Major sources of user fee revenue for the General Fund in FY09 include building permits, animal licensing, and campground fees. In FY10, the Building & Development Review Services (BDRS) function has been removed from the General Fund and is budgeted in a separate special revenue fund.

For FY09, user fees are budgeted to generate $10,246,140 in revenue. Due primarily to a continued downturn in building and development activity, overall user fee revenue is estimated to fall short of budget by 10.7% to $8,151,200. Revenue from building permits, zoning fees, tree removal permits, and water and navigation permits is projected to fall by a combined 26.5% versus budget in FY09. Partially offsetting these shortfalls are increased FY09 projections versus budget estimates for campground fees.

For FY10, General Fund user fees are budgeted to generate $7,289,490, an increase of 24.9% over the FY09 budget and 24.0% over the FY09 projection. These figures exclude revenues from BDRS. The increases are projected to generate $1,395,310 in additional revenue and reflect a continued effort to reflect the full cost of the services. An additional $146,380 is projected to be generated by new fees, including boat ramp parking fees for vehicles without trailers ($71,500), monthly fees for concession vendors in parks ($27,000), and economic development workshop and seminar fees ($22,880).

With the establishment of the BDRS Fund, $3.9M in user fee revenue generated by this department will no longer accrue to the General Fund. For FY10, BDRS fees are budgeted to generate $3,861,410, a decrease of 12.4% below the FY09 budget and an increase of 17.9% over the FY09 projection. Proposed increases in FY10 would partially offset the decreased revenue associated with downturns in activity experienced in this area. The basis for building inspection fees is proposed to change to a valuation basis from a square-foot basis. This change reflects industry best practices.

The Utilities Department has revised their fees and charges schedule for the water and sewer enterprise funds. Some of the fees and charges, specifically for water, have not been revised since 1987 and are significantly below current market value for cost recovery. For FY09, these fees and charges are budgeted to generate $909,330 in revenue, but are estimated to exceed budget by 23.0% or $208,810. The changes, including new fees and charges, proposed in FY10 are estimated to generate an additional $560K for the water fund and $200K for the sewer fund. The total anticipated Water and Sewer Enterprise Fund revenue for FY10 from fees is approximately $1.1 million for water and $620K for sewer, representing increases of 67% for water and 129% for sewer.

Other Revenues

Besides User Fees, other revenues, such as **Interest Earnings** in FY09 will be much lower than FY08, both because investment rates are low and because the fund balance invested is lower than in FY08. Earnings for FY10 through FY15 are subject to market conditions, and should improve since interest rates are currently at historic lows. **Building Permits** and related revenues have dropped sharply as construction activity has been in free fall. Other revenues which comprise about 5% of the total are also down as a result of the recession, but are expected to resume slow growth in future years.

Revenue Forecast Assumptions

The key assumptions for General Fund revenues are summarized in Figure 12.

Figure 12: General Fund Revenue Forecast Assumptions

REVENUE ASSUMPTIONS	**Budget 2010**	**Forecast 2011**	**2012**	**2013**	**2014**	**2015**
Property Taxes: Countywide	-11.4%	-5.8%	0.0%	3.0%	3.0%	3.0%
Property Taxes: MSTU	-10.6%	-5.4%	0.0%	2.5%	2.5%	2.5%
Half Cent Sales Tax	-7.2%	2.0%	3.0%	3.0%	3.0%	3.0%
Revenue Sharing	-15.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Communications Services Tax	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%

The scenario depicted here is intended to identify the magnitude of decisions that will be needed in future years based on the best information available at this time. Any variation in the assumptions will have an impact on the projections that will necessarily grow throughout the forecast period. For example, a change of 1% in the county-wide taxable value in FY11 will result in a $2.96M change in revenue at the current millage rate of 4.8108. Similarly, a change of 0.1 mills in the rate from the FY10 taxable value would result in a $6.2M change in revenue. In the following years, this impact would be amplified by the other growth factors. A change in the pace and magnitude of the economic recovery will likewise have an impact on sales tax, revenue sharing, building permits, and other business activity-driven revenues that will ripple through the forecast at an expanding rate. In the present unusual economic climate, with no close parallels in the post-World War II era, it is extremely difficult to accurately predict these drivers with any degree of certainty

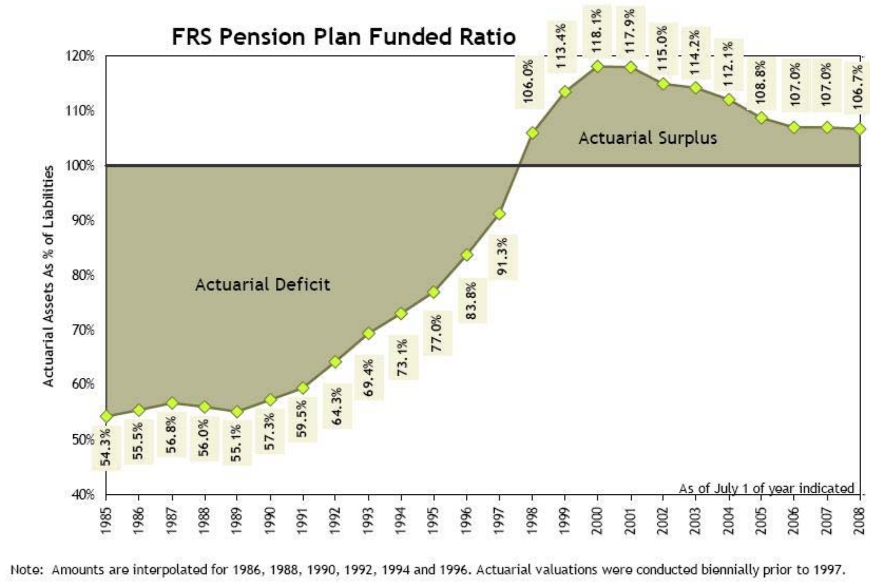
Types of Expenditures

The forecast also projects the requirements for expenditures. Although their purpose differs according to the services being provided, expenditures have certain common characteristics across all parts of the operating budget.

The cost of **Personal Services** (salaries and benefits) is the single largest category of expense, comprising 63% of General Fund recurring expenses and similar percentages in most other operating funds. In FY10, no salary adjustments are included. In future years, pay for performance merit increases are expected to resume in order to maintain a compensation structure that can attract and retain quality employees. Prior to FY09, the range of merit adjustments generally varied from 0 to as high as 7%. No automatic cost of living increases have been granted to County employees in recent years, and none are anticipated in the forecast.

The two key drivers for employee benefits are the County's share of pensions and health insurance costs. The County is required to participate in the Florida Retirement System (FRS), a State public pension plan. From 1998 to 2008, FRS had been one of the few state systems that had an actuarial surplus (see Figure 13). This lowered the required contributions set by the Legislature that are based on an employee's salary and benefit category (public safety employees have higher benefits).

Figure 13: Florida Retirement System Actuarial Assets as % of Liabilities



Source: EnnisKrupp FRS update presentation to SBA, March 2009

As with most other pension systems, the financial system crisis in the fall of 2008 had a devastating effect on the value of FRS investments. Although the impact is tempered by the method used by actuaries to determine rates over a long period of time, it is very likely that there will be increases in the FRS contribution requirements over the next several fiscal years.

Health insurance costs for the County have followed the national trend and outpaced inflation in recent years. These increases have been mitigated by the County's aggressive cost containment measures including the renegotiation of pharmacy and health contracts, the creation of a medication management program, and the introduction of a fully insured Medicare Advantage Group plan for Medicare-eligible retirees. The forecast assumes that these actions will continue. The Obama Administration's effort on the national level to restructure and contain health insurance costs could have a significant impact, but the forecast does not assume any changes in the current situation.

The cost of services, commodities, and equipment (**Operating Expenses** and **Capital Outlay)** are driven by inflation. Many costs will track close to the Consumer Price Index (CPI), but fuel, chemicals, and construction materials are expected to exceed that pace. The forecast assumes the CPI increases developed by the State in their consensus

Revenue Estimating Conference. These estimates may be low if action is not taken to control the Federal deficit and price pressures increase.

Unlike many local governments, the County has no outstanding General Obligation Bond **debt** supported by property taxes. The only revenue debt bond issues outstanding are supported by the Penny for Pinellas and by Water and Sewer revenues.

<u>Expenditure Forecast Assumptions</u>
The key expenditure assumptions are summarized in Figure 14.

Figure 14: General Fund Expenditure Forecast Assumptions

EXPENDITURE	**Budget**	**Forecast**				
ASSUMPTIONS	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Salary Adjustments	0.0%	0.0%	1.5%	2.5%	3.5%	3.8%
Benefits net impact	1.0%	1.0%	1.0%	1.4%	1.0%	1.0%
Operating Expenses	0.0%	0.0%	1.5%	3.0%	3.0%	3.0%
Est.CPI (State EDR 2/09)	*-1.1%*	*2.5%*	*3.0%*	*3.0%*	*2.9%*	*2.8%*

Organizationally, expenditures in the General Fund are divided between the BCC/County Administrator, the Sheriff, and Other Constitutional Officers and Independent Agencies. The forecast assumptions have been applied to the budgets of all parts of the County structure, including the Constitutional Officers and Independent Agencies. To the extent that those other Appointing Authorities vary from this scenario, the forecast would be affected accordingly.

As with revenues, any changes in these assumptions will impact more than one specific year. A change of 1% in the salary and benefits assumptions would produce a cost variance of $3.1M and an increase in the inflation rate of 1% would result in a $1.7M change in operating expenses in FY11, and would trigger escalating impacts going forward. This forecast assumes cost inflation similar to that projected in March, 2009 by the Florida Legislature's Office of Economic and Demographic Research. Some economists believe that the large Federal budget deficits now projected by the Congressional Budget Office will result in much higher inflationary pressures in the aftermath of the stimulus.

One other key point is that the forecast assumes continuation of the services in the FY10 budget at the current level; no expansion or enhancements are included in this scenario.

General Fund Forecast Summary

The General Fund budget forecast is summarized in Figure 15.

Figure 15: General Fund Multi-Year Forecast Summary

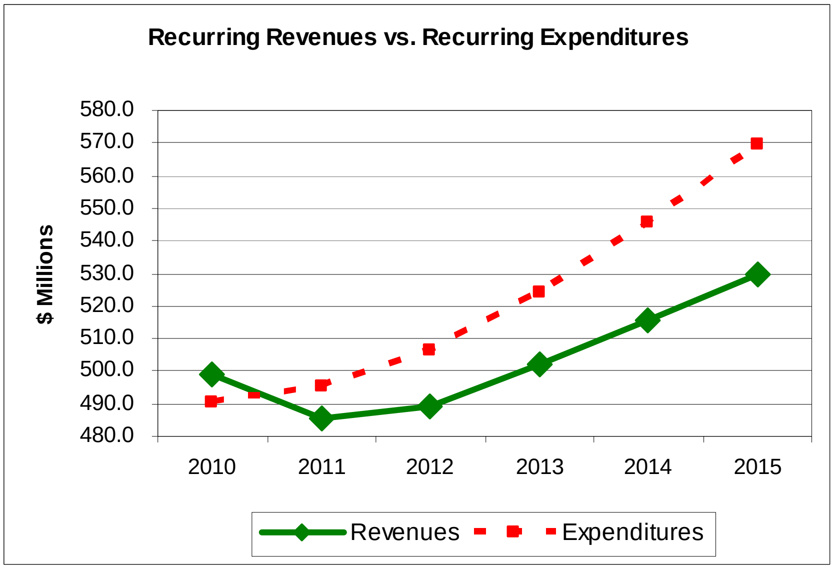
GENERAL FUND *MULTI-YEAR FORECAST* ($ Millions)	*forecast cycle 1*			*forecast cycle 2*		
	Budget	**Forecast**				
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
REVENUES						
Property Taxes	332.1	313.0	313.0	322.3	331.8	341.6
Sales Tax, Revenue Sharing, & Communications Tax	56.7	60.1	61.6	63.0	64.6	66.1
Other	110.3	112.4	114.7	117.0	119.4	121.7
TOTAL REVENUES	**499.1**	**485.5**	**489.3**	**502.3**	**515.8**	**529.4**
EXPENDITURES						
BCC and Independent Agencies	210.7	211.7	215.6	222.7	230.5	238.9
Sheriff and Other Constitutional Officers	281.2	284.0	291.1	302.4	316.0	331.2
Non-recurring expenditures	23.1	-	-	-	-	-
TOTAL EXPENDITURES	**515.0**	**495.7**	**506.7**	**525.1**	**546.5**	**570.1**
RESERVES {Ending Fund Balance}	**94.1**	**83.9**	**66.5**	**43.7**	**13.0**	**(27.7)**
Reserves as a %of Resources	*15%*	*14%*	*12%*	*8%*	*2%*	*-5%*
REVENUE minus EXPENDITURES (excluding non-recurring expenditures)	**7.2**	**(10.2)**	**(17.4)**	**(22.8)**	**(30.7)**	**(40.7)**

Note: Revenues in the forecast are shown at 100% rather than the 95% statutory budget basis.

The overall patterns in revenues and expenditures are instructive. Total revenue growth, because of the slow economic recovery and the expected new "normal" reality, is very limited, only about 1% in FY12 and 3% per year in FY13 through FY15. Total expenditures are shown to grow at a slightly higher pace, limited to 2% in FY12 but increasing 4% per year in FY13 through FY15. Keep in mind that the expenditures represent a very slight increase with moderate benefits and operating cost inflation and minimal salary adjustments. Expenditure increases beyond these conservative projections will result in the need for substantial new or additional revenue.

The pattern of recurring **General Fund revenues minus expenditures** for FY11 through FY15 in Figure 16 illustrates that even with the resizing of the budget, the current levels of service will not be sustainable in the future unless corrective measures are taken or additional revenue is provided.

Figure 16: Multi-Year Forecast Recurring Revenues vs. Recurring Expenditures



Note: this chart does not include fund balances or reserves.

The projected shortfalls show what could happen in the absence of action to cut costs or increase revenues. Similarly, any new initiatives or ongoing programs would increase the problem in that year, and going forward would have an even greater effect due to cost inflation. The reality of balancing the budget is that continued drawing down of reserves is not a viable practice in the long term. The only way to ensure a reliable, consistent mix of services is to balance ongoing revenues and expenditures on an annual basis.

The FY10 budget for the General Fund is in balance and includes a $7.2M **Service Level Stabilization Account** (the difference between revenues and expenditures in Figure 16). This account represents reductions taken in FY10 over and above what is necessary to balance the budget in anticipation of **further reductions necessary in FY11**. The $7.2M amount is less than the original $15M target.

As the updated forecast indicates, this $7.8M difference is expected to grow to $10.2M in FY11 due to inflationary costs as shown in Figure 15. This will require either further reductions, increased revenues, or a combination of both to balance the FY11 budget. The "Budget Targets" section of this document provides more explanation regarding the target and rationale for the Service Level Stabilization Account.

<u>Other Governmental Funds Forecast</u>
Several other major funds in the budget merit some discussion.

Tourist Development Taxes (also called "bed taxes") are collected on rents for temporary lodgings. These taxes support the St. Petersburg/Clearwater Area Convention and Visitors Bureau. The Bed Tax is a relatively volatile revenue source and is sensitive to economic conditions due to the discretionary nature of tourism expenditures. In FY09, these revenues are much lower than budgeted as the tourism industry has been seriously impacted by the recession. As a recent study by Wachovia

Economics Group observed, ”virtually every measure of tourist activity is now off sharply” throughout the state, except for in-state travel by Florida residents. As a result, the report concludes, “a true turnaround in tourism is likely more than a year away.” The effects are reflected in the FY10 budget. Compared to the FY09 Budget, the Bed Tax will decrease by 15%. In FY11 and beyond growth will be limited as the economic recovery is expected to be a long, gradual process.

The operation and maintenance of roads and associated drainage, bridges, traffic signs and signals, and other related transportation infrastructure are supported by State shared gas and diesel **Fuel Taxes**, which are authorized by the State Constitution and Legislature, and by local option taxes including the Six Cent Local Option Gas Tax, and the Ninth Cent Local Option Fuel Tax. These revenues are restricted by law for transportation purposes. Gas tax generated revenues have been lagging slightly, though not as much as other major County revenue sources such as sales tax receipts. Both local option taxes and state shared gas taxes are approximately 7% lower in FY10 than in FY09. Little growth is anticipated in the near term, as these taxes are based on gallons purchased, not on the price of fuel.

Operation of the comprehensive county-wide **Emergency Medical Services (EMS)** system is supported by a combination of property taxes (55%) and user fees (45%). Services are provided by the County’s SUNSTAR ambulance system and by contracts with various municipalities and special independent districts that respond to calls with paramedics and fire equipment (First Responders). The ambulance service user fees support the ambulance contractual expenditures and property taxes support the First Responders. The financial outlook for the system shows that ambulance user fees are adequately supporting expenditures. However, property taxes supporting the First Responder contracts have been decreasing which has necessitated a planned use of reserves. The use of reserves is not sustainable over the long term as we anticipate additional property tax revenue decreases in FY11 with a relatively flat year in FY12. This means that adjustments to revenues and/or expenditures will be necessary to sustainably fund the First Responder contracts in the future. A consultant is proposed to be engaged to study the EMS system during the coming year.

Enterprise Funds Forecast

Revenues supporting the **St. Petersburg - Clearwater International Airport** come from four major sources: Airport Operations (Air Field & Flight Line), Real Estate (Rentals – Terminal & Land), Golf Course, and Capital Contributions (Federal and State grants). Reflecting the current recession, activity decreased approximately 7% from FY08 to FY09. The Airport adjusts its operating expenses depending on market conditions and the revenue generated.

Each of the County’s Utilities operations - Water, Sewer, and Solid Waste - is self-supporting within its own user fees and other revenues. Rates for these operations are analyzed and projected with the aid of independent consultants.

The **Water System** has seen per capita consumption drop dramatically as shown in Figure 17, partially as a result of the County’s aggressive pursuit of conservation measures and also because expansion of the reclaimed water system has provided an

alternative to the use of potable water. The current economic climate has an additional impact on consumption as shown in Figure 18.

