OFFICE OF THE COUNTY ADMINISTRATOR

Robert S. LaSala
County Administrator

September 21, 2010

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

In accordance with my statutory responsibilities, I present the **Fiscal Year 2011 Annual Operating and Capital Budget** for your consideration.

I am grateful for your guidance and support as we developed the budget in this period of unprecedented fiscal stress. I especially appreciate the spirit and dedication of all of the County's employees who have continued to provide high quality public services as we readjust the organization to deal with the new budget realities.

Most economists believe that the Great Recession technically ended in late 2009, but the aftershocks are still being felt in local governments across the country. Pinellas County is no exception. We had the advantage of entering this period of turmoil in a strong financial position due to the foresight and prudent actions of the Board over the preceding years. In last year's budget in particular, we made tough decisions that began the process of adapting County government to fit our revenue constraints, not just for the short term, but into the future.

Unfortunately, the length and depth of the recession proved to be worse than we, and most others, had anticipated. The real estate market continued to decline throughout calendar year 2009, and the FY2011 taxable values, established based on January 1, 2010 conditions, reflect this reality. With unemployment still high locally and across the

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nation, consumer confidence is increasing very slowly. Other non-property tax related revenues continue to lag behind previous expectations. 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.

In order to deal with this continuing challenge, we focused our efforts on one primary goal:

> **Reshape Pinellas County government by restructuring, reorganizing, resizing, and realigning the organization to provide an efficient and effective array of services.**

As part of this effort, we expanded our multi-year forecast to a ten-year horizon and included all of the County’s major operating funds. With this foundation, we were able to quantify the problems and develop strategies that would meet the immediate needs and position us to address future concerns. Our aim was to transform the organization while limiting disruption and potential negative impacts.

Because the “easy” reductions and administrative cuts had already been made in prior years, the choices we face are quite difficult and necessarily involve reducing public services. These painful decisions have eliminated some programs and made significant reductions in many others. These reductions were not made because these programs lacked value, but because we simply must focus on providing services we can afford.

The FY2011 Budget reflects several reorganizations that will become effective October 1, 2010. Going forward, we will continue the transformation process through additional organizational efficiencies and restructuring that necessarily require a longer time frame to accomplish. If we maintain our dedication to this task, the result will be a County government that is responsive to the most critical needs and maintains the key public services that we must provide at a level of excellence that sustains the quality of life for our Pinellas County residents and visitors.

The $1,611,380,790 balanced budget continues the 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 $145.5 million or 10.6% decrease, including decreases of 12.8% in County Administrator governmental operations and 9.7% in Constitutional Officers’ funding. The non-recurring capital portion of the budget has increased $78.8 million. The total FY2011 Budget is $66.7 million or 4.0% less than the total FY2010 Budget.

Reflecting the economic realities, the General Fund budget decreased by $44.8 million, or 7.2% from the FY10 Revised Budget; when non-recurring expenditures are excluded, the decrease in recurring expenditures is $58.0 million or 9.3%. The county-wide millage rate, including Emergency Medical Services, 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 legal requirements: Clearwater, Gandy, Largo, Safety Harbor, High Point, and Tierra Verde. Our other operating and capital improvement budgets have all been adjusted to achieve balance and maintain as high a level of service as possible within given revenue constraints. The Budget Message following this letter presents a comprehensive overview of the detailed information contained in the budget document.

CONCLUSION

As your County Administrator, I am honored to have worked with you in the development of the FY2011 Budget.

It is important to note that this budget builds on a foundation of strategic planning, performance measurement, program budgeting, and multi-year forecasting that Pinellas County has developed over years of thoughtful and concerted effort. These planning and management systems provided the framework and the information for logical and financially viable decisions. We will continue to use and refine these systems going forward.

This budget is balanced, but our work is not done. We continue to face a structural gap in the General Fund that will require difficult decisions in future years. Until we see the bottom of the economic cycle, we will not know what the "new normal" will be. And there are always new unknowns. To date, the Deepwater Horizon oil spill in the Gulf of Mexico has had no physical impact on our pristine beaches, but we are already seeing the economic impact on the tourist industry due to media coverage that tends to blur the differences in conditions along the hundreds of miles of Florida coastline. The prospect of a jobless recovery will also challenge our economic vitality and impact County services.

More than ever, developing this budget has been a complex and challenging endeavor. I am fortunate to have had the support and assistance of a highly qualified and dedicated staff and management team. I would also like to reaffirm my appreciation to all those who helped with the successful development of this budget.

Respectfully submitted,

Robert S. LaSala
County Administrator

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The *Economic Overview* portion of the FY2011 Budget Message provides important context for the FY2011 Budget and includes the following sections:

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The National Economy

BACKGROUND

The Great Recession

The current recession officially began in December 2007. A recession is defined by the U.S. National Bureau of Economic Research as a decline in gross domestic product in two successive quarters. This has been the longest recession since the Great Depression as shown below.

Length of Recession (Contraction Peak to Trough)	No. of Mths.
August 1929 – March 1933	43 months
May 1937 – June 1938	13 months
February 1945 – October 1945	8 months
November 1948 – October 1949	11 months
July 1953 – May 1954	10 months
August 1957 – April 1958	8 months
April 1960 – February 1961	10 months
December 1969 – November 1970	11 months
November 1973 – March 1975	16 months
January 1980 – July 1980	6 months
July 1981 – November 1982	16 months
July 1990 – March 1991	8 months
March 2001 – November 2001	8 months
December 2007 – March 2010 (est.)	28 months

This recession has been especially deep due to the overlap of a meltdown in the financial sector and a steep downturn in the real estate market. These two key sectors of the economy have reinforced each other in a downward spiral.

Housing Bubble

For generations, U.S. house price appreciation generally tracked with inflation. During the mid-1990's, however, home prices began rising at a rapid pace amid the strong economic growth of the late 1990's. During the last recession in 2001, two things happened that turned a strong housing market into a boom. In the wake of the dot-com stock market crash and the September 2001 terrorist attack, the Federal Reserve cut the short-term interest rates that determine what homeowners pay on adjustable-rate mortgages. From 2000 to 2003, the Federal Reserve lowered the federal funds rate target from 6.5% to 1.0%. At the same time, investors were desperate for someplace to invest their money other than the stock market and sought higher yields than those offered by U. S. Treasury bonds. Investors put their money into mortgage backed securities which helped drive down the cost of fixed-rate loans. By approximately 2003, the supply of mortgages originated at traditional lending standards had been exhausted. Unfortunately, double-digit annual price increases put most homes out of the reach of middle-income buyers.

In April 2004, the U.S. Securities and Exchange Commission (SEC) relaxed the net capital rule, which encouraged the five largest investment banks to dramatically increase their financial leverage and aggressively expand their issuance of mortgage-backed securities. This applied additional competitive pressure to Fannie Mae and Freddie Mac, the biggest underwriters of home mortgages. The result was laxer lending standards and riskier lending. The real estate boom created overwhelming incentives to feed the enormous fees accruing to those throughout the mortgage supply chain, from the mortgage broker selling the loans, to small banks that funded the brokers, to the giant investment banks behind them.

Risky Loans and Mortgage Backed Securities

As the real estate market boomed, lenders did away with many of the safeguards built into the classic 30-year fixed rate mortgage with a 20% down payment. Riskier loans that were originally designed for a narrow band of home buyers such as interest only, adjustable rate, balloon payment, etc. were made increasingly available. Mortgages were in high demand from Wall Street which packaged the loans into securities to sell to investors looking to invest in "low risk" real estate. As a result, sub-prime and exotic mortgages, property flipping, and mortgage fraud increased dramatically. Mortgage brokers were motivated to originate as many mortgages and refinancings as possible to generate fees as they fed the demand on Wall Street for mortgages. Investment banks bundled together loans which were sold as mortgage-backed securities. The new owner of the mortgages used them as collateral to issue bonds to finance other deals. Money from thousands of homeowners covered the interest payments on those bonds. To attract investors the investment banks paid the credit rating agencies to rate the instruments. Because there was a perception that mortgage loans are solid investments in general, the bonds were incorrectly rated as investment grade or low risk.

Predatory Lending and Mortgage Fraud

Predatory lending refers to the practice of unscrupulous lenders to enter into unsafe or unsound secured loans for inappropriate purposes. A classic bait-and-switch method was used by some companies that advertised low interest rates for home refinancing. Such loans were written into extensively detailed contracts and swapped for more expensive loan products on the day of closing. For example an advertisement might state that 1% or 1.5% interest would be charged, but the consumer would actually be put into an adjustable rate mortgage (ARM) in which the interest charged would be greater than the amount of interest paid. This created negative amortization, which the consumer might not notice until long after the loan transaction had been completed. In this example, when housing prices decreased, some homeowners in ARMs had little incentive to pay their monthly payments since their home equity had decreased dramatically. Many people also knowingly took out ARMs for home equity loans for vacations and other transitory benefits that they could not actually afford based on the assumption that their home values would continue to rise.

Some individuals and companies also engaged in mortgage fraud by falsifying mortgage documents and selling the mortgages to Wall Street banks. Others bought up dozens of properties, used false information to secure mortgages far in excess of the actual property values, and pocketed the difference. The properties would go into foreclosure and the banks and surrounding communities would bear the resultant burden.

Collatorized Debt Obligations

Adding to the exposure, several Wall Street firms created new finance products called collateralized debt obligations (CDO's) from pieces of other mortgage securities. These innovations enabled institutions and investors around the world to invest in the U.S. housing market. To rate the risk of these new complicated financial products, the rating agencies relied on financial models that were not well understood. These models theoretically showed that risks were much smaller than they actually proved to be in practice. The CDO enabled financial institutions to obtain investor funds to finance subprime and other lending which extended the housing bubble and generated large fees. The entire process was based on using borrowed money (home mortgages) as collateral to borrow more money (mortgage-backed securities) to borrow yet more money (CDO's).

Trigger of the Financial Crisis

The trigger of the financial crisis was the bursting of the housing bubble which peaked in approximately 2005-2006. Between July 2004 and July 2006, the Federal Reserve raised interest rates which contributed to an increase in 1-year and 5-year adjustable–rate mortgage (ARM) rates, making ARM interest rate resets more expensive for homeowners. As interest rates began to rise and housing prices started to drop moderately in 2006-2007, refinancing became more difficult. Easy initial credit terms expired, home prices failed to increase as anticipated, and adjustable rate mortgage interest rates reset higher. Default rates and foreclosure activity increased dramatically on sub-prime and adjustable rate mortgages. Housing and financial assets declined substantially in value as the housing bubble burst. As more borrowers stop paying their mortgage payments, foreclosures and the supply of homes for sale increase. This places downward pressure on housing prices, which further lowers homeowner equity. The decline in mortgage payments also reduces the value of mortgage-backed securities, which erodes the net worth and financial health of banks. This vicious cycle was at the heart of the crisis.