Figure 17: Residential Per Capita Water Usage

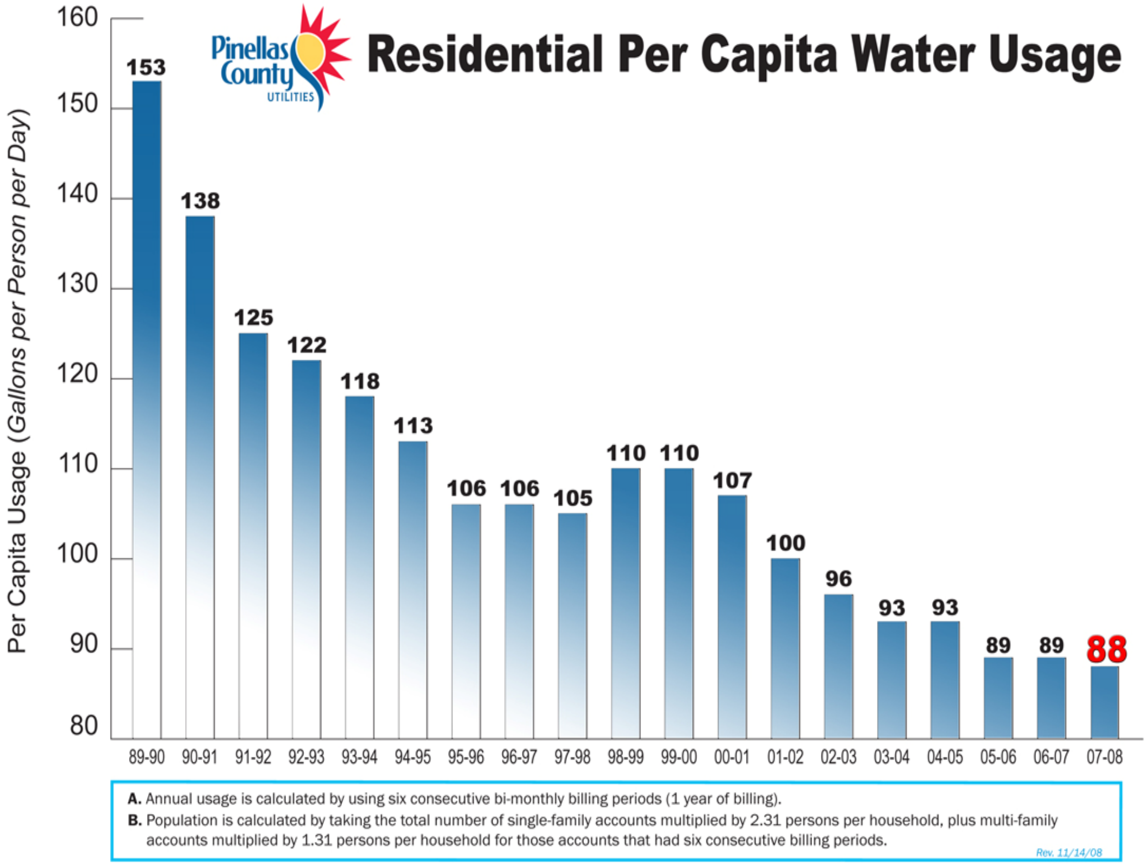
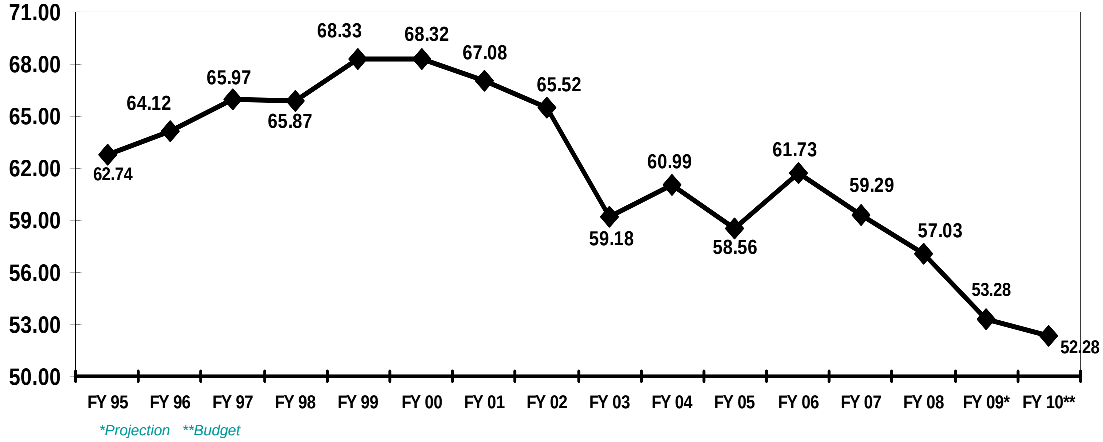


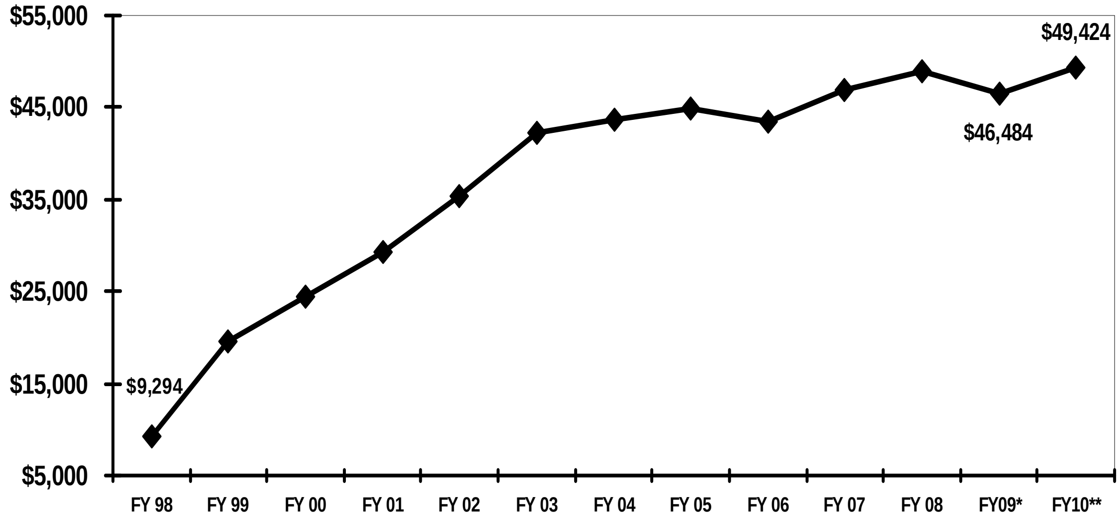
Figure 18: Water Sales per million gallons daily



The declining sales have not been reflected in the cost of water purchased from the regional supply authority as shown in Figure 19. This is due primarily to past and

present rate increases by Tampa Bay Water (TBW). Tampa Bay Water has been faced with ongoing drought conditions as well as problems with the desalination plant and the C.W. Bill Young Reservoir.

Figure 19: Amount Paid to Tampa Bay Water in thousands



The combined result of shrinking demand and fixed operating costs including TBW rates is that Water rates are predicted to increase annually for the next six years as shown in Figure 20. Without these rate increases, minimum reserve requirements would not be met as early as FY11.

Figure 20: 6-Year Projection of Water Rate Revenue Increase Requirements

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Retail	8.00%	15.00%	15.00%	3.00%	3.00%	3.00%
Wholesale	8.00%	15.00%	15.00%	3.00%	3.00%	3.00%

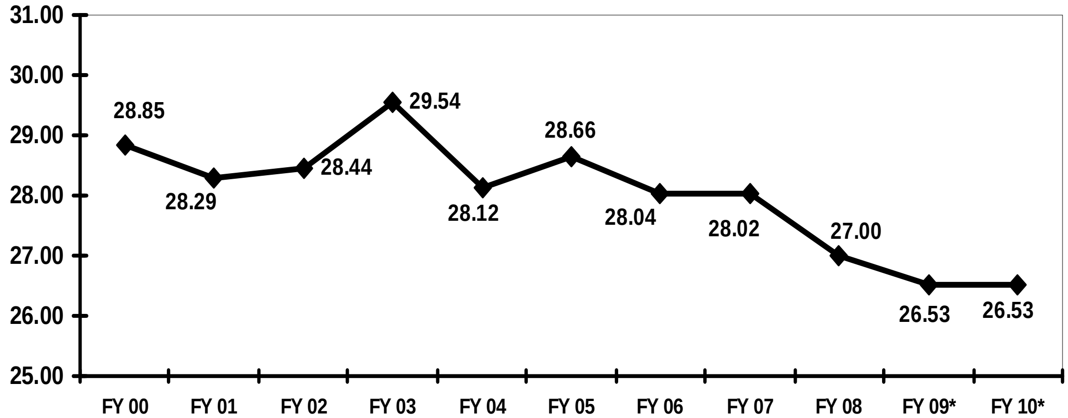
The estimated impact of the rate increases on a typical residential bill and on the wholesale rate is shown in Figure 21.

Figure 21: Impacts of Identified Water Rate Revenue Increase Requirements

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Res. Bill (6,000 gallons)	$28.68	$30.97	$35.62	$40.96	$42.19	$43.46	$44.76
Wholesale Rate	$2.95	$3.18	$3.66	$4.21	$4.34	$4.47	$4.60

As with Water, the **Sewer System** has likewise experienced declining volumes of usage, and annual rate increases are projected through FY15 as shown in Figure 22.

Figure 22: Sewage Billed per million gallons daily



NOTE: FY 03 increase due to 73" of rainfall
**Budget*

The combined result of shrinking demand and fixed operating costs is that Sewer rates will need to increase annually for the next five years as shown in Figure 23. Without these rate adjustments, minimum required debt service coverage would be at risk.

Figure 23: 6-Year Projection of Sewer Rate Revenue Increase Requirements

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Retail	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Wholesale	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%

The estimated impact of the rate increases on a typical residential bill and on the wholesale rate is shown in Figure 24.

Figure 24: Impacts of Identified Sewer Rate Revenue Increase Requirements

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Res. Bill (6,000 gallons)	$31.90	$33.50	$34.33	$35.19	$36.07	$36.97	$37.90
Wholesale Rate	$2.82	$2.96	$3.04	$3.11	$3.19	$3.27	$3.35

The County's **Reclaimed Water System** is included in the Sewer utility operation. Originally, user fees were low to encourage use of this alternative water source and the costs that were not covered by these fees were absorbed by the water and sewer systems. Rates are now planned to gradually increase over the next five years, although not to the point of full cost recovery, as shown in Figure 25. Without the reclaimed water system, additional costs would be incurred to expand the potable water system. In addition, by having a reclaimed water system the County supports the goals of the Southwest Florida Water Management District (SWFWMD).

Figure 25: 6-Year Plan of Reclaimed Water Rate Revenue Increase Requirements and Impact

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
% Increase	11.11%	10.00%	9.09%	8.33%	7.69%	7.14%
Res. Bill	$10.00	$11.00	$12.00	$13.00	$14.00	$15.00

The **Solid Waste System** is primarily a disposal operation which receives its revenue from two primary sources: tipping fees (charges based on the amount of waste delivered for disposal) and electricity generated by the waste-to-energy facility. The existing rate structure should be sufficient to support the Solid Waste operations throughout the forecast period. A 25-year forecast for the Solid Waste System was recently completed. The forecast shows that no increase in the tipping fees will be necessary over the next 15 year period even assuming the current costs of solid waste operations, projected additional costs due to the implementation of the new Countywide Curbside Recycling program, an anticipated $50M retrofit to meet new Air Pollution Control requirements.

FORECAST SUMMARY

The key conclusions of this forecast are:

- The General Fund faces ongoing structural deficits due to property tax revenue caps, slow growth in other resources, and anticipated expenditure increases which exceed revenue growth.

- As a result, revenue increases and/or expenditure reductions will be required in future years to achieve a sustainable General Fund budget.

- Other property tax based funds, including the Fire Districts and Emergency Medical Services, may face future service reductions due to property tax revenue caps or rising millage levy increases.

- Transportation operations supported by gas taxes will face future service reductions unless costs are reduced or shifted to the General Fund.

- The Water and Sewer operations will require rate increases over the next five years to maintain current levels of service.

- Other County operating funds may need to adjust services to stay within revenue limits even after the economy returns to a slow growth mode because of expenditure pressures.

THE STATE BUDGET AND OTHER FUTURE CONSIDERATIONS

The impact of the recession was also felt at the State level, as their major revenue sources such as sales tax are dependent on the health of the economy. Going into this year's legislative session, the State faced a shortfall of $5.9 billion. The budget which was eventually approved by the Legislature and signed by the Governor relied heavily on one-time revenue sources including Federal stimulus funds and "raiding" trust fund balances. As a result, the structural deficit remains, and the State will need to address the problem again next year. This not only makes it unlikely that the State will provide any fiscal relief to local governments, but also threatens the existing revenues that are shared with counties and cities. There will be a great temptation to reduce any shared revenues to help deal with the problem. This could potentially affect any sources that are not guaranteed in the state Constitution or local option, including some gas taxes. Unfortunately, this is not just a theoretical possibility. In 2005, when the State was forced to assume a greater share of court-related funding as a result of the Article V reforms, the Legislature changed the statutory formulas for distributing sales taxes and revenue sharing that reduced the County's share of these revenues. At the same time, the Legislature shifted a large portion of the cost of Juvenile Detention from the state to the counties. We can expect that similar tactics may be employed in the future as the State struggles to balance its budget.

Potential Legislative Impacts

Despite the plunge in property tax revenues for local governments which has resulted from Amendment One and declining market values, and the decrease in other revenues due to the recession, the 2009 Legislature continued to propose new limits. The Legislature approved two new ballot questions which are scheduled for state-wide referendum in November, 2010. The first would reduce the cap on the annual change in taxable values for non-homesteaded property from 10% to 5%. The second would grant a 50% property tax exemption to homeowners who previously have not owned a home in Florida in the last 8 years (up to $250,000).

According to State consensus estimates, the change in the non-homestead cap would cause a $253M statewide annual reduction in non-school property taxes by FY14. The new homeowner exemption would have a similar $49M statewide impact by FY15. Pinellas' share of these reductions has not been estimated, but it would be significant. For example, 5% of the statewide total would be a $15M revenue loss.

These are not the only potential restrictions currently being discussed. One proposal would limit the total amount of property taxes levied for county, municipal, and school taxes to 1.35% (13.5 mills). According to State estimates, this would reduce property tax collections statewide by at least $6 billion, or 17%. The minimum revenue loss for Pinellas County would range from $13.7M to $129.7M depending on the method the Legislature chose to implement the cap.

Until the basic inequities of the property tax system in Florida are addressed at the state level, there will be continued pressure to adopt these types of draconian measures that could seriously harm the County's ability to provide services to the public.

BUDGET TARGETS

<u>Current Year Target</u>

From the financial forecast performed in January, individual targets were identified for each fund. Due to lower than expected revenues during the current year, FY09, departments and agencies were given a target of spending 97% or less of their approved budgets. In the General Fund, revenues are expected to come in $12M below budget during FY09. This shortfall is anticipated to be offset by $12M in savings from meeting the 97% expenditure target.

<u>General Fund Target</u>

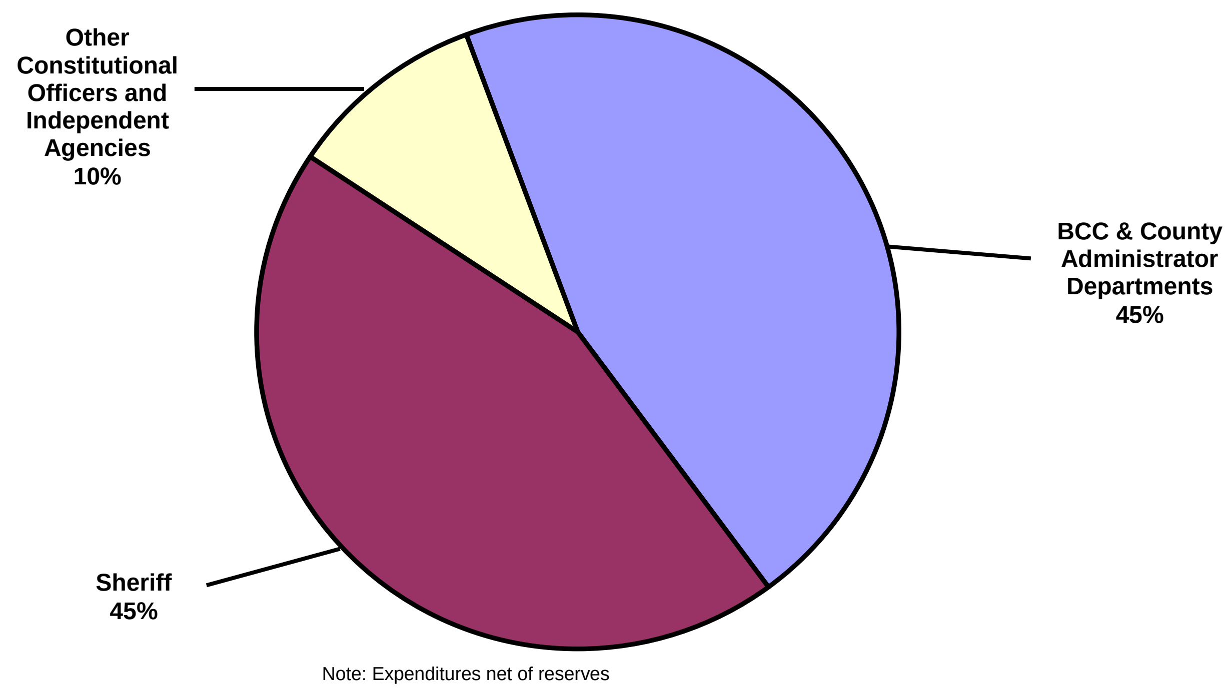
The budget strategy was to seek the equivalent of a two-year reduction in FY10 in order to avoid (or at least mitigate) the disruption of further cuts in FY11. For FY10, the General Fund target was identified as **$85M**. This amount represents the reductions necessary to balance the budget over the upcoming forecast cycle. Based upon the forecast, a $70M reduction is required to balance the FY10 budget and another $15M was associated with projected reductions in FY11. The Service Level Stabilization Account target of $15M in the General Fund is the result of making reductions of $15M one year in advance. It is estimated that we will have to make $85M of reductions in the General Fund over the next two years ($70M in FY10 and $15M in FY11).