Toxic Assets

Many hedge funds, banks, and financial institutions invested heavily in mortgage-backed securities and CDO's, often using borrowed money, and thus increasing their exposure. Borrowing at a lower interest rate and investing the proceeds at a higher interest rate is a form of financial leverage. These institutions were betting that house prices would continue to rise and that households would continue to make their mortgage payments. This strategy proved profitable during the housing boom, but resulted in enormous losses when house prices began to decline and mortgages began to default. These "toxic assets" were exported to banks around the world contributing to a general sense of panic as mortgage defaults rose and the house of cards collapsed. Without payment from the homeowners, the issuers could not pay off the bonds. The bonds lost value, and the hedge funds that borrowed money to buy the bonds had to put up more collateral or try to sell the bonds which caused their value to drop even more. The crisis rapidly developed and spread into a global economic shock.

Financial Meltdown

Policy makers did not recognize the increasingly important role played by financial institutions such as investment banks and hedge funds, also known as the "shadow banking system". Many experts believe these institutions had become as important as commercial banks in providing credit to the U.S. economy, but they were not subject to the same regulations. For example, in 2007 the total assets of the top five major investment banks totaled $4 trillion in comparison to the total assets of the top five bank holding companies which totaled $6 trillion. As the shadow banking system expanded in importance, it helped re-create some of the financial vulnerability that made the Great Depression possible. The International Monetary Fund estimated that large U.S. and European banks lost more than $1 trillion on toxic assets and from bad loans from January 2007 to September 2009. These losses are expected to top $2.8 trillion as additional losses are disclosed. U.S. bank losses are expected to hit $1 trillion and European bank losses to reach $1.6 trillion.

The Credit Crunch

As the scope of the damage became quantified, banks across the world that usually lend and borrow from each other were hesitant to do so until there was more clarity regarding the true financial condition of other banks. Without the ability to obtain investor funds in exchange for most types of mortgage-backed securities or asset-backed commercial paper, investment banks and other entities in the shadow banking system could not provide funds to mortgage

firms and other corporations. This meant that nearly one-third of the U.S. lending mechanism was frozen and continued to be frozen into June 2009. As traditional banks tightened credit, the cost of financing corporate and private-equity deals increased, small businesses had difficulty obtaining lines of credit, and fewer people could get home mortgages or car loans. The credit crunch brought the global financial system to the brink of collapse.

Government Reaction

Response to the crisis by governments and central banks around the world was swift and dramatic. This response was characterized by unprecedented fiscal stimulus, monetary policy expansion, and institutional bailouts.

Emergency Economic Stabilization Act of 2008

The Emergency Economic Stabilization Act, commonly referred to as a bailout of the U.S. financial system, authorized the Secretary of the Treasury to purchase distressed assets, especially mortgage-backed securities, and make capital injections into banks. President Bush signed the bill into law on October 3, 2008, creating a $700 billion Troubled Assets Relief Program (TARP) to purchase failing bank assets. The program was designed for immediate implementation and be large enough to restore market confidence and stabilize the economy.

Troubled Assets Relief Program (TARP)

This program used supervisory ratings of bank's overall financial condition to help the government decide which of the country's 8,500 banks are most likely to receive assistance. The Act requires financial institutions selling assets to TARP to issue preferred stock or equity warrants to the Treasury. Theses warrants are designed to protect taxpayers by giving the Treasury the possibility of profiting through its new ownership stakes in these institutions. Participants in the programs must also set limits on the compensation of their five highest paid executives and limit "golden parachute" contracts to avoid large compensation payments upon termination. TARP includes several major programs such as the Capital Purchase Program which supports banks (755 to date) to prop up capital reserves and encourage lending and the Public-Private Investment Program which are taxpayer funds used in partnership with private investment to purchase toxic assets from financial institutions. A list of all the programs and how much has been committed and invested as of November 2009, is shown below.

TARP Programs	Committed	Invested
American International Group (AIG)	$70B	$69.8B
Asset Guarantee Program	$12.5B	$5B
Auto Supplier Support Program	$5B	$3.5B
Automotive Industry Financing Program	$80.1B	$77.6B
Capital Purchase Program	$218B	$204.7B
Consumer & Business Lending Initiative	$70B	$20B
Making Home Affordable	$50B	$27.4B
Public-Private Investment Program	$100B	$26.7B
Targeted Investment Program	$40B	$40B
New Initiatives	$172.9B	N/A
Funds Paid Back	($118.5B)	($118.5B)
TARP Total	**$700B**	**$356.2B**

Source: Bailout Tracker – CNNMoney.com

Too Big to Fail

American International Group (AIG) is one of the world's biggest public companies, with sales of $113 billion in 2006 and 116,000 employees in 130 countries. AIG is America's largest life and health insurer and second largest in property and casualty insurance. AIG is a huge provider of insurance to U.S. municipalities, pension funds, and other organizations through guaranteed investment contracts and other products that protect participants in 401(k) plans. AIG's Financial Products (FP) division operated like a hedge fund and built up a portfolio of $2.7 trillion in derivatives. Over the last several years, AIG FP aggressively offered to insure billions of dollars in derivative portfolios, building up potential liabilities many times its capacity to pay out if the portfolios defaulted. AIG, like other institutions, made millions from dealing in insurance-like derivatives connected to the U.S. real estate market. Companies that held CDO's could offset their risk by buying Credit-Default Swaps from AIG FP. As the

financial crisis unfolded, holders of CDS demanded payment from AIG which was responsible for the repayment of billions that it did not have. Due to the extent and interconnectedness of AIG's business across the globe, its failure had potential to create a chain reaction of dangerous proportion.

Federal Reserve Rescue Efforts

The Federal Reserve (Fed) has taken an unprecedented level of action to restore liquidity to the financial markets. To help unlock the credit crunch, several actions such as: purchasing commercial paper to boost the market and provide critical short-term financing to businesses; purchasing mortgage-backed securities issued by Fannie Mae and Freddie Mac to reduce rates on home loans; stopping a run on money market funds used by companies to fund day-to-day operations by providing insurance to quell investor fears; and purchasing troubled assets for cash or Treasury bills to help the commercial lending market. A list of key programs and how much has been committed and invested as of November 2009, is shown below.

Federal Reserve Rescue Efforts	Committed	Invested
Asset-backed Commercial Paper Money Market Mutual Fund Liquidity Facility	Unlimited	$0
Bank of America, Bear Stearns, Citigroup Loan-Loss Backstop	$346.4B	$26.3B
Commercial Paper Funding Facility	$1.8T	$14.3B
Foreign Exchange Dollar Swaps	Unlimited	$29.1B
Fannie Mae & Freddie Mac Debt Purchases	$200B	$149.7B
Fannie Mae & Freddie Mac Mortgage-Backed Securities Purchases	$1.25T	$775.6B
Money Market Investor Funding Facility	$600B	$0
Term Asset-Backed Securities Loan Facility	$1T	$43.8B
Term Auction Facility	$500B	$109.5B
Term Securities Lending Facility	$250B	$0
U.S. Government Bond Purchases	$300B	$295.3B
Total	**$6.4T**	**$1.5T**

Source: Bailout Tracker – CNNMoney.com

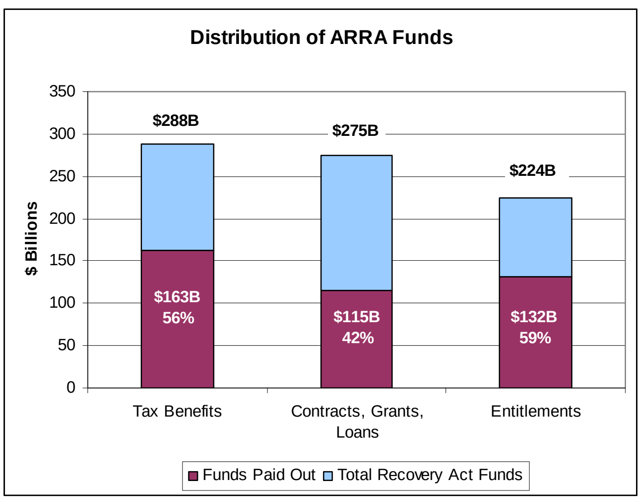
Fannie Mae and Freddie Mac Takeovers

Fannie Mae and Freddie Mac are semi-acronyms for the Federal National Mortgage Association (Fannie) and the Federal Home Loan Mortgage Corporation (Freddie). These two government sponsored entities were converted into publicly traded companies owned by investors. They own, either directly or through mortgage pools they sponsor, $5 trillion in residential mortgages, which is about half the total U.S. mortgage market. These entities were created to buy mortgages from lenders, freeing up capital that could go to other borrowers. Over the years, these entities have helped pave the way for American home ownership by providing loans to low and middle-income buyers who otherwise might not have been considered creditworthy. Increasing home ownership has been the goal of several presidents since World War II. The involvement of Fannie Mae and Freddie Mac in the sub-prime market began in the mid-90's as government tax incentives were created for purchasing mortgage backed securities which included loans to low income borrowers. From 2002 to 2006 the sub-prime market grew almost 300% and Fannie Mae and Freddie Mac's financial exposure grew with it. In the Fall of 2008, concerns arose regarding the ability of these entities to make good on their guarantees as they were highly leveraged. These firms raise cash to buy mortgages from a variety of sources, including pension funds, mutual funds, and foreign governments. Their influence on economies at home and abroad is pervasive enough that the Federal government placed them in conservatorship. This action helped preserve the liquidity of the mortgage market, but exposed taxpayers to potential multi-billion dollar losses if housing prices do not stabilize.

American Recovery & Reinvestment Act of 2009

In February 2009, Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009, sometimes referred to as the Stimulus Act, at the urging of President Obama, who signed it into law on February 17, 2009. A direct response to the economic crisis, the Recovery Act has three immediate goals: (1) Create new jobs as well as save existing ones; (2) Spur economic activity and invest in long-term economic growth; and (3) Foster unprecedented levels of accountability and transparency in government spending. The

Recovery Act intends to achieve those goals by: providing $288 billion in tax cuts and benefits for millions of working families and businesses; increasing federal funds for education and health care as well as entitlement programs (such as extending unemployment benefits) by $224 billion; making $275 billion available for federal contracts, grants and loans; and requiring recipients of Recovery funds to report quarterly on the amount of monies spent, the status of the project, the number of jobs created and/or saved, and other details, all of which are posted on Recovery.gov so that the public can track where the total $787 billion Recovery funds are going and how they are being spent. The chart below shows the distribution of ARRA funds as of June 11, 2010.



In addition to offering financial aid directly to local school districts, expanding the Child Tax Credit, and underwriting a process to computerize health records to reduce medical errors and save on health care costs, the Recovery Act is targeted at infrastructure development and enhancement. For instance, the Act facilitates investment in the domestic renewable energy industry and the weatherizing of 75 percent of federal buildings as well as more than one million private homes around the country.

Construction and repair of roads and bridges as well as scientific research and the expansion of broadband and wireless service are also included among the many projects that the Recovery Act will fund. While many of Recovery Act projects are focused more immediately on jumpstarting the economy, others, especially those involving infrastructure improvements, are expected to contribute to economic growth for many years.

Stimulus Projects in Pinellas County

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).

Pinellas County has applied for twelve grants funded from this act, seeking a total of $65,807,626. As of September, eight awards have been received totaling $10,713,026:

Health and Human Services – Replace Mobile Medical Unit with more capable vehicle:

- $327,150 received June 25, 2009 (the county matched $30,000)

Health and Human Services – Increased services offered by Mobile Medical Unit:

- $155,125 received March 27, 2009, and an additional $1,000 on September 21, 2009

Community Development - Block Grant Recovery Act Funding for the creation of the Homeless Emergency Project's Community Service Center:

- $809,226 received July 22, 2009

Community Development – Short-term rental assistance for at-risk residents (See HPRP Fingertip Fact Card for details):

- $1,237,464 received June 19, 2009

Office of Management and Budget – Energy Efficiency and Conservation:

- $55,000 received August 31, 2009 (strategy development funding only)

Airport – Terminal improvements and renovations:

- $5,357,400 received April 8, 2009

Justice & Consumer Services/Florida Department of Law Enforcement:

- Edward Byrne Memorial Justice Assistance Grant
- $1,962,437 awarded August 4, 2009 (Acceptance of Program)
- Each project requires a separate grant agreement

Airport – Terminal baggage conveyor improvements:

- $808,184 received November 3, 2009

For more information, go to the following website: www.pinellascounty.org/recovery

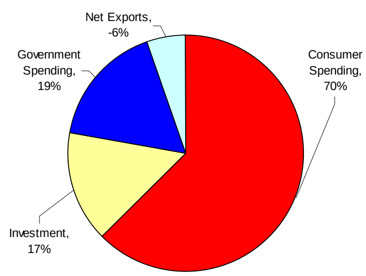
Implementation of the Stimulus

Although the Recovery Act was a single piece of legislation, it included thousands of funding streams for tens of thousands of projects. It is difficult to gauge the success of the Stimulus as much of it remains to be spent.

Certain programs that have achieved some measure of success include the Car Allowance Rebate System, otherwise known as "Cash for Clunkers", and the Build America Bonds program. The Cash for Clunkers program subsidized the trade-in value of vehicles meeting certain criteria for gas mileage towards the purchase of a new more fuel efficient vehicle. The program ran for two months and generated close to 700,000 dealer transactions. The Build America Bonds (BAB's) program provides a federal subsidy to help states and local governments raise funds by lowering borrowing costs and providing liquidity to the municipal-bond market. According to the U.S. Treasurey Department, the volume of BAB's had exceeded $97 billion as of May 2010, (representing 20.5% of new issues) and helped stabilize the municipal-bond market. However, the success of the overall Stimulus remains to be seen as the majority of its effects will not be known for some time.

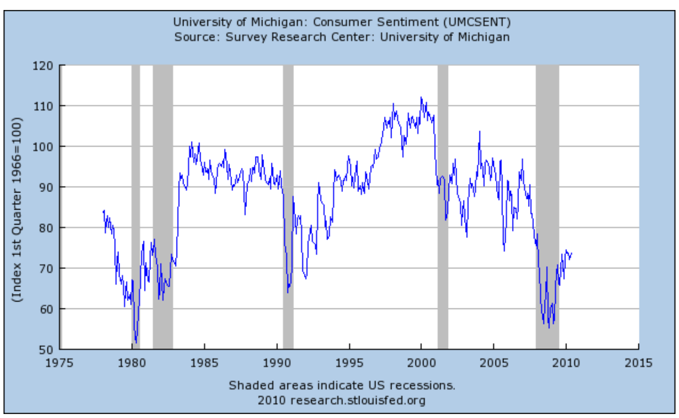
NATIONAL OUTLOOK

Gross Domestic Product (GDP) is the generally accepted measure of the size of the national economy. GDP measures the total market value of all final goods and services produced in a country in a given year. The major components of GDP are shown in the pie chart below.



Consumer Spending

At 70%, consumer spending easily represents the largest portion of GDP. Unfortunately, most economists expect low to moderate growth in consumption over the next couple of years. This expectation is based on relatively high levels of unemployment, an increase in household savings, a restrictive supply of credit, and potential tax increases. The graph below shows consumer sentiment from 1975 to date.



Source: St. Louis Federal Reserve

The October 2009 Labor Department report showed unemployment hit 10.2%, which is the first time it has been in double digits in 26 years. Federal Reserve Chairman Ben Bernanke was quoted in November that "the best thing we can say about the labor market right now is that it may be getting worse more slowly." Economists expect unemployment to bottom out either in late 2009 or early 2010. The latest available unemployment rate is 9.7% as of May 2010. According to the November survey by the National Association of Business Economics, payrolls are not expected to grow again until at least the second quarter of 2010.

The twin effects of the bursting of the housing bubble and the financial crisis resulted in a massive decline in household wealth. The unemployment picture has further exacerbated this trend. This decline will likely induce households to reduce their consumption and increase their savings in order to rebuild wealth. Unless there is a substantial rebound in housing prices or in financial assets, an increasing savings rate is likely to create a drag on the recovery in the short term while moving the economy to a more solid and sustainable position in the long term.

A more restrictive supply of credit will also likely impact consumer spending. Due to the financial crisis and resulting credit crunch, lenders have dramatically tightened the terms under which they will extend credit to households.

Consumer spending may also be constrained by a significant increase in taxes as several key tax provisions expire. The temporary higher exemption limits of the Alternative Minimum Tax (AMT) are scheduled to expire at the end of 2010, which would make many more taxpayers subject to the AMT. In addition the tax cuts provided by the Economic growth and Tax Relief Reconciliation Act of 2001, the Jobs and Growth Tax Relief Reconciliation Act of 2003, and the Making Work Pay tax credit enacted in the ARRA are schedule to expire by the end of 2010. Policymakers will be challenged to extend these tax provisions at the same time that additional revenue is needed to help offset huge costs associated with the financial bailouts and the stimulus.

Government Spending

The second largest component of GDP is Government Spending at 19%. As mentioned in the "Implementation of the Stimulus" section, many of the stimulus awards have yet to be awarded or spent. The economic impact of the stimulus should be felt at least through 2010, and in some cases, for several years. Going forward, the combined impact on the national debt from the wars in Iraq and Afghanistan, the economic stimulus, the financial bailouts, and the recession itself, will be an area of great concern.

Investment

The third largest component of GDP is Investment at 17%. Business investment in equipment and structures is likely to be sluggish due to large amounts of excess capacity. In the manufacturing sector, low demand over the last two years has left capacity utilization extremely low relative to historical norms. The financial sector has shrunk substantially and is not following a traditional pattern of investing heavily in high tech equipment. Investment in structures will likely see a significant contraction over the next year and a half as demand for office and retail space has plummeted. Residential fixed investment growth should finally see positive growth beginning in 2010. Finally, inventories have shown sustained growth as demand has appeared to stabilize.

Net Exports

The definition of net exports is exports minus imports. Current net exports are at a -6%. A key factor driving net exports is the value of the dollar. During the financial crisis there was a "flight to safety" by investors which resulted in a surge in the demand for the dollar. This resulted in a temporary sharp appreciation of the value of the dollar which has since abated as the global panic has dissipated. Many economists feel that the value of the dollar will depreciate slightly over the next few years which should help increase exports and reduce the negative net exports calculation.

Summary of National Outlook

Most economists agree that the economy has hit bottom and that we are emerging from the worst recession since the Great Depression. Normally economic recoveries are marked by real economic growth of around 5% in the first year of recovery due to pent up demand. It is anticipated that this particular recovery will more than likely be in the 2-3% range as shown in the following table.

Economic Recovery	GDP Growth
1961-1962	7.5%
1970-1971	4.5%
1975-1976	6.2%
1982-1983	7.7%
1991-1992	2.6%
2001-2002	1.9%
Average	5.1%
2009-2010 Forecast (ML Forecast)	**2.6%**

Source: Merrill Lynch Economic Commentary, August, 2009

In summary, the national economy has appeared to stabilize and is anticipated to grow slightly through 2010 and experience moderate growth in 2011 and 2012.

The State Economy

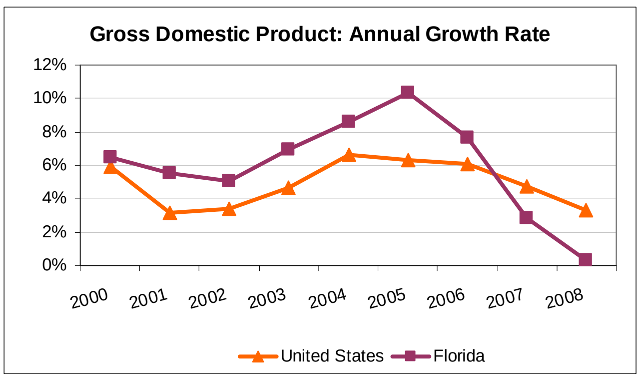
BACKGROUND

Until a few years ago, Florida was one of the nation's fastest growing states. With the end of the housing boom and the beginning of the real estate market correction, the state slipped to virtually no growth on a year-over-year basis. While Florida was not the only state to experience a significant deceleration in economic growth (California, Nevada and Arizona showed similar trends), it was one of the first and hardest hit. Looking across the 50 states, the three most-widely used indicators of government financial health illustrate these changes.

State Gross Domestic Product

Gross Domestic Product (GDP), the market value of all final goods and services produced or

exchanged within a state, is one of the key economic measures for the comparison of states. While Florida has outperformed the nation as a whole in nine of the past eleven years, two of these years (2004 and 2005) were greatly influenced by the activity sparked by the 2004 and 2005 storms (primarily through insurance payments). In 2006, Florida returned to the national growth level before dropping below it in 2007 (4.8% US versus 2.8% FL) and 2008 (3.3% U.S. versus 0.3% Florida). Florida's nominal GDP in 2008 was just over $744 billion.

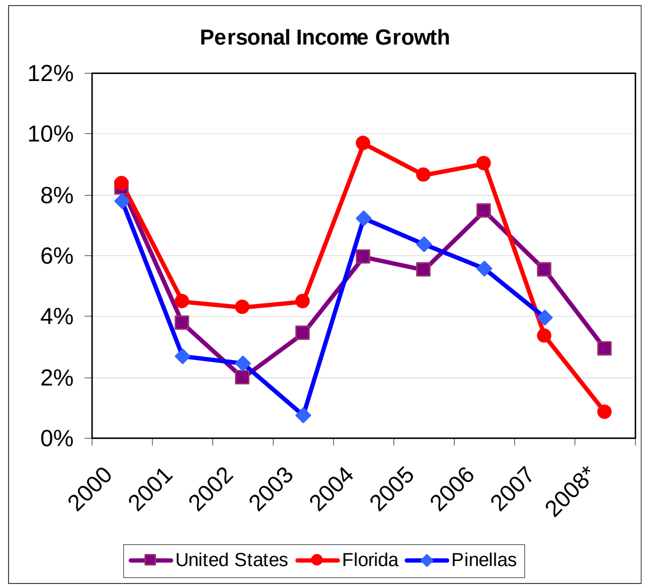


Source: Bureau of Economic Analysis

After adjusting for inflation, Florida's real growth in GDP ranked it 48th in the nation in 2008 with an outright decline of -1.6%. By way of comparison, Florida ranked 2nd in the nation in 2005. For Arizona, Nevada and Florida, losses in the construction sector accounted for a significant portion of the decline as it subtracted more than one percentage point from real GDP growth in each of these states.