The benefits of making all of the reductions in one year are several. Organizational disruption is minimized as employees can avoid worrying about whether they will be part of future reductions. The FY10 budget process is the third consecutive year of significant reductions in the organization and FY11 would have been the fourth. Making all of the necessary reductions in FY10 allows for a much higher degree of stability in the organization which can be leveraged to focus on transformation processes and optimizing the remaining programs and services. Another benefit is that in evaluating the reductions, a holistic picture of the reductions being proposed in order to make key policy decisions versus only seeing an incremental part of the reductions in FY10 with more to come in FY11.

The **Service Level Stabilization Account** is a one-time funding source which will primarily be used to provide resources to bolster the budget against the forecast downturn in FY11 and provide flexibility should revenues be worse than forecast. For the FY10 budget, county-wide property tax revenue is decreasing 11.4% in the General Fund and we are forecasting that it will decrease again in FY11 by about half of that amount. The FY11 property tax revenues are dependent on the tax roll provided by the Property Appraiser which reflects taxable value changes taking place on January 1, 2009. At this point, halfway through the calendar year, foreclosures numbers are at their highest levels ever and housing prices continue to erode. More detailed information regarding the forecast is available in the “Multi-Year Forecast” section of this document.

The $85M General Fund target was allocated proportionately between BCC departments and Constitutional Officers and Independent Agencies. The BCC departments constituted 45% of the General Fund as shown in Figure 26 below, resulting in a target of **$38M**. The Constitutional & Independent Agencies constituted 55% of the General Fund, resulting in a target of $47M.

Figure 26: General Fund Expenditures (FY09 - Basis for Targets)



Targets for Other Funds

Targets for other funds were also developed depending on the circumstances for each fund. The funds most affected by current economic conditions include the ad valorem supported funds, the Water and Sewer funds, and the Tourist Development Council fund.

Ad valorem supported funds with separate property tax levies, such as the Health Department, the Feather Sound Community Services District, the Palm Harbor Recreation & Library District, and the Public Library Co-op, were asked to submit budgets that can be supported by their revenue streams which include a significant reduction in property tax revenue in both FY10 and FY11. As the Pinellas Planning Council (PPC) has nearly $1M in reserves, the PPC was given a target of reducing the millage rate from 0.0170 mills to 0.0125 mills to draw down the reserves over a period of three years.

In Utilities, the Water operating fund was directed to meet a 92% expenditure reduction target in FY09 and to submit a FY10 budget that is 8% less than the FY09 budget. Similarly, the Sewer operating fund was instructed to meet a 90% expenditure reduction target in FY09 and to submit a FY10 budget at 90% of the FY09 budget.

In the Tourist Development Council fund, an expenditure target of 11% is necessary in FY09 and the FY10 budget target is 20% less than the FY09 budget.

REDUCTION PROCESS

The BCC departments were instructed to submit potential reductions totaling 30% of their FY09 budgets. Over the last few months we have reviewed and prioritized that list to identify the reductions necessary to meet our 20% target of $38M. The $38M target is an aggregate figure so individual departments may experience reductions that are more or less than 20%.

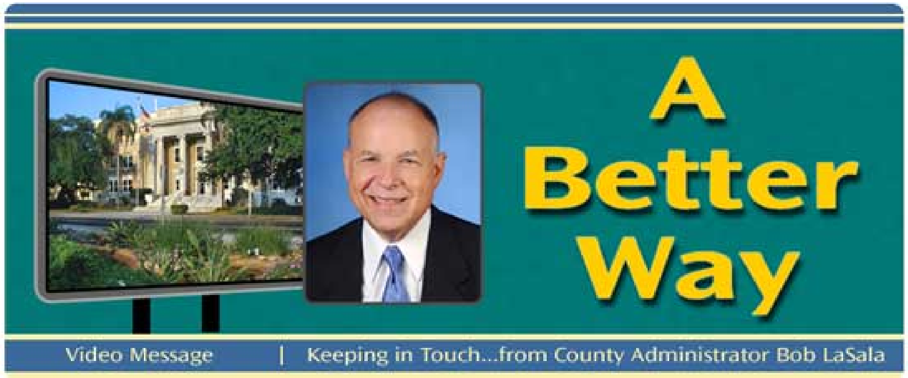
As we approached making program reductions, we asked ourselves several questions such as:

- Is the program or service level reduction consistent with BCC priorities?
- Given the new budget climate, should the County continue to provide this service?
- What is the impact of the program reduction to the community?
- Can we reduce the service level of the program and still have a viable program?
- Is the program sustainable over time given future revenue constraints?
- Is eliminating or reducing a program going to have an indirect negative impact on the County's economy?

<u>Community Input</u>
We also incorporated considerable public and employee input into our reductions process. For example, the Board of County Commissioners held three community meetings to discuss the budget in March. Meetings were held in Palm Harbor, Seminole, and St. Petersburg. We were very pleased to have over 500 attendees and received great input regarding reduction priorities for this year's budget process.

In addition to the public meetings, we have also received input through the County's website. We set up a suggestion box in March and received 131 suggestions from March to June. Over the last three years, almost 1,500 people have signed up to receive budget news via email. And since January, there have been about 67,000 hits on the Citizen's Guide to the Budget Website.

<u>Employee Input</u>
One of the first things we did for this budget cycle was to create a new website called **"A Better Way"** to communicate with employees regarding the budget process and set up a suggestion box to tap the wisdom of our employees. Since January we have received 819 cost-saving and revenue ideas. We have been pleased with the breadth and depth of the suggestions that have been submitted. In reading through them it is obvious that employees have put a lot of time and thought into the suggestions. We really appreciate all of the hard work and effort that went into them.



Cost-Savings and Revenue Teams

Two teams were formed to review the cost-saving and revenue ideas submitted by both our employees and citizens. The **Revenue Team** was adapted from our existing Revenue, Enhancement, & Sponsorship Team. The **Cost-Savings Team** is a brand new team which also includes a sub-team made up of classified employees who provide their perspective on the suggestions. The goals of both teams were to review the ideas, prioritize them, analyze them, and turn them into actionable options for consideration by County Administration.

Cost-Saving Ideas

For the last few months we have been working hard to address the high priority cost saving ideas coming out of the team. Some of the ideas we plan on implementing include:

- Energy and water conservation projects that should provide savings to our operating and maintenance costs of running our buildings.

- Consolidating procurement functions from Public Works and Utilities into the Purchasing department to leverage operational efficiencies.

- Implementing policies regarding the use of printers and faxes. We will be eliminating desktop printers and increasing the ratio of printers to staff. We will also be eliminating fax machines as faxing can now be enabled on personal computers.

- Reviewing the utilization numbers for all of our cell phones and PDA's to reduce the number of devices.

- Implementing an ordinance requiring homeowners to mow the right-of-way on their property instead of using county forces.

- Consolidating communications functions from Utilities to the Communications department to realize additional synergies.

- Studying fleet utilization numbers to potentially reduce additional pieces of equipment by pooling or renting equipment more effectively. This would be in addition to the 109 pieces of equipment that were reduced by each department as part of the formal budget process.

<u>Revenue Ideas</u>
We have also reviewed several revenue ideas from the Revenue Team that are being included in the FY10 Proposed Budget.

- Implementing an admission charge to Ft. DeSoto Park similar to the State's admission charge to Honeymoon Island.

- Implementing an admission charge to Fred Howard Park that should dovetail with the opening of the causeway late this year or next Spring.

- We currently have agreements with certain cities to collect parking revenue at some of our Beach Access parks. We are looking at either renegotiating these agreements or managing the parking function ourselves.

- Implementing a Countywide occupational tax to help provide funding for economic development or consumer protection programs.

- Implementing an admission fee at Florida Botanical Gardens, County Extension, and Heritage Village to help offset the cost of running their programs.

- Implementing a doubling of the current $15 facilities fee (for a total of $30) to offset the cost of providing facilities to the Court system.

In addition to the ideas listed above, other ideas will continue to be analyzed in the coming months for future implementation. We commend our employees and our citizens for their thoughtfulness, vision, and grasp of economic realities.

As our organization faced making budget reductions, we were able to leverage our strategic planning, performance measurement, and program budgeting initiatives that we have implemented over the last few years.

STRATEGIC PLANNING

Pinellas County has traditionally been a leader in the application of advanced professional management methods to departmental operations. Prior to 2005, a number of tools, such as Total Quality Management (TQM), had been implemented. In 2005, the Board of County Commissioners recognized the need for a new visionary framework to meet the challenges of the new century.

<u>Vision Pinellas</u>
The County contracted for the development of a formal strategic plan for the organization. The result of that effort was the Board of County Commissioners Strategic Plan, also called Vision Pinellas, which was adopted by the Board on February 14, 2006. The Strategic Plan is a high-level document that provides overall Board direction on a number of priority issues.

<u>Strategic Focus Areas</u>
The Strategic Plan is organized into six Strategic Focus Areas (SFA). These are broadly defined key areas, which provide context for what needs to be achieved for the organization's success. In our case, this success would be areas of importance according to the citizens of Pinellas County as articulated by their elected officials through the Strategic Plan. The Strategic Focus Areas are:

- Public Safety
- Health & Human Services
- Transportation, Utilities, & Stormwater
- Environment, Open Space, Recreation & Culture
- Economic Development, Redevelopment, & Housing
- Effective Government

<u>Strategic Goals & Strategies</u>
Strategic Goals & Strategies are more specific initiatives or actions needed to achieve success in each of the Strategic Focus Areas, and they are grouped by the Strategic Focus Area to which they relate best. The Strategic Goals & Strategies reflect the key priorities of the BCC and the organization and change over time as organizational goals change or are achieved.

In order to facilitate understanding and track implementation of the Strategic Plan, a one-page summary of the two key structural elements of the Plan, Strategic Focus Areas and Strategic Goals & Strategies, was developed (Figure 27).

Figure 27: Summary of Vision Pinellas

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			

Strategic Action Items

A third element of the Strategic Plan is the Strategic Action Items that support each of the Strategic Focus Areas and Strategic Goals & Strategies. These action items can be found in the SFA business plans and are the specific activities or initiatives that need to be achieved in order to achieve the goals & strategies. The relationship between these elements is illustrated in Figure 28.

Figure 28: Linkage Between Strategic Goals and Action Items

Many strategic goals & strategies often impact more than one department in the organization and sometimes include other agencies.

Strategic Focus Area Teams

To facilitate implementation of the strategic goals & strategies six cross-departmental teams were established. Team leads were named for each team and team members were selected. Each SFA team has representation from related departments. For example, the Economic Development, Redevelopment, & Housing team features members from Economic Development, Community Development, Building, Development Review Services, and Planning, as well as ad-hoc participation from Human Services, Communications, Convention & Visitors Bureau, Airport, Public Works, and STAR Center.

During FY06 the SFA teams worked to develop business plans for each SFA that provide detail and specificity regarding implementation of the goals and strategies in the Strategic Plan. This detail includes identifying the department(s) tasked with the strategy, a time frame for implementation, deliverable(s) if any, and related performance measures.

The Effective Government SFA team was established to serve as the coordinating body for the ongoing work of all of the Strategic Focus Area Teams. This team is also charged with guiding the County's over arching strategies that affect all of the strategic focus areas and the county's services overall. The composition of this team includes the team leads from the Strategic Focus Area teams, each of the Assistant County Administrators, and other key leaders.

The SFA team concept has become a cornerstone to the County's strategic planning approach and has already produced benefits such as enhancing collaboration and networking, better understanding of other people's roles and responsibilities, and a big picture perspective towards meeting challenges.

Each of the SFA teams is tasked with implementation of the Strategic Action Items in their business plans. Reporting is done on a quarterly basis to track progress related to implementation. A work session with the BCC is scheduled at least once a year to make any clarifications or necessary course corrections of the Goals & Strategies as well as the individual action items.

Given the new fiscal reality for the County, I plan to work with the Board to update the Strategic Plan in the Fall, 2009.

PERFORMANCE-BASED MANAGEMENT

Performance measurement is a process of systematically collecting data about an organization's efficiency and effectiveness in delivering a program or service. This data ties back to the goals of the individual department as well as the County as a whole, and provides stakeholders such as elected officials, managers, and citizens with information regarding the performance of the organization.

Performance measurement in Pinellas County is not a new activity. Since the 1970s, County budget documents have included output-based performance measures detailing information regarding inputs such as the number of employees and the size of the budget, as well as outputs that show the volume of workload accomplished. A review of the performance measures included in the FY02 Executive Budget reveals that 97% of the measures were output-based. These output measures provide good information on what we have done; however, they are limited as they do not provide information as to how *well* those services are being provided.

Over the last few years, many local governments have recognized a need to reflect information regarding the efficiency, effectiveness, and outcomes of their service delivery. During their FY2002 Vision Session, the Board of County Commissioners requested that the organization "develop performance measures that improve the efficiency and accountability of County service delivery." As a result, departments under the BCC were asked to transition from output-based to outcome-based performance measures during the FY04 budget process. The FY10 Executive Budget document will continue to reflect outcome-based performance measures using a Balanced Scorecard framework for the County organizations that participated in this effort.

<u>Outcome-Based Performance Measures</u>
As County organizations make a successful transition from output-based to outcome-based performance measures that track how well services are being provided, they can begin to benchmark themselves against past performance as well as other public and private service providers. The County joined the International City/County Management Association's (ICMA) Comparative Performance Measurement Program in FY04. Through this membership our organization is able to compare performance in certain service delivery areas with approximately 150 other jurisdictions across the country, including four other Florida counties and six Florida cities. Program participants can also access information regarding the smartest and most competitive "best practices" in the marketplace.

<u>Benchmarking Initiatives</u>
The County is a founding member of the Florida Benchmarking Consortium (FBC) which is a collaboration of Florida local governments seeking to improve upon or implement performance measurement programs. Founded in 2004 by a handful of local government performance managers, the FBC consists of over 40 cities and counties around the state.

Since 2006, the County has benchmarked itself against the private sector through a gain-sharing program called the Employee Incentive Program (EIP). Through this

program a private sector cost for a given service is established and compared to the County's existing costs. During the course of a specific project, employees propose ideas for improving efficiency and effectiveness in order to meet or beat the established cost target. In the latter case, eligible employees can share in the verifiable savings achieved by the project. The program encourages employees to think "like a business" and incentivize efficiencies and accountability while producing ongoing savings to the taxpayer.

Performance measurement is a practice that has permeated all levels of government from the Federal Government's Government Performance and Results Act (GPRA) of 1993, to numerous state and local programs. Rather than being a passing fad, performance measurement is a practice that is gradually being integrated into all aspects of government management. Governments measure performance to:

- Strengthen accountability
- Enhance decision-making
- Improve customer service
- Support strategic planning and goal setting
- Assist governments in determining effective resource use

The most powerful reason for measuring performance is that citizens are continually demanding more responsive and cost-effective government. In Pinellas County, revenue growth has been limited, while citizen expectations for top quality services have remained high. An enhanced performance measurement system can help increase the quality of government services offered to the public and the efficiency with which they are performed.

PROGRAM-BASED BUDGETING

Beginning in FY08, the departments under the Board of County Commissioners transitioned to program-based budgeting. A program-based budget sets programs as the basis for budget appropriations instead of line-items and focuses on the expected results of services and activities in the context of the County's strategic priorities. Stratifying a department's budget into programs can be challenging since there is no clear definition of what constitutes a program. Ideally, a program should be clearly delineated, have a minimum overlap with other programs, be results oriented, and lend itself to quantification. This helps carry out planning, budgeting, administrative control, and reporting within the framework of the program structure.

Over the last three years, each department has stratified its budget by program. Programs are categorized as Mandatory, Essential, Administrative, and Other. The definitions for each category are shown in Figure 29. Additional information is identified for each program: direct costs; indirect costs; full-time equivalent positions; offsetting revenue (if applicable); and performance measures that illustrate the impact of the program.

Figure 29: Program Budget Definitions

Program	A group of related activities that support a common purpose. It is trackable and preferably is comparable to activities in other organizations.
Mandatory Program	A program that is legally required to be performed by the U.S. or Florida Constitution, federal law, state statute, special legislative act, or court order.
Essential Program	A program that is required to be performed by local ordinance, the Pinellas County Charter, interlocal agreements, or the Pinellas County Comprehensive Plan. These requirements are not considered mandatory as the BCC has the ability to alter them.
Administrative Program	An administrative program is comprised of the activities performed by the department that are indirect in nature and support all other programs in the department. Such costs are generally unavoidable and these activities would be performed whether any individual program in the department is reduced or eliminated. Examples include director's office, financial, payroll, and other department-wide support services.
Other Program	Any program that is not classified as Mandatory, Essential or Administrative. These programs rely on County funding for their continuation, and are considered discretionary for the purposes of funding.
Direct Costs	These are costs specifically tied to an individual program. These costs are incremental to a program and would be avoided completely if the program ceased to exist.
Indirect Costs	Indirect program costs are those that would not automatically be avoided if the program is reduced or eliminated. These costs typically include resources such as positions that are shared among multiple programs.
Program Revenues	Revenues specifically generated by a program, including user fees, grants and other revenues directly attributable to the program. Unrestricted County funding sources, such as interest earnings, are not included.
Performance Measures	Indicators that reflect the level of service and how well this program is being provided. Multiple performance measures may be included for each program.
Program Changes/Issues	A change to an existing program in the scope or nature of the work or the level of staffing or service that requires increased or decreased funding above the continuation targets. Program changes should be included in the program budget detail.

Benefits of Program Budgeting

Stratifying the departmental budgets into programs has been an extremely useful tool during the last three budget cycles. Benefits of program budgeting include:

- Enhanced transparency and user friendliness for the Board and the general public.
- Improved decision-making for resource allocation.
- Clear linkages between the budget and strategic priorities.
- Enhanced management information, control, and accountability.
- Increased focus on operational efficiency and performance.
- Mechanism for supporting enhanced fiscal discipline.

A complete transition to program-based budgeting is expected to take place once the new Oracle Project Unified Solution (OPUS) project is fully implemented over the next two years. OPUS is a joint effort of the Board of County Commissioners (BCC), the Clerk of the Circuit Court, the Human Resources Department, and Business Technology Services (BTS). This project will replace legacy software and integrate the County's financial, purchasing, human resources, and budget systems which will facilitate program and performance-based budgeting. A full list of program-budget worksheets for each department will be included in the appendix of the FY10 Executive Budget document.

OVERVIEW OF REDUCTIONS – BCC DEPARTMENTS

Due to the enormity of the reductions, Exhibit C to the Budget Message is included that details all of the reductions necessary to meet the targets across our funds. The document is sorted by department and fund and shows each reduction in a programmatic format as well as the anticipated impact of each reduction.

As shown in Figure 30 below, the BCC departments have made $76.7M in reductions (374 positions) across all funds. In the General Fund, we had a target of $38M. We have met that target by proposing $38.8M of recurring General Fund reductions (including the newly split out Building & Development Review Services Fund.

Figure 30: Reductions Summary for BCC Departments

GENERAL FUND and BDRS Fund	REDUCTION	FULL-TIME POSITIONS
General Fund - Recurring	**$37.3M**	**245**
Building & Develop. Review Svcs. Fund 0230	**$1.5M**	**23**
General Fund - Non-Recurring (One Time)	$6.6M	0
OTHER FUNDS	**REDUCTION**	**FULL-TIME POSITIONS**
SHIP Fund 0210	$4.5M	5
Community Housing Trust Fund 0229	$2.1M	0
Emergency Commun. 9-1-1 System Fund 0225	$42K	0
Emergency Medical Service Fund 0206	$5.6M	4
Fire Districts Fund 0250	$188K	1
County Transportation Trust Fund 0201	$3.7M	29
Risk Financing Fund 0605	$925K	7
Fleet Management Fund 0602	$2.3M	11
Tourist Development Fund 0240	$4.2M	4
Utilities Service Fund 0560	$7.8M	45
Total	**$76.7M**	**374**

The following section highlights some of the key reductions sorted by Strategic Focus Area which are high-level categories of the County's budget relating to the BCC's Strategic Plan: Vision Pinellas. More information regarding the Strategic Plan can be found in the Strategic Planning section of this document. The six Strategic Focus Areas are:

- Public Safety
- Health & Human Services
- Transportation, Utilities, & Stormwater
- Environment, Open Space, Recreation & Culture
- Economic Development, Redevelopment, & Housing
- Effective Government

In addition to these Strategic Focus Areas, the reductions are also sorted by department and fund. The Figures show the budget amount and positions reduced in each department as well as the percentage decrease in the department's budget.

In the **Economic Development, Redevelopment, & Housing** Strategic Focus Area (Figure 31), there are reductions totaling $18.9M or 28%, resulting in the elimination of 47 positions.

Figure 31: Strategic Focus Area: Economic Development, Redevelopment, & Housing

Department	Reduction	%	Full-Time Positions
Bldg. & Develop. Review Svcs.-Fund 0230	$1.5M	23%	23
Community Development	$5.7M	81%	5
Community Dev-Fund 0210	$4.5M	58%	5
Community Dev-Fund 0229	$2.1M	40%	0
Economic Development	$387K	20%	2
Planning	$517K	15%	8
Tourist Develop. Council-Fund 0240	$4.2M	17%	4
Total	$18.9M	28%	47

In the **Building & Development Review Services department** there are $1.5M of reductions (23 positions).

- Reductions in the Building Inspection program may result in next day inspections no longer being possible. Plan review time will increase from 5-10 days to 20-30 days. Inspection appointments will be eliminated and move to a 4 hour window of expected inspection times. In addition, multi-disciplinary inspectors will be implemented to increase the number of inspections per day.

- In the Permitting & Customer Service program, permits turnaround time could increase by 33%. All contractors will be required to call inspection requests using the automated system as no staff will be available to accept calls. Walk-in customers' response time is expected to increase from a few minutes to about one hour.

- As a result of reductions, the Site Plan Review program is anticipated to have increased site plan reviews from 21 days to 27 days.

- In the Habitat program, tree permit inspections are expected to increase from 2 days to 8-10 days.

In the **Community Development department** there are $12.3M of reductions (10 positions).

- The County Connection Centers program will be eliminated which had offered in-depth customer service to 12,000 citizens annually regarding County programs and services.

- o In the Housing Trust Fund program, elimination of a one-time contribution of $5M to the Housing Finance Authority for distribution to participating jurisdictions.

In the **Economic Development department** there are $387K of reductions (2 positions).

- o As a result of reductions, the Business Attraction program will reduce the number of business assistance partnerships from 8 to 3. Face to face contacts with small businesses will decrease by over 1,000 a year.

- o Reductions in the Business Attraction program, will result in a 30% reduction in capacity to assist firms considering relocation to Pinellas County. This reduction may result in 30 fewer relocation prospects and 250 to 500 fewer new high wage jobs annually.

In the **Effective Government** Strategic Focus Area (Figure 32), there are reductions totaling $12.6M or 16%, resulting in the elimination of 74 positions. This strategic focus area features the internal service departments that support the entire organization. As a result, reductions in this area affect all of the departments. Conversely, reductions in other departments can result in reductions in this area as well. For example, if departments have reductions that involve cutting vehicles, the Fleet Management department can make a corresponding reduction in staff needed to support a smaller fleet.

Figure 32: Strategic Focus Area: Effective Government

Department	Reduction	%	Full-Time Positions
Communications	$738K	27%	9
County Administrator	$415K	22%	4
County Attorney	$395K	7%	3
Fleet Management-Fund 0602	$2.3M	21%	11
General Government	$2.6M	22%	0
Management & Budget	$197K	19%	2
Purchasing	$219K	14%	3
Real Estate Management	$4.8M	18%	35
Risk Management-Fund 0605	$525K	29%	7
Risk Management-(Liab./WC/Insur.)	$400K	3%	0
Total	$12.6M	16%	74

In the **Communications department** there are $738K of reductions (9 positions).

- o The Television & Video Services program will reduce informative and educational television programs: Good Business Pinellas (8 shows annually); Inside Pinellas (15 shows monthly).

- o The Public Information, Education, & Outreach program will be reorganized to place primary focus on the County's website.

In the **County Administrator department** there are $415K of reductions or (4 positions).

- o Reductions include the elimination of four positions including an Assistant County Administrator, an Intergovernmental Relations Manager, and two administrative support positions.

In the **County Attorney department** there are $395K of reductions (3 positions).

- o Reductions include the elimination of three positions including a Senior Assistant County Attorney, a Paralegal, and one administrative support position as well as miscellaneous administrative reductions.

In the **Fleet Management department** there are $2.3M of reductions (11 positions).

- o The Maintenance & Repair/Fuel program will be re-sized in proportion to reductions in the overall fleet size. This includes the elimination of 2.5 positions due to implementation of automated fuel system and a reduction in the fuel budget in proportion to reductions in the overall fleet size.

In the **General Government department** there are $2.6M of reductions.

- o The Other Post-Employment Benefits (OPEB) program will reduce the County's anticipated contribution from $4M to $2M.

- o The annual contribution for operating support for the East Lake Community Library program will be reduced by 20%.

In the **Management & Budget department** there are $197K of reductions (2 positions).

- o Reductions in the Operating Budget Preparation & Management program will result in providing less non-core budget activities such as training, strategic planning support, performance measurement and benchmarking support, and special projects.

In the **Purchasing department** there are $219K of reductions (3 positions).

- o The Purchasing/Procurement program will be reduced to reflect reductions in overall procurement activity while absorbing additional workload from functional consolidation with Public Works and Utilities. A position will also be eliminated providing in-house

vendor notification and the department will contract with a third party vendor to post bids and bid addenda to the internet.

In the **Real Estate Management department** there are $4.8M of reductions (35 positions).

- o The Facility Operations & Maintenance program will be resized to the minimum level necessary to support current and future assets. Requests for service will be triaged to prioritize critical requests. Non-critical requests will be responded to within 48-72 hours

- o As a result of reductions, in the Lease Management & Real Property program customer support to the public for applications to release or vacate property rights will be reduced to statutory support levels. Applicants may need to seek private professional service assistance.

In the **Risk Management department** there are $925K of reductions (7 positions).

- o The Employee Safety program will be resized in proportion to reductions in the County workforce.

In the **Environment, Open Spaces, Recreation & Culture** Strategic Focus Area (Figure 33), there are reductions totaling $8.6M or 28%, resulting in the elimination of 104 positions.

Figure 33: Strategic Focus Area: Environment, Open Spaces, Recreation & Culture

Department	Reduction	%	Full-Time Positions
Culture, Education, & Leisure	$6.0M	28%	71
CEL-Cultural Affairs	$1.4M	63%	4
CEL-Heritage Village	$440K	48%	7
CEL-Extension	$547K	22%	8
CEL-Parks & Recreation	$3.6M	24%	52
Environmental Management	$2.6M	25%	33
Total	$8.6M	28%	104

In the **Culture, Education, & Leisure department** there are $6.0M of reductions (71 positions).

- o In **Cultural Affairs** the Cultural Grants program will reduce the number of cultural development grant awards to 31 non-profit organizations or 83%, and cultural tourism grant awards to 13 organizations will be reduced by 53%. The Public Art & Design program will be eliminated resulting in no new public art projects.

- At **Heritage Village** the General Visitor Experience program will reduce hours by closing to the public on Tuesdays in addition to currently being closed on Mondays. In the Program Participant program facility rentals, camps, and fee based curriculum will be eliminated. Examples include Living history camps, Passport Adventures, Saturday Doodle Bugs, pre-school ramblers, home school programs. This reduction impacts over 3,500 program participants and results in $44,000 revenue loss due to reductions in staff levels.

- At **County Extension** the 4H Youth Development program will reduce over 125 programs per year on youth life skill development impacting over 5,400 youth. The Family & Consumer Services program will reduce over 130 programs per year impacting over 7,000 participants. Examples include senior health and nutrition, diabetes prevention, and train the trainer for health and nutrition.

- In **Parks & Recreation,** reductions in the Landscape Services program result in reduced mowing cycles from 26 to 17 annually and reduced tree pruning frequency from 4 times to 2 times a year. In the Facility Management program there will be reduced availability of low utilization restrooms in 15 regional parks from Monday to Friday and reduced power washing of picnic shelters from weekly to monthly. The Resource Management program will eliminate all park interpretive programs, which will impact school groups, speaker requests, bus tours, etc. As a result of reductions in the Safety & Security program, rangers will rove between 3-4 regional parks rather than be assigned to single park locations, parks will be closed the day after Thanksgiving and Christmas day, and Fort DeSoto Park piers will be closed at 11 p.m. instead of open 24 hours.

In the **Environmental Management department** there are $2.6M of reductions (33 positions).

- In the Environmental Lands program, Weedon Island and Brooker Creek education center hours will be reduced from 5 days to 3 days per week (open Thursday through Saturday). Public access to the Brooker Creek preserve boardwalks and trails adjacent to the education center will be reduced from 7 days to 4 days per week (open Thursday through Sunday). The other public trails at the preserves will continue to be open 7 days per week.

- The Code Enforcement program will reduce code enforcement to a complaint driven model as Code officers will no longer patrol neighborhoods for violations. Complaint response time is expected to increase from 1 day to 10 days.

- In the Water & Navigation program turnaround time for single family dock permits will increase from 14 to 28 working days.

In the **Health & Human Services** Strategic Focus Area (Figure 34), there are reductions totaling $10.8M or 19%, resulting in the elimination of 14 positions. This Strategic Focus Area is unique in that it is made up of only one department of the same name.

Figure 34: Strategic Focus Area: Health & Human Services

Department	Reduction	%	Full-Time Positions
Health & Human Services	$10.8M	19%	14
Total	$10.8M	19%	14

- o In the <u>Social Support program</u> there is a 40% reduction in funding for community non-profit organizations which will reduce service delivery and the ability to leverage other funding.

- o The <u>Health Care Services program</u> will eliminate the evening shift of the Mobile Medical Unit which will reduce access of care for 1,200 uninsured working poor.

- o In the <u>Homeless Services program</u> one-time funding for Pinellas Hope has been eliminated and replaced with a one-time allocation for homeless services countywide.

In the **Public Safety** Strategic Focus Area (Figure 35), there are reductions totaling $8.8M or 8%, resulting in the elimination of 24 positions.

Figure 35: Strategic Focus Area: Public Safety

Department	Reduction	%	Full-Time Positions
Animal Services	$817K	16%	13
Public Safety Services	$1.0M	18%	1
Public Safety Services-Fund 0206	$5.6M	7%	4
Public Safety Services-Fund 0225	$42K	1%	0
Public Safety Services-Fund 0250	$188K	35%	1
Emergency Mgmt.	$257K	24%	2
Justice & Consumer Services	$928K	22%	3
Total	$8.8M	8%	24

In the **Animal Services department** there are $817K of reductions (13 positions).

- o In the <u>Animal Shelter program</u> reduced staff will result in a 25% reduction in spay and neuters. There will also be a reduction in hours the shelter will be open to the public on Saturdays from 9 a.m. to 4 p.m. to 9 a.m. to 1 p.m.

- o The Field Enforcement program will only respond to high priority calls. Anonymous calls, unless involving animal cruelty or imminent threat will no longer receive a physical response.

In the **Public Safety Services department** there are $6.8M of reductions (6 positions).

- o In the EMS/Fire Dispatch program the 9-1-1 public education program will be eliminated.

- o In the EMS First Responders program the current 24 hour security at the EMS facility will be eliminated.

In the **Emergency Management department** there are $257K of reductions (2 positions).

- o In the Comprehensive Emergency Management Plan (CEMP) program full development of improved disaster plans will be delayed for 2 years. There will also be no funding to enhance shelter operations such as portable air conditioning units, water filtration units, cots/bedding, evacuee registration and tracking system, etc.

In the **Justice & Consumer Services department** there are $928K of reductions (3 positions).

- o The Consumer Protection program will limit proactive initiatives to major consumer problem areas indicated by multiple complaints.

- o As a result of reductions, in the Drug Court program County supported substance abuse services will be reduced. Impacted areas could also include juvenile or adult services and residential or outpatient services. These reductions are partially offset by new grant funding of $300K.

In the **Transportation, Utilities, & Stormwater** Strategic Focus Area (Figure 36), there are reductions totaling $17.1M or 10%, resulting in the elimination of 111 positions.

Figure 36: Strategic Focus Area: Transportation, Utilities, & Stormwater

Department	Reduction	%	Full-Time Positions
Public Works	$5.6M	25%	37
Public Works-Fund 0201	$3.7M	12%	29
Utilities: Water-Fund 0560	$3.2M	6%	23
Utilities: Sewer-Fund 0560	$4.6M	7%	22
Total	$17.1M	10%	111

In the **Public Works department** there are $9.3M of reductions (66 positions).

- In the Transportation CIP program the MSTU Local Paving and Sidewalk Improvement program will be eliminated. The highest priority roadways have been improved since program inception in 2003.

- In the Roadway Landscaping & Beautification program new median landscaping installations will be eliminated and maintenance cycles will be reduced for existing locations from 15 to 12 cycles annually.

- As a result of reductions, in the Residential Traffic Management (RTM) program new traffic control device installations in neighborhoods will be reduced from 7 to 2 per year. In FY08, the County received 60 RTM requests from neighborhoods.

In the **Utilities department** there are $7.8M of reductions (45 positions).

- In the **Water System** the Tampa Bay Water program experienced an increase in cost of water from Tampa Bay Water of 6.8%. In the Treatment program, there will be a reduction in sampling and monitoring for retail customers including elimination of after hours standby response. As a result of reductions in the Engineering/CIP program, there will be a reduction in inspection staff used as customer liaisons during the reclaimed water and Gulf Blvd. construction projects. There is also a reduction in project management staff which may affect timely delivery of projects.

- In the **Sewer System** the Treatment program will experience a postponement of major maintenance items at both Water Reclaim Facilities resulting in less redundancy. In the Customer Service program, there will be an increase in customer call wait times as well as an increase in abandoned calls. As a result of reductions in the Collection program, the clean out installation program will be put on hold for next year. Also, cycle times for wastewater pipe cleaned will extend beyond the 6 year plan. In the Engineering/CIP program, there will be a reduction in inspection staff used as customer liaisons during the reclaimed water and Gulf Blvd. construction projects. There is also a reduction in project management staff which may affect timely delivery of projects.

OVERVIEW OF REDUCTIONS – INDEPENDENT AGENCIES

Independent Agencies in the County include the Construction Licensing Board, the Feather Sound Community Services District, the Health Department, Human Resources, Medical Examiner, Office of Human Rights, Palm Harbor Recreation and Library District, Pinellas Planning Council, and Business Technology Services.

The **Construction Licensing Board (CLB)** regulates the construction and home improvement industry through uniform contractor competency licensing, code adoption, and code interpretations. The programs and activities of the CLB are 100% funded by license renewal fees, fines, and citations, with no impact to the General Fund. The CLB has no reductions in the FY10 budget as there was no applicable target for the programs in the Construction Licensing Board Fund.

The **Feather Sound Community Services District** is a special taxing district within unincorporated Pinellas County. This special taxing district was created by a vote of the residents of Feather Sound. The activities of this district are supported by ad valorem revenue. For FY10 the District millage rate is being reduced by 0.3268 mills. This will result in a $40,000 reduction in recreation area enhancements and will draw down $50,000 reserves in excess of target which have accumulated in the District's accounts.

The **Health Department** promotes and protects the health of citizens and visitors to Pinellas County through programs of disease prevention, diagnosis and treatment of disease, and environmental monitoring. County funding to the Health Department is supported by ad valorem revenue and is in addition to State and other revenues. Due to a reduction in taxable values, the Health Department will eliminate the Violence Prevention program ($87K) which provides annual training regarding domestic violence and children living with violence to over 500 health professional and 100 school personnel and various community organizations. In addition, building and grounds maintenance will be reduced by $133K.

Human Resources provides a central personnel servicing function for the following Appointing Authorities: Board of County Commissioners, Clerk of the Circuit Court, Property Appraiser, Supervisor of Elections, Tax Collector, Office of Human Rights, Pinellas Planning Council, Business Technology Services, and the Construction Licensing Board. Human Resources is governed by a Personnel Board. Human Resources is funded by the General Fund and was subject to a 20% target reduction. That target was met by making several reductions totaling $807K and 9 position eliminations. The Training & Development program was reduced $270K which is a loss of 60% of the positions in this program. The Employee Relations program was reduced $206K which is a loss of 50% of the positions in this program. The Pay & Classification program was reduced by one position as was the HR Administration program, the Records Administration program, and the Benefits program. Subsequent to the department's original budget submission, a contractual agreement between Human Resources and the Juvenile Welfare Board was approved. Human Resources will provide consultation and assistance to the Juvenile Welfare Board in their hiring, employee relations, communications and non-technical in-house training. Human Resources will receive $100,000 from the Juvenile Welfare Board and has reinstated one position and operating costs to provide these services.