Personal Income Growth

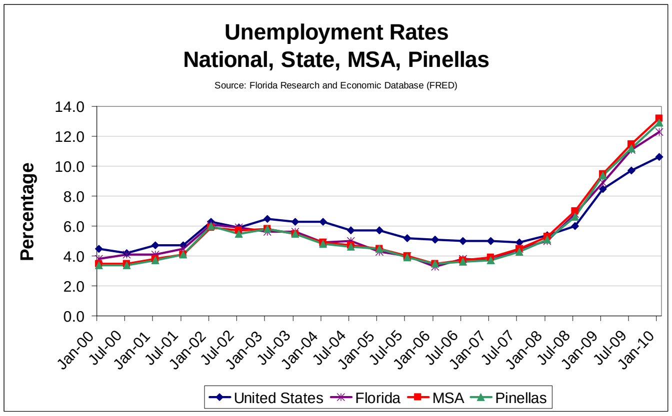
Other factors are frequently used to gauge the health of an individual state. The first of these measures is personal income growth, primarily related to changes in salaries and wages. Quarterly personal income growth is particularly good for measuring short-term movements in the economy. Over the past year, Florida has had four consecutive quarters of negative growth. The decline of 0.2% in the most recent quarter (Q2 of the 2009 calendar year) ranked Florida 41st in the country. Florida's personal income in 2008 was $719.7 billion. The latest personal income projection for 2009 (implied by the seasonally adjusted annual rate in the second quarter) was just over $699 billion. Personal Income growth 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%.



Note: 2008 data not available for Pinellas County
Source: Bureau of Economic Analysis

Job Growth and Unemployment

The key measures of employment are job growth and the unemployment rate. While Florida led the nation on the good-side of these measures during the boom, the state is now worse than the national averages on both and the problems are widespread. Over the last year, the only sector to gain jobs among Florida's major industries was Education & Health Services. Within this sector, all of the increase was due to health services, primarily in nursing and residential care facilities. And in September of 2009, Florida's 11% unemployment rate ranked it 8th in the country – with 40 of the state's 67 counties experiencing double-digit unemployment rates.



Source: Florida Research and Economic Database (FRED)

Largely, increased unemployment is related to Florida's troubled housing market and the worsening national and global conditions. The growing inventory of unsold houses coupled with the spreading credit crisis dampened residential construction activity throughout 2009. In July 2008, the Florida Economic Estimating Conference (FEEC) had expected a meager 59,500 private housing starts for the year. In fact, new activity plummeted to just 16.2% (44,000 private housing starts) of the 2006 level. In yet another manifestation of the large housing market adjustment still facing Florida, existing single family home sales ended the 2009 fiscal year nearly 45% below the peak volume of the 2005 banner year, while the median home price continued its double-digit decline.

Financial Shocks

Florida's economy has essentially moved through three waves of responses to financial shocks: the collapse of the state's housing boom, a national recession, and a credit crisis severe enough to bring on a global contraction. At first, the end of the housing boom brought lower activity and employment in the construction and financial fields, as well as spillover consumption effects in closely related industries: landscaping and sales of appliances, carpeting, and other durable goods used to equip houses. This began in the summer of 2005 when the volume of existing home sales started to decline in response to extraordinarily high prices and increasing mortgage rates. Closely linked to the housing industry, Florida's nonagricultural employment annual growth rate began to retreat from its peak in the fall of 2005. By the summer of 2006, existing home prices began to fall, and owners started to experience negative wealth effects from the deceleration and losses in property value. Mortgage delinquencies and foreclosures became commonplace as property prices further tanked in 2007, and the unemployment rate began to climb as part of a slow slide into a national recession that was ultimately declared in December 2007. By the fall of 2008, Florida's homegrown problems with the housing market were giving way to several worldwide phenomena: a national recession that was spreading globally and a credit crisis that was threatening to bring down the world's largest financial institutions. As the sub-prime mortgage difficulties spread to the larger financial market, it became clear that any past projections of a relatively quick adjustment in the housing market were overly optimistic. Forecasts were dampened through the end of the fiscal year, and then again as the excess inventory of unsold homes was further swollen by foreclosures and slowing population growth arising from the national economic contraction.

Bridge to Recovery

In addressing the State's 2011 $3.2 billion deficit the Florida Legislature used $2.6 billion of federal stimulus funds and $500 million of trust funds to minimize deep budget cuts and build a bridge to recovery. The stimulus funding and trust fund sweeps are non-recurring in nature. This means that the upcoming budget cycle will be extremely challenging. In the near term it is possible that the Legislature will shift costs (mandates and funding formulas) to local governments in an effort to deal with fiscal pressures at the state level.

FLORIDA OUTLOOK

The forecast information below for the State's economy is derived primarily from the Florida Economic Estimating Conference which met in November 2009 to revise the forecast for the State's economy. There have been no material changes to that forecast since that time.

Labor Market

According to the latest nationwide data, Florida is still losing jobs (a job growth rate of -4.7% in September) at a greater pace than the nation as a whole (-4.2%). Florida's nonagricultural employment actually peaked in March 2007. Since then, the state has lost 732,900 jobs. While the state's job losses began with the construction downturn, almost all of the major industries have now been affected. Overall employment is projected to decline a further 2.7% in 2010 and then increase by 1.6% in 2011, 2.8% in 2012, and 2.7% in 2013. Florida's job growth – once recovery begins – may be a little faster than the nation as a whole. However, even after three consecutive years of positive growth, Florida does not return to its 2007 employment level (the pre-recession, fiscal year peak) until 2014, and is not likely to surpass it until 2015. By contrast, the nation is expected to surpass its highest point (2008) in 2013. Florida clearly has substantial ground to recover over the next few years. Job restoration in the construction, manufacturing, information, financial activities, and natural resources & mining sectors will lag behind the other areas and not return to positive annual growth until 2012.

Following the same general pattern, the unemployment rate is expected to peak at 11.4% in 2010, producing an annual level of 11.2% for the fiscal year before very slowly returning to more normal levels. The unemployment rate for 2011 is projected to be 11.0%, followed by 9.8% in 2012 and 8.6% in 2013. The Florida forecast lags the national forecast by one quarter, with the national unemployment rate peaking at the beginning of the 2010 calendar year. The outlook for wages and salaries has similarly weakened. Originally projected to maintain positive growth throughout the recession, they are now expected to mirror the 3.9% decline experienced in 2009 with another 2.5% decline in 2010 before resuming growth at a slower than average rate in 2011. Normal growth will not return until 2012. Florida's long-term growth prospects are slightly better than the national forecast, however, Florida's average annual wages largely fall below the nation as a whole. In 2008, Florida's average annual wage for all industries was only 89% of the national average.

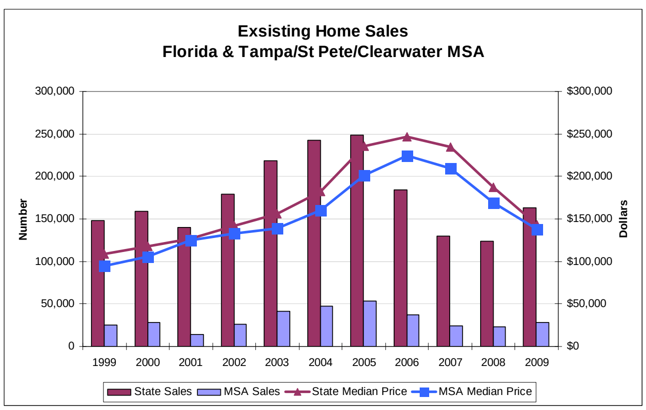
Housing and Construction

Vigorous home price appreciation that outstripped gains in income and the use of speculative financing arrangements made Florida particularly vulnerable to the decelerating housing market and interest rate risks. In 2006, almost 47% of all mortgages in the state were considered "innovative" (interest only and pay option ARM). With the ease of gaining access to credit, long-term homeownership rates were inflated to historic levels – moving Florida from a long-term average of 66% to a high of over 72%. Essentially, easy, cheap and innovative credit arrangements enabled people to buy homes that previously would have been denied.

The surging demand for housing led many builders to undertake massive construction projects that were left empty when the market turned. The national inventory of unsold homes is close to 8 months. In Florida, the picture is worse. Based on the most recent data, the excess supply of homes is now approaching 400,000. At any given point of time, an inventory of roughly 50,000 is normal – the 400,000 figure is on top of that level. Subtracting the "normal" inventory and using the most recent sales experience, the state will need significant time to work off the current excess which is estimated to take until the summer of 2011, likely longer. Because the

state is so diverse, some areas will reach recovery much faster than other areas.

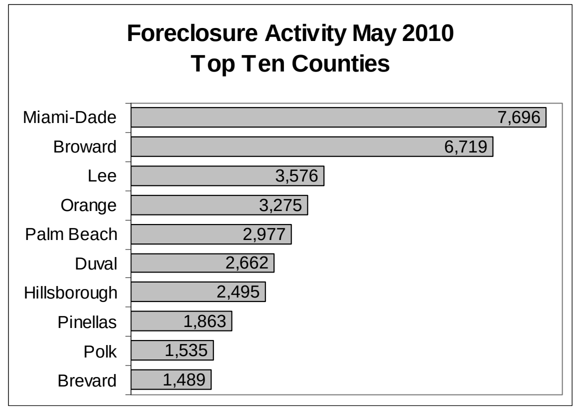
During 2009, existing home sales have grew by double-digit rates over the same months in the prior year. In the last half of 2009, the sales volume averaged nearly 65% of the level achieved in the 2005 banner year. Much of the sales increase has been driven by the increasing number of distressed sales. This can be seen in the continuing price declines. In 2007, the median price of an existing home declined 5%, in 2008 it declined 20%, and in 2009 it declined 27%. From an economic perspective, double-digit price declines are a precursor to recovery, but still a painful adjustment. The inventory of unsold homes suggests that prices will continue to fall through the middle of 2010. From the peak in June 2006 to September 2009, the state had already seen a 45% decline in median price for existing homes.



Source: Florida Association of Realtors

Foreclosures

Foreclosures have further swelled Florida's unsold inventory of homes. Originally related to mortgage resets and changes in financing terms that placed owners in default, recent increases have been boosted by the continually growing number of unemployed. RealtyTrac's Midyear 2010 Metropolitan Foreclosure Market Report shows that cities in California, Florida, Nevada and Arizona continued to document the nation's highest foreclosure rates in the first half of 2010. Recent analysis suggests that a significant bubble of additional foreclosures is working through the pipeline.



Source: RealtyTrac.com

The Florida economy is unlikely to turn around until new construction comes back to life, and that is not expected to happen until the inventory is reduced. Tight conditions in the credit market and home prices that are less than construction costs are keeping single-family housing starts in a significant decline that shows little improvement through the end of 2010. A strong rebound is not expected until 2012, however, it is expected to last through the next five years. Total construction expenditures follow a similar pattern, not returning to the 2006 level until 2017.

Commercial Real Estate

As the availability of financing for commercial real estate tightens and loan losses mount, growth in private nonresidential construction expenditures is projected to fall another 22% this year after last seeing positive growth in 2008. The market is expected to stabilize next year, and then return to stronger growth in the out-years. Similarly, after posting a 19.4% gain in 2008, public construction activity dropped 15.8% in 2009 and is projected to stay virtually flat this fiscal year. However, growth is expected to return relatively quickly (11.2% next year and 6.7% in the following year).

Population Growth

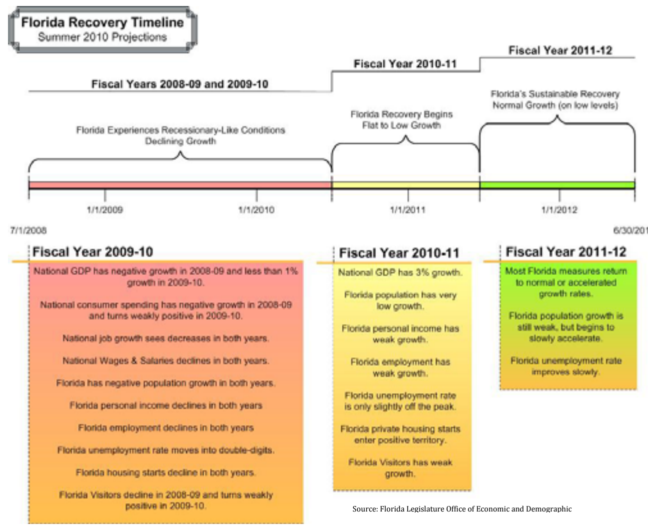
Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth. The national economic contraction temporarily erased Florida's population gains, but this is not unexpected. Nearly 80% of the state's population growth comes from positive net migration, primarily from people moving into Florida from other states. From past studies, it is clear that people are reluctant to move during recessions because of the inability to sell their homes and because of the difficulty in finding new jobs.

Population growth hovered between 2.0% and 2.6% from the mid 1990's to 2006, then began slowing before turning negative in 2009 and 2010. In 2011 the slight gain will largely reflect the state's natural increase (positive births minus deaths) with projected growth of just 66,256 new residents. These extremely low rates of growth are unprecedented in Florida's modern history. Over the forecast horizon, population growth will moderately rebound – persisting above 1.1% after 2013. While this is still significant growth – Florida was adding a city roughly the size of Miami every year; in the future, it will be a city more like Clearwater – it is markedly lower than the average of the annual growth rates between 1970 and 1995 (3.0%). Overall, Florida's population was 15.9 million in 2000, was 18.7 million in 2009, and is on track to break the 20 million mark in 2015, surpassing New York to become the third most populous state around the same time.

Summary of Florida Outlook

As shown in the Florida Recovery Timeline from the Florida Legislature Office of Economic and Demographic Research, Florida can expect flat to low growth halfway through 2010 and make a gradual transition to low level normal growth beginning halfway through 2011 and on through 2012. This low level normal growth is marked by weak population growth and a slow improvement in the unemployment rate.

A larger version of the Timeline can be found at the end of this section.



Source: Florida Legislature Office of Economic and Demographic Research

The Local Economy

BACKGROUND

The context of this section is from the perspective of background impacting the County's budget.

Property Value Increases

From FY2002 to FY2007 there were unusually large increases in property values in Pinellas County and throughout the state. Across Florida, public budget hearings 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 FY2007 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.

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

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 reductions in property taxing capability of local government in Florida. The Legislature did not make similar reductions to FY2008 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 FY2008 to a point below the FY2007 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 FY2002 to FY2007. 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:

- The County's FY2002–FY2007 percentage increase in per capita property tax was below the state's average increase for counties;
- The County's FY2007 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).

Property Tax Revenue Cap

The other item adopted by the Legislature with important long-term implications was the implementation of a property tax revenue cap. Beginning in FY2009, property tax revenue increases will be limited to new construction plus the statewide percentage increase in per capita personal income. 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.

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 information from the Florida Department of Revenue, it appears that the County may have some flexibility for increases above the property tax revenue cap in the short term because the Board has not levied the maximum millage since the baseline was set in FY2008.

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. To date, the County has not seen an impact from this cap because values have actually declined since it was passed. However, due to the bursting of the housing bubble and the negative impact of foreclosures, the baseline of values has been set artificially low, which will keep property tax revenues constrained by a higher than anticipated margin.

Impact of Amendment One

The FY2009 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 FY2008 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:

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

Impact of the Recession

At the same time that the impact of Amendment One was being felt, the real estate "bubble" burst, and market values for property declined dramatically. The result was an unprecedented decrease in the property tax base. Since World War II, the average annual increase in taxable value is about 5%. In the last three years, the Countywide taxable value has decreased 8.4%, 11.4%, and 9.7% with another 5% decrease anticipated in FY2012. Normally, some of this revenue decrease would be offset by the rest of the revenue mix such as sales taxes, state revenue sharing, and other miscellaneous

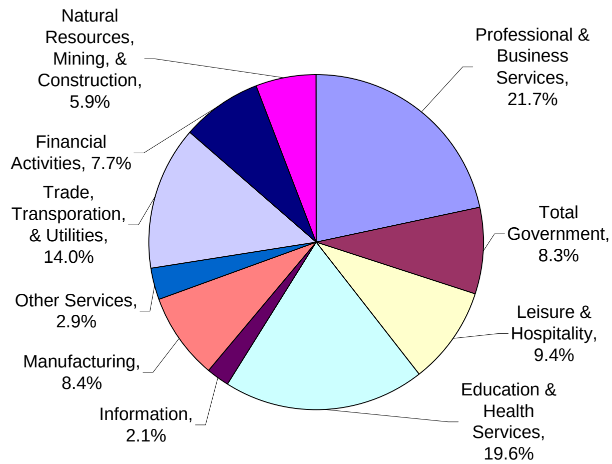
revenues. Unfortunately, the general economy deteriorated to the point that virtually the entire mix of non-property tax revenues also declined substantially. The end result of all of these changes was a large negative impact to the County's revenues which have resulted in significant reductions across all of the County's funds.

Impacts to the Pinellas County Budget

Over the last four years, the County has been faced with resizing the organization to fit the new fiscal reality stemming from legislative action, the bursting of the housing bubble, and the recession. Since FY2007, total positions have decreased 1,618 or 25%. Within that number, the BCC departments have decreased 985 positions or 35%, which yields the lowest position count since FY1985. The Constitutionals and Independents have decreased 633 positions or 17% which yields the lowest position count since FY1995. The total position count is currently the lowest since 1989. In the General Fund, the County's largest fund that funds most of its operations, property taxes (two-thirds of total revenues), are expected to decrease 35% or $152 million from FY2012 to FY2007.

LOCAL OUTLOOK

Pinellas County is the 6th largest county in population (938,461) and is the most densely populated in the State. Pinellas County is mostly built out and expects limited population growth in the future. The County is the most popular tourist destination on the Gulf of Mexico, drawing 13 million tourists annually. The County is part of the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA) comprised of Hernando, Hillsborough, Pasco, and Pinellas counties. Below is a chart of Employment by Industry (2006 data) for Pinellas County.



Over the last three years, several of these areas have seen substantial decreases: Natural resources, mining, and construction decreased 27%; Manufacturing 17%; Information 12%; Professional & Business Services 10%; Trade, Transportation, & Utilities, 8%; and Financial Activities 8%. The only area that has shown healthy growth since 2007 is Education & Health Services which has increased 8%.

Unemployment

In prior years, the average unemployment rate in the Tampa-St. Petersburg-Clearwater MSA has been 3.5%-4.5%. In the table below, local unemployment exceeds the average beginning in 2008 and is expected to crest in 2010 and remain above average at least through 2013.

Year	Unemployment Rate (MSA)
2004	4.5%
2005	3.9%
2006	3.4%
2007	4.2%
2008	6.5%
2009	11.2%
2010 (Est.)	12.6%
2011 (Est.)	11.5%
2012 (Est.)	9.7%
2013 (Est.)	8.1%

Source: UCF Institute for Economic Competitiveness Florida & Metro Forecast, March, 2010

This means that even if the economy improves in the short-term, that unemployment will continue to be a factor for several years.

Tourism

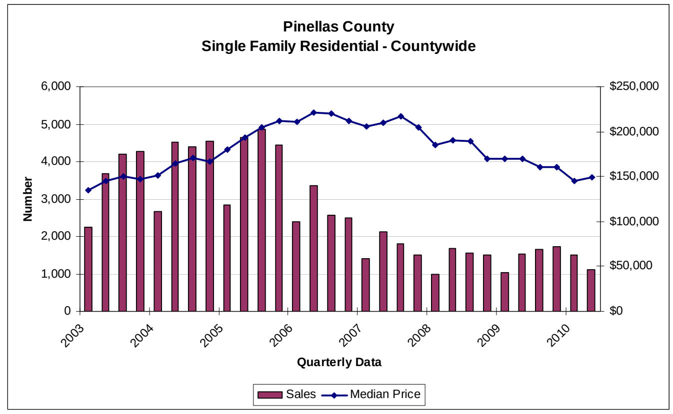
Tourism is a key economic driver of the economy in Pinellas County and contributes direct and indirect visitor expenditures of $6.7 billion annually. Tourism is very sensitive to economic conditions because it is discretionary in nature. Bed tax collections have decreased markedly over the last year as the recession deepened. It is important to note that the number of visitors has remained fairly flat, but their overall expenditures, booking trends, and length of stay have decreased. Most economists predict that the overall economy has bottomed out and tourism is expected to increase gradually over the next several years from 1.5% to 2.5% before returning to an average increase of approximately 3.5% a year. (See the Fund Review for the Tourist Development Council Fund section of this document).

Real Estate

The real estate market in Pinellas County is struggling to recover from the bursting of the housing bubble. Pinellas, like the rest of Florida, experienced a dramatic rise in housing values for several years during the housing boom. Since the bubble burst, values countywide have declined by 8.4%, 11.4%, and 9.7% in the last three years and another 5% decrease is expected next year.

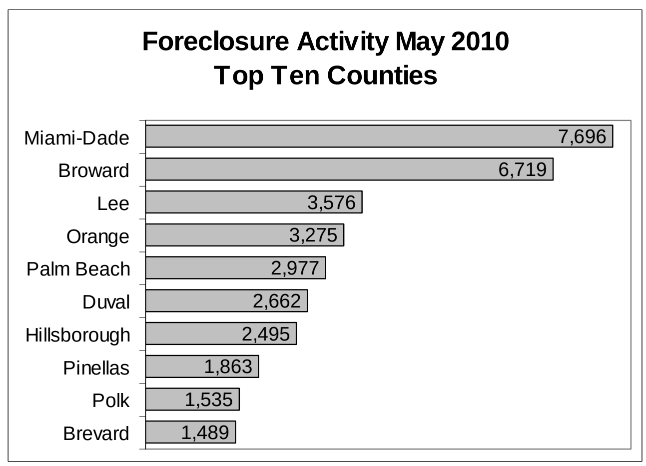
Residential Real Estate

Over the last year, home sales in the Tampa Bay area have risen. However, almost half of all the sales are distressed sales involving foreclosed properties. Because distressed sales compose such a high proportion of the overall market, housing prices have decreased dramatically. The chart below shows that the median price in Pinellas County is currently at $149,000 which is 33% lower than the median price of $221,500 from 2006.