The **Medical Examiner** provides both forensic medicine service (investigation of sudden, unexpected, or suspicious death) and forensic laboratory service (Chemical and drug analyses) to Pinellas County on a contractual basis. The non-professional services contract expenses portion of the Medical Examiner's budget is funded by the General Fund and was subject to a 20% target reduction. The target was exceeded by a net reduction of $173K which is a combination of $285K of reductions in various programs being offset by $112K of full-year funding for two full-time DNA analysts that were partially funded in the FY09 budget due to the implementation schedule of the new DNA lab.

The **Office of Human Rights** provides the citizens of Pinellas County protection against discrimination pursuant to local, State, and Federal law. In particular, the office provides protection from discrimination based upon religion, political affiliation, race, color, age, sex, national origin, disabled/handicapped status or sexual orientation. Human Rights is funded by the General Fund and was subject to a 20% target reduction. That target was met by making several reductions totaling $194K and 1.5 position eliminations. Reductions include the elimination of a part-time Compliance Manager and the elimination of an Equal Opportunity Coordinator position. Additional revenues of $68K also contributed towards meeting the target.

The **Palm Harbor Recreation and Library District** is a special taxing district within unincorporated Pinellas County. This special taxing district, formed by the residents of Palm Harbor, was established for the purpose of providing recreation facilities and library facilities and services to the residents of Palm Harbor. The activities of this district are supported by ad valorem revenue. Due to a reduction in taxable values, the Palm Harbor Recreation and Library District has reduced its budget by $213K which is split out between library operations ($134K) and recreation operations ($79K).

The **Pinellas Planning Council (PPC)** is a dependent special district that acts as the advisory body to the Countywide Planning Authority. The budget for the PPC is not included in the County's budget but the Board of County Commissioners has the right to review and adjust the PPC's approved budget and certify its millage. The PPC's mission is to maintain and enhance a representative forum for countywide planning and provides for overall policy direction, plan consistency, interagency coordination and technical assistance in furtherance of a coherent, efficient, and effective countywide planning process. The activities of the PPC are supported by ad valorem revenue. The current FY09 millage rate of 0.0170 provides approximately $1.18M in ad valorem tax to fund the PPC's operating budget. As the PPC has nearly $1M in reserves, the PPC will reduce the millage rate to 0.0125 mills and draw down the reserves over a period of three years. Expenditure reductions of approximately $426K to various programs are consistent with providing a minimum mandatory level of service as required in the Special Act that created the Council. The budget for the PPC is summarized in Exhibit G of the Budget Message.

The **Pinellas Public Library Cooperative (PPLC)** serves eligible residents of Pinellas County and its member public libraries. The Cooperative serves these groups through the management of county, state, and federal funds for library development and by facilitation the sharing of materials and resources among its members. The activities of the PPLC are supported by ad valorem revenue. Due to a reduction in taxable values, the PPLC has downsized its budget by $942K resulting in a 15% reduction of funding available to membership libraries and for administrative expenses.

Business Technology Services (BTS) provides a full suite of technology services to all BCC Departments, as well as continuing services to the Constitutional Officers, Independent Agencies, and the Courts. BTS is governed the Business Technology Services Board. BTS is funded by the General Fund and was subject to a 20% target reduction. That target was met by making several reductions totaling $5.8M and 52 position eliminations. The Maintaining Business Operations program was reduced $1.6M (18 positions). Included in this reduction is a reduction in customer support availability between 2 a.m. and 6 a.m. and a reliance on vendor deployed commercial solutions and reduced custom development solutions. In the Protecting County Information Assets program three positions were eliminated ($312K) and in the Ensuring Business Continuity program contractual services were reduced by $313K. The Implementing Business Projects program was reduced by $2.7M resulting in 29 position eliminations. The Administrative Services program was reduced by $907K and 2 positions resulting in reduced departmental training, repairs, other charges, etc.

OVERVIEW OF REDUCTIONS – CONSTITUTIONAL OFFICERS AND COURT SUPPORT

Constitutional Officers in the County include the Clerk of the Circuit Court, the Property Appraiser, the Sheriff, the Supervisor of Elections, and the Tax Collector. The County also provides Court Support to the Judiciary, the Public Defender, and the State Attorney.

The **Clerk of the Circuit Court** serves as the accountant and clerk to the Board of County Commissioners, custodian of county funds and ex-officio county auditor. The portion of the Clerk's budget that is classified as Board Support pursuant to Article V, Revision 7, is funded by the General Fund and was subject to a 20% target reduction. The Clerk submitted various reductions totaling 19% or $2.1M and 23 position eliminations.

The **Property Appraiser** is responsible for valuing all property in Pinellas County and administering any tax exemptions for the purpose of levying taxes. The Property Appraiser's total budget is approved by the State Department of Revenue (not the Board of County Commissioners). The commissions the Board must budget for the Property Appraiser is set by statute. Each taxing authority is billed a proportional amount based on its proportional share of total ad valorem taxes for the preceding year. The portion of the Property Appraiser's budget that is funded by the General Fund was subject to a 20% target reduction. The Property Appraiser submitted various reductions totaling 5% or $709K and 4 position eliminations. Reductions include less homestead fraud investigations, closing a satellite office, eliminating the Homestead Renewal mailings, and reducing TRIM notice mailing for tangible personal property accounts. A satellite office will also be closed to reduce administrative costs.

The **Sheriff** is the chief law enforcement officer within the County and provides basic service such as law enforcement, jail operations, and court security to all citizens in Pinellas County. The Sheriff serves as the primary law enforcement officer to the unincorporated areas of Pinellas County and to 12 of the county's 24 municipalities pursuant to contract. Additionally, the Sheriff provides a variety of law enforcement services to the other municipalities and contracts with many of these departments for specialized services. The Sheriff's budget is funded by the General Fund and was subject to a 20% target reduction. The Sheriff submitted reductions totaling $33.1M and 263 position eliminations. The Judicial Operations area was reduced $3.9M (40 positions). The Detention & Corrections area was reduced $7.2M (132 positions). The Law Enforcement area was reduced $19.6M (63 positions). The Sheriff's Administration area was reduced $2.5M (28 positions). In addition to these reductions, the Sheriff identified additional revenue of $6.6M; the combined result was a decrease of $39.7M or 16 % in General Fund tax support. The Sheriff has chosen not to participate in the Service Level Stabilization Account, but has indicated his willingness to seek additional revenue or make further reductions in FY11 as necessary. We will work with the Sheriff in the months to come to better understand some aspects of his budget and to identify opportunities for cost savings and organizational synergies particularly in our various back-room operations (i.e. Risk, Fleet, Purchasing and Emergency Communications).

The **Supervisor of Elections** is responsible for preparing and conducting all Federal, State, County, and Municipal elections in the County. The office registers, maintains changes and deletes the records for all County voters and qualifies all candidates for County offices. The Supervisor of Elections recruits, trains and assigns all poll workers, locates and contracts with polling locations, surveys polling places and makes improvements to comply with ADA accessibility requirements, and purchases and maintains voting equipment and supplies. The Supervisor of Elections budget is funded by the General Fund and was subject to a 20% target reduction. The Supervisor of Elections submitted reductions totaling 8% or $453K and 3 position eliminations. The reductions were made by efficiencies resulting from operational changes, the use of more volunteer and casual employees instead of contracted temporary staff, and reduced sample ballot mailings for the scheduled primary election.

The **Tax Collector** bills, collects and distributes all taxes for the County, Municipalities, Tourist Development Council, School Board, and taxing districts. The Tax Collector issues licenses and titles for cars, trucks, boats and mobile homes, issues fishing and hunting licenses, and issues Drivers Licenses. The County's portion of the budget reflects the funds associated with the Tax Collector fees related to the collection of the Countywide and Unincorporated area (MSTU) millage. The amount the Board must budget as fees and commissions for the Tax Collector is set by statutory formula. The Tax Collector's total budget request is approved by the Florida Department of Revenue (not the Board of County Commissioners). The portion of the Tax Collector's budget that is funded by the General Fund was subject to a 20% target reduction. That target was met by making several reductions totaling $999K and 19 position eliminations. Reductions include reduced staffing levels by implementing upgraded and current technology for tax collection and registration processing functions.

The **Judiciary** includes operational and administrative support for the Circuit and County Courts within Pinellas County. The Board of County Commissioners provides funding for communications and technology, facilities, maintenance, furniture, the guardianship program, an alternative sanctions coordinator, and certain local options. All other operating expenses are the financial responsibility of the State. Of the total County portion of the Judiciary budget, only Statutory Requirements was subject to a 20% target reduction. The Judiciary submitted various reductions totaling 19% or $111K.

The **Public Defender** provides legal advice, counsel, and defense services to needy and financially indigent citizens accused of crimes, as required by Florida law. The County portion of the budget funds Article V related technology requirements and a jail diversion program. The jail diversion program was subject to a 20% reduction. The Public Defender did not submit any reductions to this program.

The **State Attorney** represents the State of Florida in the circuit and county courts and is responsible for conducting criminal prosecutions of all persons charged with violating state, county, and/or local laws and ordinances. The State Attorney reviews charges and complaints to determine whether they warrant prosecution and trial. The County portion of the budget funds Article V related technology requirements. As a result, there was no reduction target applied to the State Attorney's budget.

OVERVIEW OF REDUCTIONS – POSITIONS

As shown in Figure 37, the reductions for the BCC Departments and the Constitutional Officers and Independent Agencies result in the elimination of 738 positions or 12% of the total workforce.

Figure 37: Summary of Eliminated Positions

Permanent Full-Time Positions	FY10 Reductions	% of FY09 Total Positions
BCC Departments	(374)	(16%)
Constitutional Officers & Independent Agencies	(364)	(10%)
Total	(738)	(12%)

Note: The Personnel Position Comparison in the Proposed Budget Summary section shows slightly different FY10 numbers as it is a net number of adds and deletes.

Since FY07, total positions have decreased 1,179 or 18%. Within that number, the BCC departments have decreased 678 positions or 25%, which yields the lowest position count since FY88. The Constitutionals and Independents have decreased 501 positions or 13% which yields the lowest position count since FY01.

<u>Reduction in Force</u>

Due to the elimination of 374 positions in the BCC departments, approximately 200 employees will be laid off. Another 300 employees will be bumped throughout the departments resulting in significant disruption across the organization. This disruption is magnified by the fact that this is the third year of significant position reductions that have resulted in bumping throughout the organization. In some cases, employees have been bumped into different jobs in different departments in each of the last three years which often requires additional training and salary decreases. The position eliminations are consistent with an expected span-of-control average ratio of 1:5.

The distribution of the layoffs and bumps in FY10 includes 27% managers and professionals, 47% technical and administrative support, and 26% skilled craft workers and service maintenance positions. In the coming year our organization will work hard to absorb the effects of this reduction in force so we can continue to provide quality services to our citizens.

Employees affected by the reduction in force will remain on the payroll through September 30th. At that time, each employee will receive the value of their remaining leave. Figure 38 shows the estimated impact of the leave payouts by fund on the FY10 budget for the BCC departments.

Figure 38: Leave Payouts by Fund

Fund	Payout Total
General Fund	$526,140
County Transportation Trust Fund	49,340
Emergency Medical Service Fund	8,200
Community Development Fund	3,150
Marina Operations Fund	7,110
Tourist Development Council Fund	3,070
Airport Operating and Revenue Fund	10,780
Utilities Service Fund	91,530
Fleet Management Fund	3,596
Risk Financing Fund	1,690
TOTAL	$704,610

NON-RECURRING PROJECT ALLOCATIONS

One-time funds are realized as additional fund balance resulting from revenue in excess of expenditures in a given fund. These funds would be over and above the target reserve amount. For example, in the General Fund, one-time funds are in addition to the 15% reserve target and the amount for the Service Level Stabilization Account.

One-Time Funds = (Revenues – Expenditures) – Reserve Target

One-time funds can vary significantly from year to year. Because they are non-recurring they should be used for one-time purposes only as stated in the County's budget policies (Exhibit A). As budgets get tighter, the ability to build additional fund balance becomes more limited.

An estimated total of $14.7M of one-time funding from the General Fund will be used to support a variety of non-recurring project allocations as shown in Exhibit D. Many of these projects will yield recurring savings in future years.

New projects:

- Justice Consolidated Case Management System (CCMS) project ($2.7M): This project is a new software application designed to replace the existing Consolidated Justice Information System (CJIS) that maintains and preserves all of the County's transactions and history such as criminal, civil, and traffic cases. CCMS is a collaborative project involving the Judiciary, Clerk of Court, Sheriff, State Attorney, Public Defender, Board of County Commissioners, BTS, and other law enforcement agencies. This project is scheduled to begin during FY10 and is funded at $2.7M which is the anticipated expenditures for the first year of the project. A separate cost center has been created in the BTS Fund to account for this project.

- Business Technology Services Capital Equipment ($1.5M): This funding is for the BTS Capacity Plan to replace aging or obsolete equipment in order to avoid unanticipated breaks in service. Of the $1.5M, $500K will be appropriated annually for the next three years to fund the Capacity Plan. Each year, $500K will be appropriated and the remaining balance will be budgeted in the BTS Fund reserve. It is anticipated that the BTS Board will develop recurring funding for the Capacity Plan in the future.

- Facilities Energy & Conservation Projects ($1.4M): Funding for three energy and water conservation projects that should provide savings to the operating and maintenance costs of running our buildings. These projects will ultimately yield savings exceeding the initial project costs within 2-3 years. These projects appear as part of the Capital Improvement Program in FY10.

- Homeless Initiatives ($1.0M): This item allocates funding to support homeless initiatives in Pinellas County. These funds are budgeted in General Government.

- Paperless Initiative ($300K): This funding is for implementing paperless processes in the Clerk of the Circuit Court departments. This project is mandatory due to e-filing requirements from the State. The Clerk is contributing an additional $287K directly to the project. This project is expected to expand to the BCC and other agencies following successful implementation in the Clerk's departments.

- Metro Ethernet ($150K): An investment in this project will support the migration from a wide-area network to a consolidated metro ethernet service provider solution. Savings from this project will result in a payback of just over a year and yield higher network performance. The project startup cost of $300K will be shared 50% with Business Technology Services.

Additions to existing projects:

- Allocation Towards Future Costs for BTS Projects ($7.65M): Both the Oracle Project Unified Solution (OPUS) project and the Justice Consolidated Case Management System (CCMS) project are currently funded for one year of anticipated expenditures. The ultimate total cost for each project is anticipated to be determined in the Fall. This additional one-time funding for anticipated future costs will be added to the reserves in the Business Technology Services Fund. These funds are only accessible through Board approval. Both projects are anticipated to provide high value by reducing duplication, increasing efficiencies, and enhancing management information. Websites have been created for both projects that provide additional information:
    - Oracle Project Unified Solution: http://intraweb.co.pinellas.fl.us/opus/
    - Justice Consolidated Case Management System: http://intraweb.co.pinellas.fl.us/justice/

UNINCORPORATED AREA (MSTU) BUDGET

The Municipal Services Taxing Unit (MSTU) is the part of the County budget that is devoted to providing services that are delivered exclusively to the unincorporated area. These services, such as law enforcement and building permitting, are similar to those which most cities provide. Florida Statutes require that MSTU services are to be provided "from funds derived from service charges, special assessments, or taxes within such unit only" {F.S. 125.01(1)(q)}. The Pinellas MSTU was established in 1975 and is codified as Chapter 114, Article X of the County Code.

The general operating revenue and expenditures for the MSTU are included within the County's General Fund and the Building and Development Review Services Fund. Other MSTU-related operating expenditures, such as traffic sign and signal maintenance, are budgeted in other funds, as are capital improvement expenditures such as Penny for Pinellas projects. Figure 39 is a summary of the MSTU budget for FY10.

<u>MSTU Revenues</u> consists of the following:

- Property Taxes (also known as ad valorem taxes): A millage rate is adopted by the Board of County Commissioners and collected in the unincorporated area to support MSTU services. The millage rate for FY10 is 2.0857 mills, the same as FY08 and FY09. The tax base for the MSTU declined by 10.6% compared to FY09.

- Revenues Totally Generated by the MSTU: There are a number of County revenues that are totally generated by activity in the unincorporated area. These revenue sources have traditionally been credited to the Pinellas MSTU. In FY10, these revenues include: communications services taxes; fees for building permits, tree removal, lot clearing, and zoning; administrative reimbursements for transportation impact fees; and mobile home licenses.

- Revenues Specifically Allowed by State Law: Chapter 218.64 of the Florida Statutes authorizes the County to allocate a portion of the One-Half Cent Sales Tax (a state shared revenue) to the MSTU. Sales tax support for the MSTU is $3.35M, which is based on the MSTU's percentage of total General Fund operating expenses.

- Other Revenues: Pinellas County has traditionally assigned a portion of other revenue sources to the MSTU, generally based on the ratio between the MSTU budget and the overall County General Fund budget. In FY10, those revenues include interest income, and excess fees for the Tax Collector and Property Appraiser. These revenues are related to specific MSTU expenditures or to the other MSTU revenues previously identified.

Unlike many cities, the Pinellas MSTU has no utility taxes or franchise fees, which add to the cost of utility services. For example, some city residents pay up to a 10% utility tax and a 6% franchise fee on their electricity bills.

MSTU Expenditures include both direct and indirect costs and consist of the following activities:

- Sheriff's Office Law Enforcement: The Sheriff provides law enforcement services (road patrol) to the unincorporated area. The budget is determined by the Sheriff's Office based on an analysis of the resources (patrol officers, vehicles, etc.) that are anticipated. The current methodology for this allocation was reviewed and revised by an independent consultant in 2003. In FY10, 39.0% of the Sheriff's law enforcement activity is dedicated to the MSTU.

- Departments or Programs entirely dedicated to the MSTU: Several agencies are engaged in providing services exclusively to the unincorporated area. In the FY10 Budget, these activities are building inspection, development review services, local stormwater drainage maintenance, and the East Lake Library operating grant.

- Departments or Programs partially dedicated to the MSTU: Departments whose services, and therefore costs, are allocated between countywide and MSTU activities include Environmental Management (code enforcement and lot clearing), Planning (zoning services only), and Economic Incentive Grants for job creation.

- Activities associated with revenue collection: The budgets for the elected Property Appraiser and Tax Collector are determined by statutory formulas that spread their costs in proportion to the property tax and other revenue they are responsible for supporting. Their budgets are approved by the State Department of Revenue. At the end of the fiscal year, any charges in excess of what these agencies actually required to operate are returned in the same manner.