Source: Pinellas County Property Appraiser's Office

Foreclosures continue to hamper the recovery of the residential real estate market. In 2006, the monthly average of foreclosures was 308. In 2007, foreclosures doubled to 628 a month. From January 2008 through May 2010, foreclosures are averaging almost 1,200 a month, which is approximately four times the normal average.



Source: RealtyTrac.com

Bank-owned property has also spiked as the 61 banks headquartered in the Tampa Bay area have $120.5 million of property on their balance sheets in 2009 compared to $8 million in 2007.

Recovery in the residential real estate market is dependent on the strength of housing in several feeder markets, notably the Midwest and the Northeast. As those markets recover over the next two years, potential retirees and job hunters can sell houses in their home markets

and help the Pinellas housing market decrease its current high level of inventory.

Commercial Real Estate

Although there are prospects of improvement in the residential market, the distress in the retail, industrial, hotel and office sectors has only begun to unfold. The Tampa-St. Petersburg-Clearwater MSA ranks No. 17 among all MSAs in terms of delinquent balances on loans that are rolled up into commercial mortgage-backed securities. Fifty of the 601 CMBS loans in the MSA were delinquent as of November 23, 2009, which is a higher delinquency rate than markets such as New York or Los Angeles. The Federal Reserve expects the situation to deteriorate further due to negative fundamentals. Also, borrowers' difficulty in paying-off balloon mortgages and other loans will have an adverse impact. The absence of liquidity is a major issue since without the ability to refinance expiring mortgages on projects, many owners will be forced to foreclose or trade commercial property in fire sales, further eroding values. In the Tampa Bay area the commercial market is not expected to hit bottom until the region has experienced at least two quarters of positive job growth. Unfortunately the Tampa-St. Petersburg-Clearwater MSA unemployment is forecast to be extremely high, if not at double digits for the next 2-3 years.

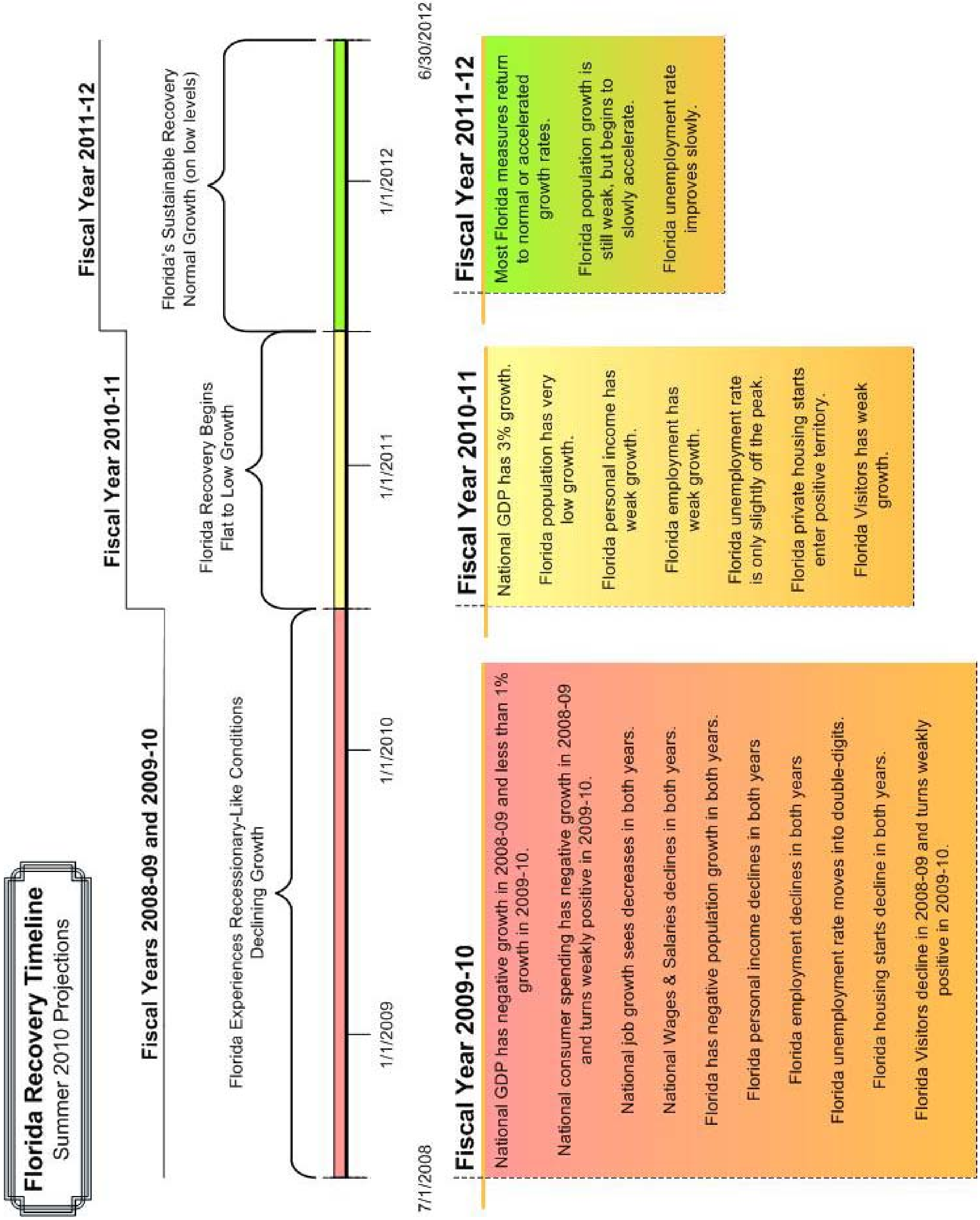
Summary of Local Outlook

The Tampa-St. Petersburg-Clearwater MSA economy is expected to hit bottom during 2010 and grow slightly in 2011 before growing moderately in 2012 and 2013 as shown in the following chart.

Year	% Change in Gross Metro Product (MSA)
2004	4.5%
2005	5.5%
2006	3.8%
2007	-0.2%
2008	-2.1%
2009	-4.4%
2010 (Est.)	-1.2%
2011 (Est.)	2.7%
2012 (Est.)	4.6%
2013 (Est.)	4.3%

Source: UCF Institute for Economic Competitiveness
Florida & Metro Forecast, March, 2010

In the short term, the local recovery is expected to begin in 2011 but will be hindered by double-digit unemployment, low prices and high inventory of residential property due to foreclosures, and the continuing deterioration of the commercial real estate market.



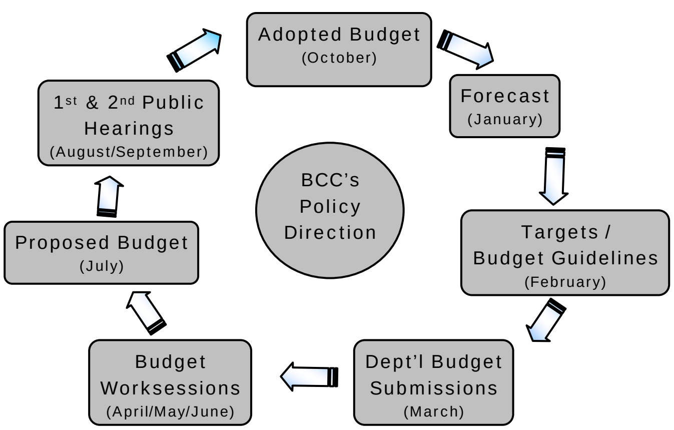
Source: Florida Legislature Office of Economic and Demographic Research

The *Multi-Year Budget Forecast* portion of the FY2011 Budget Message discusses how the Forecast dovetails with the annual budget process, how the Forecast is developed, and how the Forecast can be used as a planning tool to enhance decision making. It includes the following sections:

- Forecasting and the Annual Budget Process
- Developing the Forecast
- The Power of the Forecast

Forecasting and the Annual Budget Process

The first step in the annual budget process is to update the Forecast in order to develop the budget guidelines for the FY2011 budget process.



Several of the County's key funds are included in the Forecast. Each fund is analyzed individually as part of the forecasting process.

Development of Budget Guidelines

The budget guidelines are developed by County Administration based on the results of the Forecast and policy direction from the Board of County Commissioners. If the results of the Forecast for a given fund indicate a shortfall, the budget guidelines would most likely include some kind of reduction target. If a surplus is expected, the guidelines would most likely include proposals for new or enhanced programs. The budget guidelines are communicated to the County's departments and agencies for use during their budget development. At this time all instructions and resources for preparing budget requests are also distributed.

Updating the Forecast

After the Forecast is prepared and presented to the Board of County Commissioners in the January timeframe, the Forecast is continually updated throughout the rest of the fiscal year in parallel with the budget development process.

Developing the Forecast

The Forecast is developed by the Office of Management & Budget (OMB) during November and December for presentation to the Board of County Commissioners in January.

Developing Projections

The Forecast is built upon an individual assessment of ten of the County's major funds: the General Fund, Tourist Development Fund, Transportation Trust Fund, Penny for Pinellas Fund, Emergency Medical Services Fund, Fire Districts Fund, Airport Fund, and Utilities Water, Sewer, and Solid Waste Funds.

The process for developing the Forecast includes updating the projections for FY2009 with actual revenue and expenditure information following the closeout of the fiscal year as of September 30, 2009. At the same time, the current FY2010 expenditures are projected on a preliminary basis by analyzing the actual expenditures to date and projecting the remaining months left in the fiscal year. These expenditure projections are further refined later in the process as department provide their expenditure projections. The coming FY2011 budget year is forecasted based on the best information

available at this point in time. The Forecast has a ten year horizon to help determine the long-term financial position of the County's funds as well as the impact of today's budget decisions. The out-years through FY2020 are forecasted using various projection methods such as trend analysis, linear regression, and moving averages.

Forecast Assumptions

The projections are modeled so that assumptions may vary each year to reflect future impacts of known variables and other anticipated events. The model is also designed to allow the key assumptions to be adjusted so that sensitivity analysis can be performed to demonstrate the impact of changing key assumptions. Additionally, unknown risks that could potentially affect the ten-year forecast have been identified and discussed.

Forecast Results

Major assumptions driving the revenue and expenditure projections are outlined to ensure a clear understanding for the basis of the results. Shortfalls and surpluses are cumulative in the sense that any individual year's surplus or deficit flows into the next year's fund balance, thus carrying a current year's balance forward. In using the information contained in the projection, it is important to understand that an indicated surplus or deficit reflects the model's assumptions and demonstrates a potential need for revenue increases, expenditure reductions, or a mix of both.

The Power of the Forecast

Developing a multi-year forecast provides decision-makers with at least two key benefits: (1) assessing the long-term financial sustainability of the County's Funds and (2) understanding the impact of today's decisions on the future.

Long-Term Fiscal Sustainability

One of the key purposes of developing a multi-year fund forecast is to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure fiscal sustainability. Forecasting over a ten-year horizon can serve as a window into the future to warn of potential future challenges. For example, if a major capital project (i.e. jail expansion) will have a significant impact on the operating budget, that impact can be anticipated several years in advance and strategies can be developed and implemented to manage the negative impact to the budget. Conversely, if debt service on a bond is due to expire in the near future, additional funds may become available to increase service levels to certain programs or other uses.

Enhanced Decision-Making

Another benefit of long-term forecasting is the ability to assess the impact that decisions made in the present can have on future fiscal capabilities. If the Board is considering funding a new program or enhancing an existing one, the Forecast can demonstrate the long-term impact to the budget. Similarly, if the Board is considering a new revenue source, the Forecast can show how much revenue could be anticipated over the years. Implementing cost-saving initiatives can also be forecasted and evaluated over time. In summary, the Forecast can be a powerful tool to understand how policy changes have real consequences that last far beyond a one-year budget solution.

The *Budget Targets & Reduction Process* portion of the FY2011 Budget Message discusses the process for developing this year's budget targets. The development of budget targets is directly related to the Forecast and the assumptions therein. This section also provides an overview of the organizational approach to making reductions. It includes the following sections:

- Budget Targets
- Reduction Process

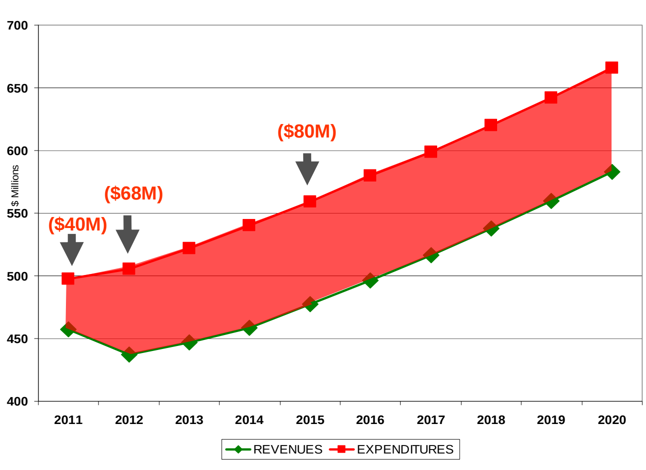
Budget Targets

Current Year Target

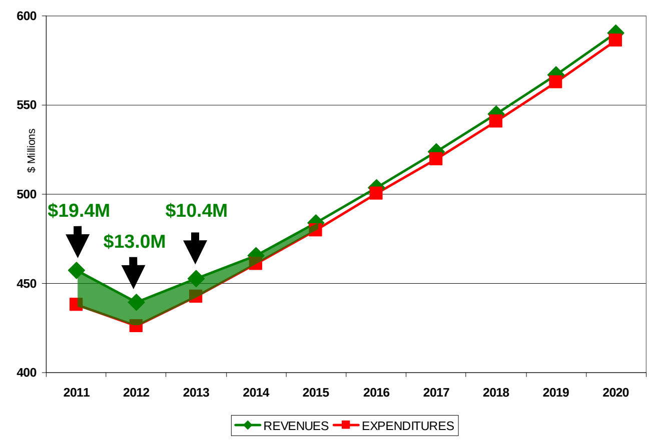
Based on the budget forecast performed in January, individual expenditure targets were identified for each fund. In order to create additional flexibility in the FY2011 budget process, departments and agencies in the General Fund were given a target of spending 97% or less of their FY2010 approved budgets. The Forecast assumes a 99% spending rate consistent with a historical average. Any amount below 99% helps make non-recurring funds available that can be used for non-recurring (one-time) purposes.

General Fund Target

The ten-year forecast for the General Fund shows a structural imbalance (where projected recurring expenditures exceed recurring revenues) of $80 million between FY2011 and FY2015.



On February 2, 2010, the Board adopted the staff recommendation of a multi-year approach to the overall $80 million target. The Board directed the multi-year target be set at $60 million in FY2011 and $20 million in FY2012. These targets, if met, would structurally balance the General Fund through the Forecast period as shown below.



A $60M reduction target meets the actual shortfall of $40 million in FY2011 and contributes almost $20 million to the Service Level Stabilization Account in year one and additional amounts in FY2012 and FY2013. The contribution to the Service Level Stabilization Account of almost $20 million is the result of making reductions of $20 million over and above the $40 million necessary to balance the fund in FY2011. Funds in the Service Level Stabilization Account can be used for non-recurring (one-time) purposes and could potentially provide budget flexibility in the FY2012 budget process and allow for additional time to get a clearer picture regarding the trends in property values that are the most important revenue drivers in the forecast.

The benefits of front-loading the bulk of the reductions in the first year are several. The first is that in evaluating the reductions, this approach provides 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 FY2011 with more to come in FY2012. This year's budget process could focus on program and personnel reductions necessary to help stabilize the organization allowing the focus next year to be on operational efficiencies, transformation processes, and other opportunities that require additional time for implementation.

The FY2011 $60 million General Fund target was allocated proportionately to the adjusted base budget between BCC departments and Constitutional Officers and Independent Agencies. The adjusted base budget is calculated by starting with the FY2010 expenditure budget and making various adjustments such as backing out reserves, non-property tax revenues, cost allocation charges, non-recurring projects, and other items. Making these adjustments ensures a more accurate base on which to apply the reduction percentages and helps avoid distorting the forecast picture. The Budget staff collaborated with staff from the Constitutional Officers and Independent Agencies to determine the adjusted base budgets against which the target reductions were applied. To reach the FY2011 target amount of $60 million a 15% reduction factor needs to be applied to the adjusted base budget of $396 million.

On February 9, 2010, the Board adopted the staff recommendation of a 15% proportional reduction to the departments under the Board of County Commissioners as well as the Constitutional Officers and Independent Agencies. The 15% proportional reduction against the adjusted base budgets resulted in reduction targets of $21 million to the BCC departments and $39 million to the Constitutionals and Independents as shown below.

	Adjusted Base Budget	Reduction %	Reduction $
BCC Departments	**$141.7M**	**15%**	**$21M**
Constitutionals & Independents	**$254.3M**	**15%**	**$39M**
Total	**$396.0M**	**15%**	**$60M**

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 Cooperative, were asked to submit budgets that can be supported by their revenue streams which include a significant reduction in property tax revenue in both FY2011 and FY2012.

In Utilities, the Water system was directed to meet an expenditure reduction target that would limit a water rate increase needed in FY2011 to 3.5%. Similarly, the Sewer system was instructed to meet an expenditure reduction target that would limit a sewer rate increase needed in FY2011 to 1.5%.

In the Tourist Development Council fund, an expenditure target of approximately $1 million was assigned in order to achieve a 10% reserve target in FY2011.

Additional information regarding the achievement of the targets discussed above is available in the fund reviews section of the Budget Message.

Reduction Process

The BCC departments were instructed to submit potential reductions totaling 30% of their FY2010 budgets. Over the last few months we have reviewed and prioritized that list to identify the reductions necessary to meet the 15% target of $21 million. The $21 million target is an aggregate figure so individual departments may experience reductions that are more or less than the overall 15% target.

As staff approached the proposed program reductions, we considered the following:

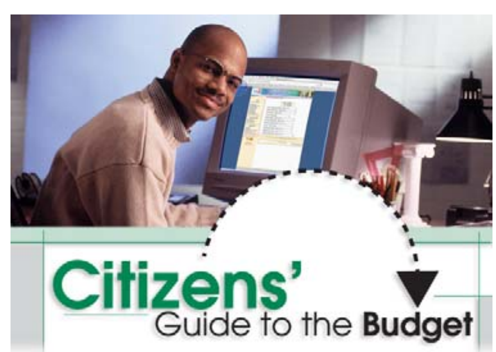
- Is the program or service level reduction consistent with BCC priorities?
- Given the new budget climate, should the County continue to provide this service?
- What is the impact of the program reduction to the community?
- Can we reduce the service level of the program and still have a viable program?
- 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?

Community Input

The County has also incorporated considerable public and employee input into our reduction process. For example, the Board of County Commissioners held three community meetings to discuss the budget in March. Meetings were held on March 3rd in Palm Harbor, on March 11th in Seminole, and on March 18th in St. Petersburg. We were very pleased to have over 400 attendees. We received valuable input and feedback for this year's budget process.

The County also held its first ever **eTownHall** meeting on March 15th. The goal of the meeting was to reach, engage, and involve more citizens – those not often able to attend public hearings – by providing a convenient electronic portal through which citizens could dialogue with the County Commissioners. This event generated 1,000 unique video viewers, 602 unique blog readers, and 304 published comments. Since the meeting, there have been 1,422 replays of the video and 828 replays of the blog. The County's eTownHall meeting has been profiled by Government Technology Magazine and the National Association of Counties and helped to contribute to Sunshine Review's award of an A+ transparency grade for the County's website. Pinellas County is one of only eight out of more than 3,000 counties in the entire United States to receive this designation.

In addition to the public meetings, we have also received input through the County's "**Citizens' Guide to the Budget"** website at www.pinellascounty.org/budget. This website includes helpful information on the Pinellas County budget including video, presentations and handouts for all budget development meetings as well as useful information such as the budget timeline, the budget document, opportunities for citizen input, how the budget process works, and other budget-related topics.

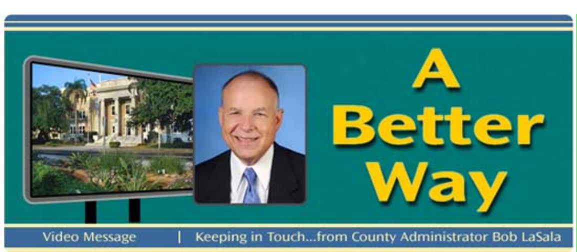


Earlier this year, the citizen suggestion box was re-activated and we have received 208 suggestions to date. Over the last four years, just over 1,600 people have signed up to receive

budget news via email. And since January, there have been about 12,656 hits on the Citizen's Guide to the Budget Website.

Employee Input

One of the first actions taken for this budget cycle was to re-activate the **"A Better Way"**; an internal website that was created last year. This purpose of this website is to communicate with employees regarding the budget process and set up a suggestion box to tap the wisdom of our employees. We have received 549 cost-saving and revenue ideas to date and 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. All ideas that have been submitted to date can be accessed on the **A Better Way** website including the suggestions from last year's budget process.



Cost-Savings and Revenue Teams

Two employee teams comprised of representatives from various Board departments were re-activated 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** was created last year. 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 staff has 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:

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

- Transitioning all County phones to Voice Over Internet Protocol. This project will reduce the current 17 different telephone systems in the organization to one system and provide significant ongoing savings while enhancing functionality.

- Consolidating mowing functions under Culture, Education, & Leisure and tree trimming to Public Works to leverage operational efficiencies.

- Clarifying and strengthening the existing idling policy to dramatically reduce fuel consumption and extend the life of equipment.

- Reviewing the utilization numbers for all of our cell phones and PDA's to reduce the number of devices. Implementing a transition from the current internal program

to a stipend system for pagers, cell phones, and smart phones.

- Eliminating the three remaining take-home vehicles in departments under the BCC by September.

- Identifying opportunities for savings by reviewing current uniform and safety shoe policies. Opportunities may include reducing the number of employees in uniform, limiting customization, and standardizing uniform procurement across all BCC departments.