MSTU Reductions: By keeping the tax rate the same as FY09, the lower MSTU tax base will produce less revenue than FY0, resulting in the following program reductions: Environmental Management Code Enforcement will be reduced to a complaint driven model as Code officers will no longer patrol neighborhoods for violations. Complaint response time is expected to increase from 1 day to 10 days. Reductions in the Building Inspection program may result in next day inspections no longer being possible. Plan review time will increase from 5-10 days to 20-30 days. Inspection appointments will be eliminated and move to a 4 hour window of expected inspection times. In the Permitting & Customer Service program, permits turnaround time could increase by 33%. All contractors will be required to call inspection requests using the automated system as no staff will be available to accept calls. Walk-in customers' response time is expected to increase from a few minutes to about one hour. The Site Plan Review program is anticipated to have increased site plan reviews from 21 days to 27 days. In the Habitat program, tree permit inspections are expected to increase from 2 days to 8-10 days. The annual contribution for operating support for the East Lake Community Library program will be reduced by 20%. The County Connection Centers program (funded partially by the MSTU) will be eliminated which had offered in-depth customer service to 12,000 citizens annually regarding County programs and services. The MSTU Local Paving and Sidewalk Improvement program will be eliminated. The highest priority roadways have been improved since program inception in 2003.

Figure 39: Summary of FY10 MSTU Budget

MUNICIPAL SERVICES TAXING UNIT (MSTU)
FY10 BUDGET

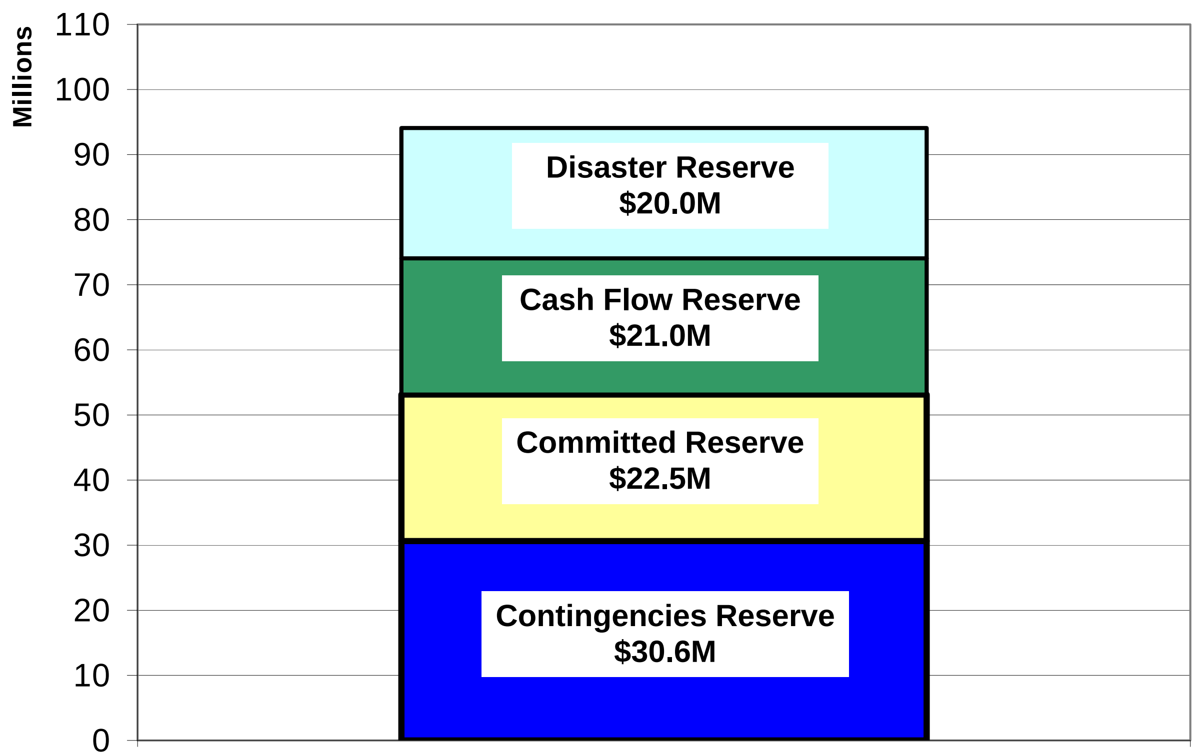
REVENUES	**FY09 Budget**	**FY10 Request**
Ad Valorem Taxes	36,515,900	32,547,700
Delinquent Taxes & Tax Redemptions	118,240	118,240
Franchise Fee - I-Net	152,760	7,980
Franchise Fee - PEG	404,930	463,530
Communications Services Tax	12,856,290	11,499,930
Building Permits	3,586,190	3,439,000
Tree Removal Permits	326,410	162,340
Mobile Home Licenses	113,000	105,000
Local Gov't 1/2¢ Sales Tax	3,000,000	3,350,000
Tax Collector Excess Fees	252,400	218,010
Sheriff Excess Fees	178,290	163,140
Property Appraiser Excess Fees	8,050	5,000
Reimbursement of Impact Fee Admin.	66,870	66,870
Zoning Fees	496,110	333,170
Sheriff Civil Income	101,380	249,630
Lot Clearing	38,000	43,700
Interest and Miscellaneous	1,149,390	623,530
Subtotal - Revenues	59,364,210	53,396,770
Beginning Fund Balance	17,580,100	16,382,580
TOTAL RESOURCES	**76,944,310**	**69,779,350**
EXPENDITURES AND RESERVES		
Building Inspection	4,745,170	3,861,190
County Connection Centers	1,116,250	-
Prior Years' Recreation Grants outstanding	-	506,090
Development Review Services	3,553,350	2,598,190
Zoning (in Planning Dept, formerly in DRS)	284,450	205,470
Economic Incentive Grants	59,020	107,100
Environmental Management (incl Lot Clearing)	2,889,330	2,207,040
Public Works Permitted Facilities(Stormwater)	4,012,170	3,738,280
MSTU Road Paving / Sidewalks / ADA	2,764,500	-
Property Appraiser Fees	384,310	339,710
Tax Collector Fees	784,500	667,380
Sheriff	39,666,920	38,899,100
East Lake Library Operating Grant	284,850	227,880
Subtotal - Expenditures	60,544,820	53,357,430
Reserve for Contingencies	3,847,220	3,488,970
Reserve - Fund Balance	12,552,270	12,932,950
TOTAL EXPENDITURES & RESERVES	**76,944,310**	**69,779,350**

Note: This summary includes both General Fund and BDRS Fund MSTU revenues and expenditures.

RESERVES

Maintaining adequate reserves is key to the County's ability to deal with potential emergencies and unforeseen events such as fuel price increases or a natural disaster. This is even more 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 FY10 General Fund budget will result in a projected reserve of $94.1M which meets the Board's 15% policy target, which is consistent with the County's budget policies (Exhibit A). Figure 40 shows the individual components of the estimated FY10 year-end reserves.

Figure 40: Stratification of General Fund Reserves



Contingencies ($30.6M)
An amount equal to 5% of resources is appropriated for contingencies during the year. The Contingency Reserve is for unanticipated revenue shortfalls or expenditures. For example, fuel costs have been highly volatile for the past two years, and electricity rate increases have exceeded normal inflation. Another example is the need for accrued leave payouts in FY10 due to layoffs, estimated at $526,140 for the General Fund. The exact amounts will be determined after the bumping process is completed, and

Contingency funds will be distributed to the appropriate department budgets at that time.

<u>Committed ($22.5M)</u>
At year end, specific resources are committed to be expended in the following fiscal years due to timing issues. This includes accrued leave earned by employees but not yet paid to them ($12.7M), encumbrances ($9M), and also grants revenue that has been received but not yet spent ($0.8M).

<u>Cash Flow ($21.0M)</u>
The Cash Flow reserve is required to meet cash flow needs. During the first two months of the fiscal year, expenditures exceed revenues because most of the property tax revenue is not received until December. Property tax revenue represents 68% of the total General Fund revenue. The FY10 amount for the Cash Flow reserve is equal to 6% of the property tax revenue for the year.

<u>Disaster Reserve ($20M)</u>
As a high hazard coastal county, Pinellas needs to have funds on hand in case of an emergency such as a hurricane or other man-made or natural disasters. Reimbursement from the Federal Emergency Management Agency (FEMA) and the State usually cover only a portion of the costs, is not available at the beginning of a disaster, and often is not received for many months or years. For example, FEMA funds for the three 2004 hurricanes which brushed Pinellas County (Jeanne, Charley, Frances) were not fully received until 2007, after extensive and protracted appeals through FEMA and the State. Approximately $1M of the $8.6M total costs was not reimbursed for these storm events.

The County is the primary coordinating agency for disaster response, and extraordinary unbudgeted expenses are required to respond to such a situation. Resources are needed to pay for extended work hours for Sheriff's deputies and other emergency first response personnel and to operate emergency shelters and the emergency communications center. Public works crews and equipment, and possibly private contractors, are needed to repair storm damage. Debris removal funding may be required if solid waste resources are not available. Since storms may vary greatly in their impact, it is not possible to predict the exact amount which would be required. Some recent hurricane events and their total costs are shown in Figure 41.

Figure 41: 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
2005	Hurricane Katrina	Miami Dade County	$1 billion

In this context, it is clear that the $20M reserve designation is a minimal amount to meet the immediate needs for disaster response.

CAPITAL IMPROVEMENT PROGRAM

The Pinellas County Capital Improvement Program (CIP) is a comprehensive six-year plan of proposed capital projects, intended to identify and balance the capital needs of the community within the fiscal capabilities and limitations of the County. It is primarily a planning document and is updated annually and subject to change as the needs of the community become more defined and the adopted projects move closer to final approval.

The first year of the program is the basis for actual appropriations authorized by the Board of County Commissioners for capital projects when adopting the Annual Budget.

The remaining five years are a guide for the future development of the County's new and replacement infrastructure needs. The overall CIP schedule is formulated to reflect County priorities and needs, by taking into consideration the County's goals and policies, strategic plan, urgency of a project, the County's ability to administer a project, the involvement of outside agencies, and the potential for future project funding.

The CIP brings together needs identified through many capital processes. Projects are established in the CIP based on input from citizen requests and prior public discussions, safety needs, planned rehabilitation cycles, grant funding processes, County staff, and Commissioners, as well as the County's mandated Growth Management Plan, Metropolitan Planning Organization's (MPO) Long Range Transportation Plan, and other County master plans. While capital projects originate from a variety of sources, projects most often come forward through the sponsoring department that is responsible for their implementation.

CIP Objectives

The objectives used to develop the CIP include:

- To preserve and improve the basic infrastructure of Pinellas County through public facility construction and rehabilitation;
- To maximize the useful life of capital investments by scheduling renovations and modifications at the appropriate time in the life-cycle of the facility;
- To identify and examine current and future infrastructure needs and establish priorities among projects so that available resources are used to the community's best advantage; and
- To improve financial planning by comparing needs with resources, estimating future bonding needs, and identifying fiscal implications.

Department management reviews each project submitted for inclusion to the CIP and submits qualified projects to County Administration for review and approval. County Administration reviews a project request for its merit and relationship to overall County needs. The Board of County Commissioners conducts a final review of the program at public budget workshops, and at annual public budget hearings prior to adoption of the Annual Budget.

CIP Goals

The following are the goals of the County in developing its annual capital budget and associated CIP:

- Identify and prioritize infrastructure requirements based upon a coordinated needs assessment methodology. The CIP is a comprehensive guide for the allocation of financial resources and provision of public service for a six year period. The CIP serves as a “blueprint” for the future of the community. It is a dynamic tool, not a static accounting document. The CIP requires each department to look to the future, anticipate the need for projects and justify that need. This requires the thoughtful integration of financial, engineering, and planning functions.

- Classify projects to ensure that those submitted for inclusion in the CIP are capital projects, not operating requirements. An accurate CIP relies upon the proper classification of projects. Requests which do not meet the specified criteria, for a capital project, should be considered in the operating budget.

- Identify the mandated state growth management Capital Improvement Element (CIE) projects from the non-mandated projects within the CIP. The CIP and CIE are closely related, but they are not the same. Some projects within the CIP will also be contained in the CIE; these projects should be separately identified. The funding of these projects is a high priority and must be balanced against the non-CIE projects that are also in the CIP.

- Develop a realistic funding scenario for the CIP that identifies resources on a project specific basis. The Growth Management Act requires a financial plan for projects that are mandated by the CIE. This same approach is to be extended to the CIP.

CIP Policy

It is the policy of the Pinellas County Board of County Commissioners to maintain a continuing Capital Improvement Program that will, when implemented, provide physical facilities that are:

- Responsive to the needs and demands of the public and county government;

- Supportive of the long and short-range economic, social, and environmental development policies of the county;

- Necessary to achieve the level of service identified in the adopted Comprehensive Plan.

The Capital Improvement Plan represents the planned implementation of various comprehensive plans that serve as a guide for future growth and development as adopted and amended by the Board of County Commissioners.

Project Definition and Criteria

The following definition and criteria shall be utilized in determining the appropriateness of capital improvement budget requests:

Capital projects are defined as activities that lead to the acquisition, construction, or extension of the useful life of capital assets. Capital assets include things such as land, buildings, parks, streets, utilities, and other items of value from which the community derives benefit for a minimum number of years.

1. All projects in the Capital Budget must have a total cost greater than $50,000 and a useful life of more than five years.

2. Capital projects are considered to be one-time outlays, which are non-recurring in nature. Purchases involving ongoing debt service or lease/purchase costs are typically not budgeted in the Capital Budget.

3. Capital projects must add to, enhance the value of, or extend the life of the County's physical assets. Major equipment purchases must be associated with a capital project and must meet the definition of a capital item in order to be placed in the Capital Budget.

4. County vehicular equipment purchases will not be addressed in the Capital Budget. Fleet appropriations are to be considered within the Operating Budget.

5. Expenditures for maintenance supplies and materials or replacement items shall be budgeted as an operating item. These items may not be appropriated in the capital budget.

The CIP is divided into two main sections: Governmental projects and Enterprise projects. Enterprise projects support the Airport and Utilities systems of Water, Sewer, and Solid Waste. These areas are run like businesses in which the revenues generated by these areas support their operations. These projects are funded by grants, airport fees, and water, sewer, and solid waste user fee charges. All other capital projects such as roads, drainage, public safety buildings, and park projects are included in the Governmental side of the CIP. Funding for the Governmental projects include the "Penny for Pinellas" which a one cent local option sales surtax approved by vote of Pinellas citizens, grants and reimbursements, transportation impact fees, local option gas taxes, and tourist development tax.

Penny for Pinellas

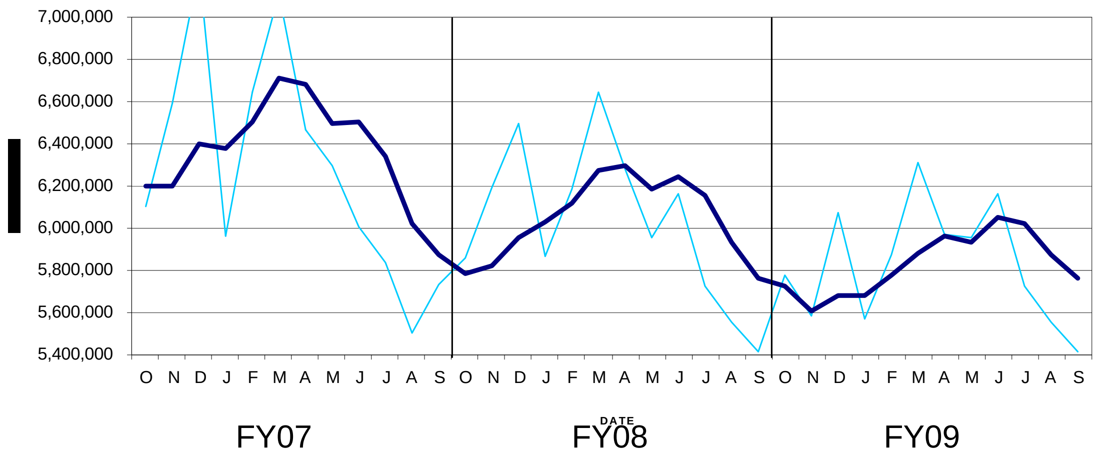
The Penny for Pinellas funds approximately 75% of the Governmental CIP. This funding source was first established as an alternate means of funding Pinellas County's capital improvement program in 1989. It is approved for 10 years at a time. The last renewal of the Penny for Pinellas took place on March 13, 2007 to extend the Penny for a third decade, 2010-2020. If the Penny had not been extended, the County's governmental capital improvements would have to be funded primarily by property taxes in the General Fund.

Without the Penny, many public projects would not be completed until years into the future or not done at all. In 2007, the millage rate equivalent to generate the same amount as the Penny for Pinellas was 2.3 mills. Besides allowing for funding of capital projects without relying on property taxes, another benefit is that tourists and other visitors pay about a third of the Penny which relieves County residents of much of the tax burden. Per State statute, the Penny for Pinellas can only be used for capital projects and cannot be used for operating and maintenance purposes such as maintaining parks or funding social service programs. This funding source is shared between the County and the 24 municipalities through an interlocal agreement.

Penny for Pinellas Revenue Trends

Revenue sources to the Capital Improvement Program are reviewed annually as part of the budget process. Like many other revenue sources of the County, the Penny for Pinellas has seen a dramatic decrease due to the economic recession. As shown in Figure 42, the moving average for the Penny for Pinellas has been decreasing over the last three years and is forecast to continue to decrease through FY10. This is by far the longest contraction the County has experienced in Penny sales tax revenue since its inception in 1990.

Figure 42: Penny for Pinellas Moving Average Trends FY07-FY09

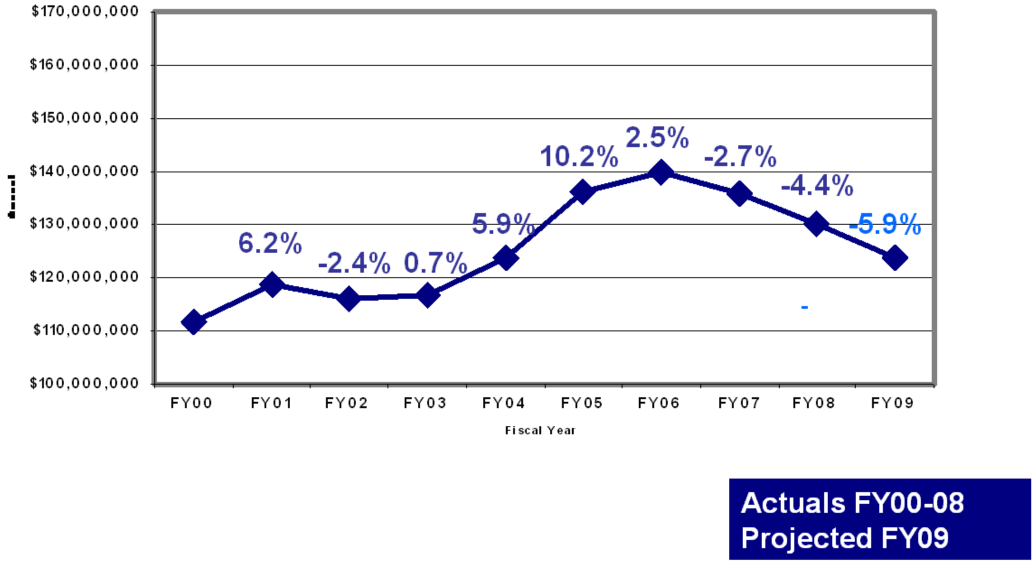


The negative growth in Penny revenue over the last three years is not consistent with the original growth assumptions that were anticipated in 2006, when the Board's allocation plan for uses of the Penny 2010 extension was developed. The Penny Program approved by the voters in March, 2007 was anticipated to be funded by approximately $1.9 billion in revenue. The $1.9 billion was distributed as follows: $898M for the County, $818M for the municipalities, and $225M for Courts & Jails that benefit both the County and the municipalities. The $225M for Courts & Jails spending is the County's responsibility.

Original Revenue Assumptions for 2010-2020 Penny Program

The 2006 projection of $1.9 billion was based on Penny revenue estimates using FY05 as the base year. As can be seen in Figure 43, Penny revenue had grown by 10.2% in FY05 and 5.9% in FY04. From 1990 through 2006, the Penny's average annual growth rate was 4%.

Figure 43: Current Penny Program Total Revenues Annual Trends (2000-2010)



In 2006, Penny collections were trending upward. In fact Penny total countywide collections yielded approximately $140M in 2006 and were projected to rise to approximately $160M in 2010.

Revised Revenue Assumptions for 2010-2020 Penny Program

Due to the severe recession, collections in 2009 are now estimated to fall to the $125M level. Revenues in the 2010 to 2020 Penny extension will be reduced as this contraction has affected the base year revenues projected in 2006. At the time, it seemed reasonable and conservative to assume the following growth factors: 4% from FY07-13, 3% from FY14-16, and 2% from FY17-20. However, as a result of the recession and three consecutive years of negative growth in the Penny, the County's share of the revenue projection for the 2010-2020 Penny Program has been revised from $1.123 billion to $890M as seen in Figure 44. This shows the result when the starting point for projections is much lower than anticipated. It would take several years of double digit growth in revenue collections to reach the previously projected levels.

Figure 44: Revised Revenue Projections 2010-2020 Penny Program

	Original Projection	Revised Projection	Difference
Courts/Jails	$225M	$225M	$0
Pinellas County	$898M	$665M	($233M)
Total	$1.123B	$890B	($233M)

Revised Allocations for 2010-2020 Penny Program

The revised revenue projection in the 2010-2020 program results in a needed reduction of $233M to planned County projects over the ten year period. In light of these reduced resources a review of the Board's 2010 to 2020 allocation plan, developed in 2006, was conducted in order develop recommended changes that bring the future program back in line with anticipated resources. Also to put forth more appropriate expectations of the improvements that might be achieved over the next ten years. This is in line with the entire purpose of having a capital improvement plan, which is to annually prioritize your needs and resources so that the most important items are done first, and your resources are spent as wisely as possible. To facilitate this reassessment of future resource allocations, staff reviewed and prioritized projects in all areas, reviewed project scopes to make projects as cost effective as possible, re-examined operating and maintenance impacts in light of current decreases in ad valorem revenue in operating budget. The prioritization criteria considered included:

o Public Health/Life Safety Impact/Benefit

o Economic Development Impact/Benefit

o Infrastructure Renewal Replacement Need/Benefit

o Direct Impact to Citizens/Public Use Benefit

o Supports BCC Strategic Plan

o Low Future Operating & Maintenance Impact

The above criteria were used to rate each project relative to one another, based on the conditions we are facing in 2009. There have been many changes in local government since 2006, which will affect our capital project priorities going forward, especially our ability to absorb future operating and maintenance impacts. Based on the review of project priorities, changes are recommended in each overall functional area. Projects are grouped by functional areas that conform to state accounting standards, and generally describe the type of improvement to be made. Those areas are: Transportation & Traffic Flow; Public Safety & Hurricane Preparedness; Parks, Recreation, & Culture; Environmental Restoration & Protection; Drainage & Stormwater Management; Government Facilities; Housing, Jobs, & Human Services; Courts & Jails.

The first functional area is Transportation and Traffic Flow. As shown in Figure 45, project allocations in this area are reduced from $388.1M to $342.5M, which is a difference of $45.6M.

Figure 45: Transportation and Traffic Flow

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Road Resurfacing and Rehabilitation Program (Pavement Preservation)	$66,000,000	$66,000,000
ADA Sidewalk Ramp Improvements	$2,500,000	$2,500,000
General and School Sidewalk Program	$10,000,000	$10,000,000
118th Avenue Expressway - US 19 to I-275 Connector	$70,000,000	$70,000,000
Intersection Capacity Program	$44,500,000	$33,500,000
Bridge Rehabilitation Program	$50,000,000	$50,000,000
Rail Crossing Improvements	$5,000,000	$3,750,000
Countywide Road Improvement Program	$50,000,000	$50,000,000
62nd Avenue - 66th Street to 49th Street	$15,000,000	$15,000,000
Roadway Beautification Program	$6,000,000	$0
Traffic Signal Mast Arm Installations - MSTU	$4,000,000	$4,000,000
Road Underdrains Annual Contracts	$7,500,000	$5,500,000
Park Boulevard Drainage Improvements	$2,000,000	$0
Pinellas Trail Expansion	$8,000,000	$6,000,000
Gulf Boulevard Streetscape/Utility Undergrounding	$35,000,000	$26,250,000
Park Boulevard - W of 113th Street to Seminole Boulevard	$12,610,000	$0
Transportation and Traffic Flow Total	**$388,110,000**	**$342,500,000**

In the Public Safety and Hurricane Preparedness functional area project allocations are reduced from $134.5M to $130.5M, which is a difference of $4.0M as shown in Figure 46.

Figure 46: Public Safety and Hurricane Preparedness

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Palm Harbor Fire Control Equipment	$3,000,000	$2,250,000
East Lake Fire Control Equipment	$3,000,000	$2,250,000
Public Works Emergency Responders Buildings	$34,000,000	$34,000,000
Community Building Emergency Shelter Projects	$10,000,000	$7,500,000
Public Safety Countywide Radio System	$14,500,000	$14,500,000
Public Safety Facilities and Central Communications Center	$70,000,000	$70,000,000
Public Safety & Hurricane Preparedness Total	**$134,500,000**	**$130,500,000**

In the Parks, Recreation, and Culture functional area project allocations are reduced from $103.0M to $47.6M, which is a difference of $55.4M as shown in Figure 47.

Figure 47: Parks, Recreation, and Culture

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
East Lake Community Library Expansion	$4,175,000	$0
Palm Harbor Library Improvements	$5,840,000	$0
Countywide Park Infrastructure Improvements	$29,000,000	$22,000,000
Pinellas Trail Repair and Renovation	$3,000,000	$3,000,000
Heritage Village - Master plan implementation	$10,000,000	$0
Howard Park Improvements	$7,500,000	$5,000,000
Eagle Lake Park Development	$3,000,000	$3,000,000
Ft. Desoto Park Improvements	$7,000,000	$5,000,000
Countywide Park Boat Ramp Land Acquisition & Development	$7,500,000	$0
Community Recreation/Community Centers Development	$16,000,000	$3,000,000
Community Parks Land Acquisition and Development	$10,000,000	$6,600,000
Parks, Recreation, and Culture Total	**$103,015,000**	**$47,600,000**

In the Environmental Restoration and Protection functional area project allocations are reduced from $73.4M to $33.9M, which is a difference of $39.5M as shown in Figure 48.

Figure 48: Environmental Restoration and Protection

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Regional Stormwater Water Quality Improvement Program	$5,500,000	$5,500,000
Environmental Habitat Restoration	$2,400,000	$2,400,000
Weedon Island Preserve Projects	$3,500,000	$1,000,000
Brooker Creek Preserve Projects	$3,500,000	$1,000,000
Beach Access Acquisition & Development	$15,000,000	$0
Upper Tampa Bay Recirculation & Restoration Project	$10,000,000	$0
Lake Seminole Sediment Removal Project	$8,000,000	$8,000,000
County Extension Center Building Replacement	$7,500,000	$0
Environmentally Sensitive Lands Acquisition	$18,000,000	$16,000,000
Environmental Restoration & Protection Total	**$73,400,000**	**$33,900,000**

In the Drainage and Stormwater Management functional area project allocations are reduced from $73.0M to $65.5M, which is a difference of $7.5M as shown in Figure 49.

Figure 49: Drainage and Stormwater Management

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Stormwater Conveyance System Improvement Program	$50,000,000	$50,000,000
Creek Erosion Control	$8,000,000	$8,000,000
Drainage Pond Compliance Projects	$5,000,000	$3,750,000
Drainage Channel Dredging Program	$5,000,000	$3,750,000
Cross Bayou Drainage and Watershed Implementation Projects	$5,000,000	$0
Drainage and Stormwater Management Total	**$73,000,000**	**$65,500,000**

In the Housing, Jobs, & Human Services functional area project allocations are reduced from $30.0M to $15.0M, which is a difference of $15.0M as shown in Figure 50.

Figure 50: Housing, Jobs, & Human Services

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Housing, Jobs, & Human Services		
Affordable Housing Land Assembly Fund	$30,000,000	$15,000,000
Housing, Jobs, & Human Services Total	**$30,000,000**	**$15,000,000**

In the Government Service Facilities functional area project allocations are reduced from $40.0M to $30.0M, which is a difference of $10.0M as shown in Figure 51.

Figure 51: Government Service Facilities

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Remodel and Renovation Projects	$40,000,000	$30,000,000
Government Service Facilities Total	**$40,000,000**	**$30,000,000**

As shown in Figure 52, the Courts and Jails functional area project allocation remains the same at $225.0M, for consistency with the interlocal agreement that specifies this figure.

Figure 52: Courts and Jails

PROJECTS/PROGRAMS	2006 Approved Allocation	2009 Recommended Allocation
Courts and Jail Projects	$225,000,000	$225,000,000
Courts and Jails Total	**$225,000,000**	**$225,000,000**

Pay-As-You-Go Approach

The projects in the FY10-15 CIP are a mix of 2010-2020 Penny Program projects as well as projects funded by the current Penny and other sources such as grants, transportation impact fees, tourist development tax, etc. In addition to reduced revenues due to the recession, an additional factor has led to several changes in comparing last year's CIP to the FY10-15 CIP. Last year's CIP anticipated a Penny bond issue in order to accelerate several 2010-2020 Penny Program projects. During this year's budget process, it was determined that due to the uncertainty in the bond and credit markets, that over the next several years the CIP will attempt to be funded on a "Pay-As-You-Go" basis as much as possible. The "Pay-As-You-Go" approach is recommended as the most prudent way of financing capital projects due to the unstable short term financial environment we are facing. The benefits of this approach include:

- Being fiscally conservative helps avoid marketing and financing costs of current credit market.

- A "pay-as-you-go" plan can be a positive factor in future credit analysis of the County and its long term debt rating.

- Provides a deliberative approach to the implementation of projects in accordance with the priorities and needs of the community.

- Specific projects can be considered for stand alone bonding if the priority and cost benefit is warranted.

CIP Project Allocation Changes

In comparing the FY10-15 CIP with the FY09-14 CIP, there are many changes resulting from the implementation of a "pay-as-you-go" approach as well as the reallocation of the 2010-2020 Penny Program due to significant decreases in Penny revenue and other sources. For example, Transportation Impact Fees have decreased about 50% due to a lack of development activity. We have also experienced reductions in Ninth Cent Gas Tax revenues that fund Intelligent Transportation projects, and Tourist Development Tax revenues dedicated to beach nourishment projects. Enterprise Department revenues have also lagged which will slow several water and sewer system improvements, although there have been less changes in the Enterprise area of the proposed CIP. On the positive side we have generally been able to maintain our previous levels of funding from State and Federal Grants related to transportation, drainage, beach nourishment and various environmental projects.

Due to the large number of changes to the Governmental portion of the CIP, a detailed list summarizing the changes has been prepared to help facilitate a comparison from the FY10-15 CIP to the FY09-14 CIP by highlighting changes to the program. The Capital Improvement Program Summary of Changes can be found in Exhibit E. The Summary of Changes is divided into three sections. The first section lists projects that will continue to be funded in whole or in part in the 2010-2015 CIP. The second section lists projects that will continue to be funded beyond the FY15 timeframe in the proposed 2010-2015 CIP. The third section lists projects that will be unfunded from the Capital Improvement Program. If additional revenue is available to fund these projects in future years they may be added back to the CIP.

One-Year CIP Budget

Figure 53 shows the distribution of resources to various functional areas for the first year of the Governmental portion of the CIP. One thing to note is that the General Government category is higher than normal because the Public Works Hurricane Emergency Responder Building currently under construction is classified in this category from the State's accounting viewpoint, although public safety was a big consideration when this facility was approved.

Figure 53: FY10 Governmental Project Appropriations: $128,597,000

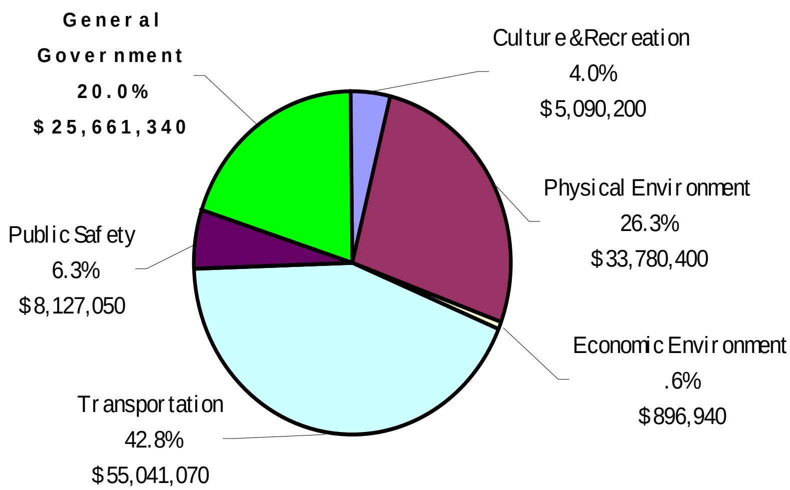
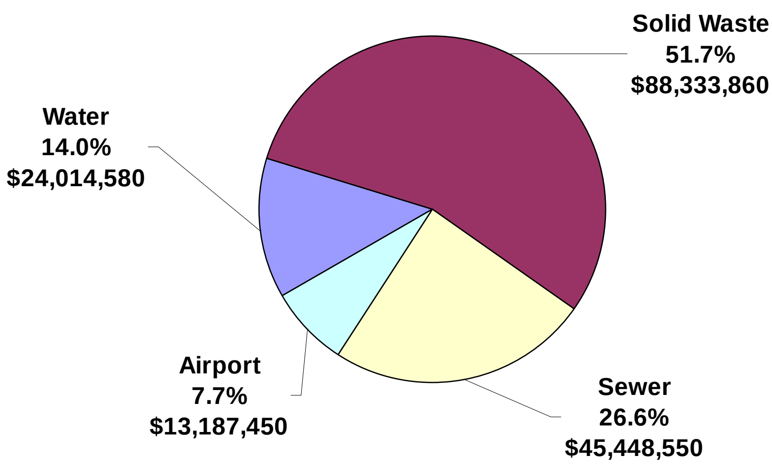


Figure 54 shows the distribution of resources to the various in the Enterprise Department functional areas.

Figure 54: FY10 Enterprise Project Appropriations: $170,984,440



Six-Year CIP Work Plan

Figures 55 and 56 show the distribution of resources over the entire multi-year plan for the Governmental and Enterprise portions of the CIP. In the Governmental areas, the Transportation and Public Safety areas receive the largest share of resources, which is in keeping with the overall project priorities when comparing one category of improvements to another.

Figure 55: FY10-15 Governmental Project Appropriations: $814,077,570

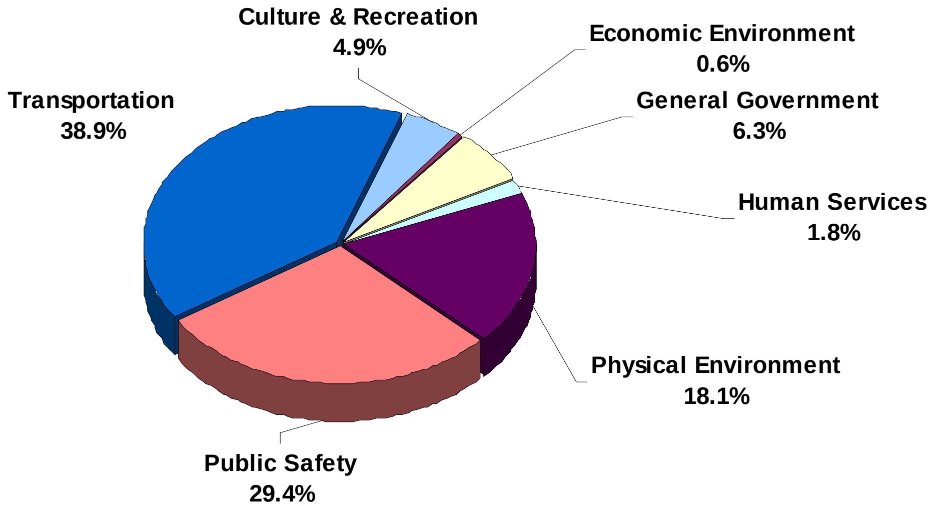
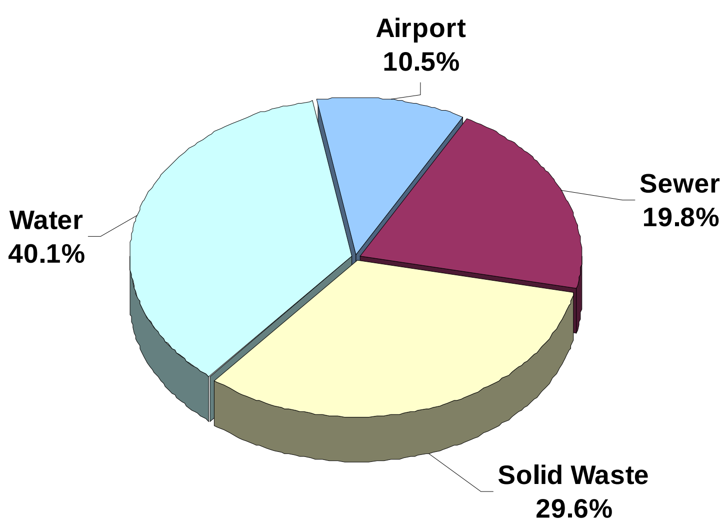


Figure 56: FY10-15 Enterprise Project Appropriations: $410,786,440



Overall, there are more than 220 projects or program areas that comprise the six year CIP. A complete listing of our Capital Project allocations is included in the CIP by Functions & Activity report that is Exhibit F to this message.

FUND REVIEWS

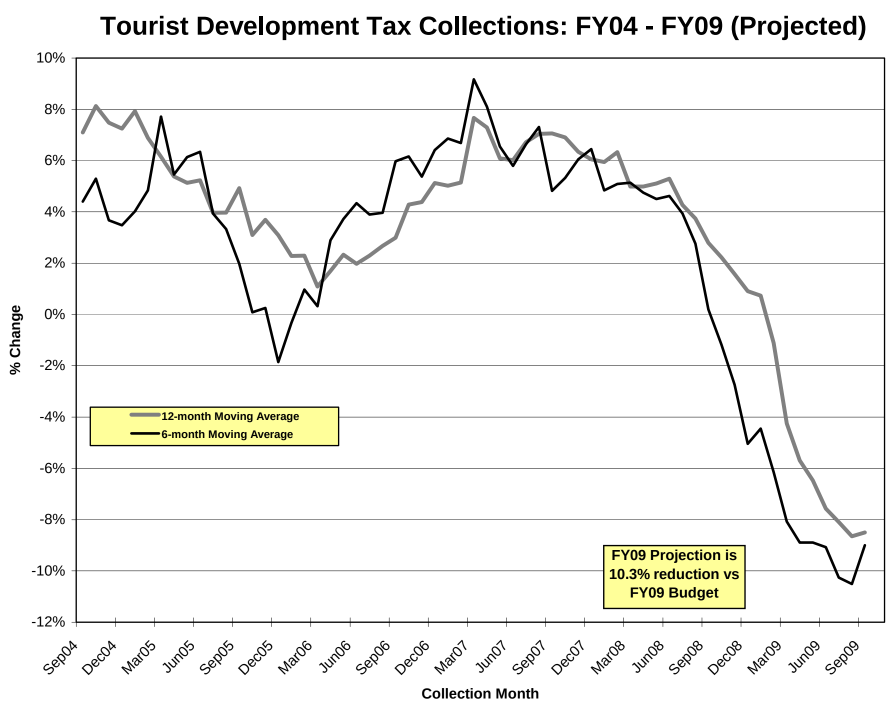
Tourist Development Fund

The Tourist Development Council (TDC) Fund supports the St. Petersburg/Clearwater Area Convention and Visitors Bureau through taxes collected on rents for temporary lodgings (also called “bed taxes”). The Bed Tax is currently 5% and is used to enhance the County’s economy by increasing tourism and direct visitor expenditures through marketing and promoting the destination.

This tax was initially approved by a voter referendum in 1978 as a 2% tax to promote tourism in Pinellas County. Later, an additional 1% was approved with one-half of this amount earmarked to fund beach renourishment projects. In 1996 an additional 1% was levied to provide additional funds for promotional activities, beach renourishment, and to service debt on the County’s obligation to the City of St. Petersburg’s Bonds for Tropicana Field. In 2005, an additional 1% was levied to provide funding for promoting and advertising tourism.

Beginning in FY09, revenues are much lower than budgeted as the tourism industry has been seriously impacted by the recession. Compared to the FY09 budget, the Bed Tax will decrease by 10.3% based on the six-month moving average as shown in Figure 57. The Bed Tax is a relatively volatile revenue source and is sensitive to economic conditions due to the discretionary nature of tourism expenditures.

Figure 57: Bed Tax Collections



Due to the significant deterioration in revenue, the TDC Board took action in May to reduce FY09 expenditures by $2.3M and may take additional action through the fiscal year as necessary. Reductions were made with the intent of preserving direct sales activities to continue to attract visitors to the destination.

Unfortunately, further erosion in revenue is anticipated for FY10. As a result, the FY10 budget (net of transfers and reserves) is 21% less than the FY09 budget. The reductions primarily affect the advertising budget and the focus in FY10 will continue to be on direct sales activities.

Once the economy turns around it is anticipated that bed tax revenues will recover quickly to normal levels.

Penny for Pinellas Fund

The Penny for Pinellas Special Revenue Fund tracks the receipt of the one-cent additional local option infrastructure sales tax. This sales tax is more commonly known as the "Penny for Pinellas." Per State statute, this revenue source can only be used to support capital project development, land acquisition, construction, or debt service. The Penny is the main funding source for the County's governmental Capital Improvement Program (CIP).

This sales tax may be levied at a rate of 0.5% or 1% and must be approved by voters in a countywide referendum and may not be levied for more than 15 years. This funding source became effective February 1, 1990 and has been renewed for three periods of ten years each in 1997 and 2007. The last renewal of the Penny for Pinellas took place on March 13, 2007 to extend the Penny for a third decade, 2010-2020. This funding source is shared between the County and the 24 municipalities through an interlocal agreement.

Similar to the sales tax revenue in the General Fund, Penny for Pinellas revenue is lagging. Actual revenue through the first half of FY09 was 6.0% less compared to the same FY08 time period. Based on monthly collection trends to date, it is anticipated the County will receive approximately $69.7M in sales tax revenue compared to the budgeted amount of $77.6M in FY09. The Penny is anticipated to generate $70.8M in FY10.

Over the last three years, Penny revenue has experienced negative growth. This has necessitated a comprehensive review of current and future projects from FY10 to FY20 as part of the development of the FY10 budget. The detailed changes resulting from this review are reflected in the Capital Improvement Program section this document.

Transportation Trust Fund

The Transportation Trust Fund is a statutorily mandated fund that accounts for the operation and maintenance of roads and associated drainage, bridges, traffic signs and signals, and other related transportation infrastructure. These activities are supported by State shared gas and diesel fuel taxes, which are authorized by the State Constitution and Legislature, and by local option taxes including the Six Cent Local Option Gas Tax, and the Ninth Cent Local Option Fuel Tax. These revenues are restricted by law for transportation purposes.

The County receives State shared fuel taxes and imposes six cents of local option gas taxes which are shared 60%/40% with the 24 municipalities. The County also collects one cent of gas tax that funds the Intelligent Transportation System and Advanced Traffic Management System which is not shared with the cities.

In FY09, both local option taxes and state shared gas taxes are projected to decrease 3% compared to the FY08 actuals. Based on current economic conditions and prices remaining stable, gas taxes are projected to increase 1% in FY10.

Gas tax revenue is not anticipated to increase much over time as population is not increasing appreciably and the recession and/or high gas prices tend to result in lower levels of consumption. The FY10 budget for this fund includes $3.7M of reductions (all in Public Works) and 29 position eliminations. These reductions will put this fund in a better position to absorb cost increases in the future given relatively flat growth in revenue.

Emergency Medical Services Fund

The Emergency Medical Services (EMS) Fund accounts for the operation of the comprehensive county-wide emergency medical service system. The Emergency Medical Services operation provides advanced life support emergency medical response and transport services to all citizens of Pinellas County. The Department contracts, funds and coordinates with twenty-one EMS providers. The County has a public utility model in which the government retains control of and sets the standards for the ambulance system while contracting the transport services to an outside provider, namely Paramedics Plus that becomes the County's SUNSTAR ambulance system. The County then contracts with the various municipalities and special independent districts (first responders) which respond to calls with paramedics either by Advanced Life Support or Basic Life Support and also utilizing fire equipment. This operation is supported by a combination of property taxes and user fees. The ambulance user fees support the ambulance contractual expenditures and property taxes support the first responders.

Both ambulance user fees and property taxes are on track for FY09. The ambulance service user fees support the ambulance contractual expenditures and are currently anticipated to exceed the original budget. Ambulance user fees are projected to be higher than budget due to an increase in fees of 4.9% equal to the Medical Consumer Price Index for the previous year and unanticipated one-time revenue from Medicaid reimbursements. Property tax collections are projected close to budget and as planned, fund reserves will be utilized to make up the difference between revenues and expenditures.

For the FY10 budget, the millage rate at 0.5832 supporting the First Responders was held flat per the Board's direction. Due to reductions of 12.1% in taxable values, property tax revenues will decrease by $2.9M compared to FY09. Negotiations with individual First Responders resulted in an overall reduction in funding of $2.8M. Even with this reduction, $5.1M of fund balance was utilized to cover the costs of the First Responder contracts due to the dramatic decrease in property tax revenues and to meet the required reserve level in the EMS fund. The use of fund balance is not

sustainable over the long term as we anticipate additional property tax revenue decreases in FY11 with a relatively flat year in FY12. In order to sustainably fund the First Responder contracts in the future, a consultant will be engaged to study the EMS system during the coming year.

Fire Districts Fund

The Fire Districts Fund supports fire and rescue services in a large part of the unincorporated area through contractual agreements with municipalities and other independent fire and rescue providers. These operations are supported by property taxes within each district. Services are provided by the municipalities of Clearwater, Dunedin, Largo, Pinellas Park, Safety Harbor, South Pasadena, Tarpon Springs, St. Petersburg/Gandy, St. Petersburg/Tierra Verde, Highpoint/Largo-Pinellas Park and Seminole Fire Departments in accordance with long established contracts. Each of these districts is accounted for separately within this fund.

This fund is almost entirely supported by property tax revenues within each Fire District and in FY09, property tax collections are projected to be at budget. Expenditures in this fund are primarily contract payments to service providers which are also at budgeted amounts.

FY10 Budget funding of $23,086,730 has decreased in total from the FY09 Budget total of $23,919,440. The fire districts of Clearwater, Dunedin, Pinellas Park, Seminole and South Pasadena have fully funded their Reserve for Future Years for capital purchases at 10%, except for South Pasadena at 6%, and have kept millage rates flat with FY09. The Tierra Verde Fire District, formerly served by the City of St. Petersburg, sought competitive bids for a new contract beginning in FY10. As a result, service will now be provided by the Lealman Fire District and the FY10 millage remains the same as FY09. Millage rates for Gandy, Largo, Safety Harbor, Tarpon Springs, and Highpoint are increasing in FY10 to fully fund the operating requests of the cities providing the services. As the result of a September 1, 2009 referendum, the City of Belleair Bluffs is eliminating their fire department, and fire services for the Belleair Bluffs Fire District will now be provided by the City of Largo. The millage rate for this district has increased from 0.8532 mills to 1.7320 mills. The fire districts have had flat or decreasing millages since FY06, except for Tierra Verde that increased to 1.5000 in FY07 and Safety Harbor Fire District that increased in FY08. The millage rate changes for each fire protection district are shown in Figure 58.

Figure 58: Dependent MSTU Fire Protection Districts Ad Valorem Millage

Fire District	FY09 Millage	FY10 Proposed Millage	Variance FY09/FY10 Millages
Belleair Bluffs	0.8535	1.7320	0.8785
Clearwater	1.8628	1.8628	0.0000
Dunedin	2.0102	2.0102	0.0000
Gandy	1.2072	1.3143	0.1071
Largo	1.9005	2.4416	0.5411
Pinellas Park	2.3675	2.3675	0.0000
Safety Harbor	2.0093	2.4252	0.4159
Tarpon Springs	1.6837	2.3745	0.6908
Seminole	1.9581	1.9581	0.0000
High Point	2.4410	2.7275	0.2865
Tierra Verde	1.3997	1.3997	0.0000
South Pasadena	2.2188	2.2188	0.0000

Airport Fund

The Airport Revenue and Operating Fund is an enterprise fund that accounts for the self-supporting operations of St. Petersburg - Clearwater International Airport (airport code PIE) and its surrounding land uses on the airport's 2,000 acres. Approximately, half of this property is dedicated to the airfield and supporting terminal and other facilities. The remaining acreage includes the 110 acre AIRCO Golf Course, a 200 acre Airport Business Center, and leased industrial, commercial, and governmental operations. All of the entire Airport property is a designated Foreign Trade Zone. Also included in the fund are airport facility capital improvements, which receive federal and state grant funding of up to 95% of costs, depending on the type of project.

Most of the airport's revenues come from four major sources: Airport Operations (Air Field & Flight Line), Real Estate (Rentals – Terminal & Land), Golf Course, and Capital Contributions. In general, FY09 projected revenues are in line with budget as these amounts already reflect the impact of the recession such as a 7% decrease in passengers using the airport compared to the past two years. Due to reductions taken in prior years, the Airport has adjusted its FY10 operating expenses without having to make significant reductions to match its anticipated revenues. The Airport continually monitors market conditions and can increase or decrease operations as needed.

<u>Utilities Funds</u>
The County's Utilities operations are accounted for by using a fund structure that allows for consolidated administration and other cost saving measures. The following discussion focuses on these enterprise funds which reflect the ongoing operational costs and transfers to related funds for capital projects, major maintenance, and debt service. Each of the three utility segments is self-supporting within its own user fees and other revenues.

The **Water Revenue and Operating Fund** accounts for revenue generated from retail and wholesale sales, service fees and charges, and other miscellaneous revenues generated by the Water System. The fund in also used to account for the administrative, operating and maintenance expenses associated with the Water System.

During FY09, water system revenues are projected to end the fiscal year at only 94% of the budgeted total. Revenues are lagging behind budget due to reduced water usage by customers, as mandated by water restrictions from SWFWMD. Water revenues are also lower than budget due to the economy causing both residential and commercial vacancies, leading to lower water use. In response to the deterioration in revenue, operating expenditures in the current year will be reduced by 8%.

For FY10, the downturn in revenue is expected to continue as the economic recovery is expected to be a long gradual process. The system purchases water from the regional supply authority (Tampa Bay Water) and the cost of water will increase by 6.8% in FY10. The FY10 budget reflects the FY09 reductions of 8% of controllable expenditures. The combined result of shrinking revenue and fixed operating costs is a projected water rate increase of 8%.

The **Sewer Revenue and Operating Fund** accounts for revenue generated from sewer service charges, wholesale treatment charges, reclaimed water charges, and other miscellaneous revenues. The fund also accounts for the administrative, operating, and maintenance costs associated with the County sewer system.

During FY09, sewer system revenues are projected to be 94% of the amount budgeted in FY09, due to conservation and commercial and residential property vacancies in the slow economy. Due to the deterioration in revenue, actions have been initiated to reduce operating expenditures going forward to end the current year at 10% less than budgeted. Expenditures are being reduced more than revenues to comply with debt service ratios required by bond covenants.

Similar to the water system, the downturn in sewer system revenue is expected to continue in FY10 as the economic recovery is expected to be a long gradual process. The FY10 budget reflects the FY09 reductions of 10% of controllable expenditures. The combined result of shrinking revenue and fixed operating costs is a projected sewer rate increase of 5%.

The **Solid Waste Revenue and Operating Fund** includes revenues generated by Pinellas County's Waste to Energy Facility. The three main sources of revenue are: tipping fees charged for the disposal of refuse, proceeds from the sale of electricity generated by the facility to Progress Energy and monies generated from the sale of recycled metals. The fund accounts for the expenses associated with operating and maintaining the facility, operating and maintaining the Landfill facility as well as recycling programs and educational outreach efforts.

Compared to the FY09 budget, revenues from the generation of electricity by the Waste to Energy Facility were somewhat less due to the generator failure that occurred during FY08 that was repaired during FY09. This revenue was replaced by proceeds from business interruption insurance. Revenues are also down due to the slow economy which is expected to continue in FY10. The Solid Waste operation also has sufficient reserves, and therefore no adjustments to tipping fees are required. Due to a lower volume of solid waste activity and the generator failure, operating costs for FY09 are projected to be 7% lower than the FY09 budget.

The FY10 budget does not reflect any reductions but does include several service enhancements. The Curbside Recycling Program ($25.1M) will provide for curbside recycling in the unincorporated area and any other interested cities that wish to participate under the County's contract. This program also provides reimbursement funding on a net cost basis to communities that currently have a curbside recycling program. The Beach Recycling Program ($347K) will provide for recycling containers at entrance ramps to beach areas as well as collection of the recycled materials. The Litter Program ($685K) will enhance the department's efforts to support current litter efforts by Keep Pinellas Beautiful and the Public Works Department and provide for a dedicated trash collection unit that can respond to complaints and proactively monitor high litter areas. Also, the Small Quantity Generator Program that was located in Environmental Management and partially funded by Solid Waste, has been moved to Solid Waste.

CONCLUSION

As your County Administrator, I am honored to have had the opportunity to work with you in the development and approval of the FY10 Budget. Despite all of the financial challenges we are facing, each fund is balanced for the coming year.

I would like to make two final points. First, Pinellas County's planning and financial management systems including strategic planning, performance measurement, program budgeting, and multi-year forecasting are providing the foundation on which we are building the solutions to the County's budget crisis. Without this foundation, we would have found ourselves unprepared to respond to a budget crisis of this magnitude. Our planning and management systems provided the framework and the information in order for staff to make recommendations and for the Board of County Commissioners to make the final decisions. Going forward, we will continue to refine these systems in order to meet future challenges.

Second, although we have recommended ways to close the General Fund structural gap, our job is not over. The very factors that created the budget crisis remain in place and are very fluid. Staff will continue to pay close attention to local economic conditions, our revenue patterns, and expenditure trends, and State legislative actions. We will also work to stabilize the organization and continue to find ways to innovate and improve how we do business. In the Fall, we will revisit our Strategic Plan with the Board and update it to reflect our new budget environment.

The County's approach to budgeting and long-term financial planning is a complex and challenging endeavor. I am fortunate to have had the support and assistance of exceptional staff that continually go beyond the call of duty. I would also like to commend the Board of County Commissioners, Constitutional Officers, and Independent Agencies who helped with the successful development of this budget process.

Respectfully submitted,

Robert S. LaSala
County Administrator