- Reviewing options regarding a centralized chiller facility in downtown Clearwater. Chilled water is used to cool a building's air and equipment which represents a significant operating cost to the County. This project would construct a new chilled water facility that would serve buildings in the downtown Clearwater campus. Depending on the amount of capital investment, the County can buy down the cost of chilled water from a vendor over the long-term or own the facility and potentially sell chilled water to other public and private customers in the area.

- Identifying opportunities and monitoring technological improvements related to the installation of solar panels on County facilities, the purchase of hybrid vehicles instead of conventional vehicles, and the retrofitting of streetlights with LED fixtures.

Revenue Ideas

We have also reviewed several revenue ideas from the Revenue Team that were considered but ultimately not included in the FY2011 Annual Budget. They include:

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

- Implementing an admission charge or parking fee to all of the County's regional parks, preserves, and special attractions.

- We currently have agreements with certain cities to collect parking revenue at some of our Beach Access parks. We have renegotiated these agreements to provide the County with a greater share of the revenue or have the host city assume additional operating and maintenance responsibilities. Staff is continuing to explore the feasibility of managing the parking function ourselves.

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 several years.

Pinellas County

MANAGEMENT INITIATIVES

The *Management Initiatives* portion of the FY2011 Budget Message provides an overview of initiatives including strategic planning, performance-based management, and program-based budgeting that the County has implemented over the last several years as well as reorganizations and structural changes proposed for FY2011. It includes the following sections:

- Strategic Planning
- Performance-Based Management
- Program-Based Budgeting
- User Fees & New Revenues
- Reorganizations

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.

Vision Pinellas

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.

Strategic Focus Areas

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:

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

Strategic Goals & Strategies

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.

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 below.

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 FY2006 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.

Strategic Plan Update

The Board's current Strategic Plan needs to be adjusted to reflect the County's new fiscal reality. We will undertake a formal and comprehensive review of the Strategic Plan with the Board of County Commissioners in the Fall.

Periodic updates to the Strategic Plan occur at least annually, usually in the October to December timeframe in advance of the budget process.

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.

Transition to Outcome-Based Performance Measures

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 FY2002 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 FY2004 budget process. The FY2011 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. The FY2011 Executive Budget document will be available following the adoption of the budget in October.

Benchmarking

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 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 50 cities and counties around the state.

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 FY2008, 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 four years, each department has stratified its budget by program. Programs are categorized as Mandatory, Essential, Administrative, and Other. Program sheets for each County department can be found in the FY2011 Executive Budget document that will be available following the adoption of the budget in October.

Benefits of Program Budgeting

Stratifying the departmental budgets into programs has been an extremely useful tool during the last several 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.

User Fees and New Revenues

The **Governmental User Fee Schedule** reflects charges for services assessed by departments under the County Administrator. Exhibit B contains a summary of fee changes. 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.

General Fund
For FY2010, General Fund user fees are budgeted to generate $7.3M in revenue. Overall user fee revenue is estimated to fall short of budget by 9.4% to $6.6M. This is primarily due to lower than anticipated revenue from campground fees and animal services. These sources are projected to be a combined $580,650 or 12.2% below budget in FY2010.

For FY2011, user fees are budgeted to generate $6.8M in revenue. This includes $300,000 in new cost recovery fees for the Medical Examiner's laboratory investigative services, and $74,950 in other new user fees. Adjustments have also been made to other user fee charges that continue the effort to reflect the full cost of services.

Building & Development Review Services Fund
FY2010 revenue for building permits, zoning fees, and other development related services is estimated to be close to the FY2010 budget of $3,861,410. For FY2011, a combination of fee increases and improving activity levels will generate $4,442,640, which is $581,230 or 15.1% more than the FY2010 budget. Building permits and zoning fees have been increased 10%.

Utilities Funds
The Utilities Department has revised their fees and charges schedule for the water and sewer enterprise funds. For FY2010, the total budgeted Water and Sewer Enterprise Fund revenue from fees is approximately $1.1 million for water and $620K for sewer. For FY2011, an increase in cost recovery for the sewer fund will generate approximately $2,000. In the water fund, a new fee is proposed for backflow device maintenance, which will generate $675,000.

Reorganizations

This section provides the managerial approach to this year's reorganizations, an overview of the reorganizations for departments under the Board of County Commissioners, effective as of October 1, 2010, and anticipated efficiencies from the reorganizations. Some details associated with the restructuring (i.e. departmental titles, cost center designations, etc.) are still in progress. Revisions capturing these changes will be presented prior to the first public hearing in September.

Approach to Reorganizations

The overarching strategy for this year's budget process is to reshape Pinellas County government by restructuring, reorganizing, and realigning the organization to provide an efficient and effective array of services. Our approach has been to take a hard look at our organizational structure and service delivery systems and transform the organization to fit our new fiscal reality. This transformation is anticipated to be an ongoing process over the next two years.

Overview of Reorganizations

At this time there are several reorganizations included in the FY2011 Proposed Budget that will become effective on October 1, 2010:

- Consolidation of engineering functions: This reorganization is intended to create a centralized engineering function by consolidating current engineering activities from Public Works, Utilities, and Environmental Management to support the planning and implementation of the Capital Improvement Program as well as maintenance and environmental restoration programs.

- Consolidation of mowing functions: This reorganization will consolidate mowing activities from six different departments into the Parks Division in the Culture, Education, & Leisure department.

- Consolidation of tree trimming functions: This reorganization will consolidate tree-trimming activities from Culture, Education & Leisure to the Public Works department.

- Realignment of code enforcement: This reorganization will realign the code enforcement function currently in Environmental Management to the Building & Development Review Services department.

- Realignment of preserves/environmental lands: This reorganization will realign the preserves/environmental lands function currently in Environmental Management to the Culture, Education, & Leisure department.

- Realignment of air quality: This reorganization will realign the air quality function currently in Environmental Management to the Culture, Education, & Leisure department.

- Realignment of water quality: This reorganization will realign the water quality function currently in Environmental Management to the Public Works department.

- Realignment of coastal management: This reorganization will realign coastal management as well as the related derelict vessels, navigational signage, and dock permitting functions currently in Environmental Management to the Public Works department.

- STARS: The STARS program in the Health & Human Services department will transition to a not-for-profit non-County entity.

- Cultural Affairs: The Cultural Affairs function in the Culture, Education, & Leisure department will transition to a not-for-profit non-County entity.

Anticipated Efficiencies

It is anticipated that these reorganizations will ultimately produce tangible efficiencies. However, the necessary optimization process will likely run its course beyond the beginning of the new fiscal year. Therefore, no anticipated savings from these reorganizations is included in the FY2011 Budget, except for the STARS and Cultural Affairs transitions. Any savings realized from these actions will be applied to the reductions projected in the FY2012 budget process.

Pinellas County

OVERVIEW OF REDUCTIONS

The *Overview of Reductions* portion of the FY2011 Budget Message provides a summary of reductions by the departments under the Board of County Commissioners, Independent Agencies, and the Constitutional Officers and Court Support. It includes the following sections:

- Departments under the Board of County Commissioners
- Independent Agencies
- Constitutional Officers and Court Support
- Reduction in Force

Departments Under the Board of County Commissioners

Due to the scale 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.

The BCC departments have made $89.4M in reductions (228 positions) across all funds as shown in the table below. These reductions encompass salaries, benefits, and associated operating costs as well as program expenditures. In the General Fund, the BCC departments had a target of $21M. The FY2011 Budget includes $20.2M of General Fund reductions.

Fund	Reduction	F/T Positions
General Fund	$20.2M	137.5
Bldg &DRS Fund	$119K	1.5
Fleet Management Fund	$1.2M	11.0
Transportation Trust Fund	$1.7M	12.0
Risk Management Fund	$196K	2.0
Tourist Development Fund	$1.2M	0.0
Utilities Funds	$64.8M	64.0
Total	$89.4M	228.0

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 "Management Initiatives" section of this document. The six Strategic Focus Areas are:

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

In addition to these Strategic Focus Areas, the reductions are also sorted by department and show the budget amount and positions reduced in each department.

***Strategic Focus Area*: Economic Development, Redevelopment, & Housing**

In the Economic Development, Redevelopment, & Housing focus areas there are reductions totaling $2.3M resulting in the elimination of 10 positions.

SFA: Economic Develop., Redevelopment, & Housing	Reduction	F/T Positions
Building & Dev. Review Svcs.	$235K	3.0
Community Development	$206K	2.0
Economic Development	$321K	0.0
Planning	$372K	5.0
Tourist Development Council	$1.2M	0.0
Total	$2.3M	10.0

In the **Building & Development Review Services department** there are $235K of reductions (3 positions).

- The elimination of an electrical inspector position in the Building Inspection program will require the use of a contracted electrical inspector during peak permit activity.

- In the Development Review Services-Customer Service program, the elimination of 2.5 positions will reduce customer service by increasing telephone wait times and walk-in assistance at the second floor reception desk.

In the **Community Development department** there are $206K of reductions (2 positions).

- The Neighborhood & Housing Initiatives Programs will eliminate one new housing program impacting approximately 15 units. There will be an inability to preserve 50 units of affordable housing as originally proposed. The negotiation of three development agreements will take place instead of five as originally proposed.

In the **Economic Development department** there are $321K of reductions (0 positions).

- As a result of reductions, the Business Assistance program there will be a significant impact on our ability to provide support for the Small Business Enterprise program. There will be no proactive recruitment of SBE vendors by County staff.

- Reductions in the Business Development program, will result in the discontinuation of the business survey which will eliminate annual contact with 4,000 local businesses. Tradeshow and mission reductions decrease annual contact with site selection decision-makers and consultants by 25% resulting in fewer leads generated and fewer potential job creation projects in the county.

In the **Planning department** there are $372K of reductions (5 positions).

- As a result of reductions, the General Planning program will eliminate staffing for GIS data updating, mapping, analysis, and tabulation. Key GIS files will need to be updated by another organization.

- Reductions in the Zoning Support program, include the elimination of compensation for the Board of Adjustment members and a reduction in administrative support to the zoning function.

In the **Tourist Development Council department** (CVB) there are $1.2M of reductions (0 positions).

- Reductions in the Promotional program, will result in reduced promotion of Elite Events that could affect tourism to those events and to the destination in general. Reduction in special studies and projects would affect overall research picture of tourism to the area. Reduced advertising budgets would curtail or eliminate advertising placements and/or programs as needed.

***Strategic Focus Area*: Effective Government**

In the Effective Government Strategic Focus Area, there are reductions totaling $5.4M resulting in the elimination of 36 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.

SFA: Effective Government	Reduction	F/T Positions
Communications	$450K	5.0
County Attorney	$752K	5.0
Fleet Management	$1.2M	11.0
Management & Budget	$103K	1.0
Real Estate Management	$2.7M	12.0
Risk Management	$196K	2.0
Total	$5.4M	36.0

OVERVIEW OF REDUCTIONS

In the **Communications department** there are $450K of reductions (5 positions).

- o The Marketing program will be reduced to $32K and focus on publicizing public meetings and producing materials to support outreach efforts and public safety.

- o Reductions in the Conservation Resources program will reduce the level of service to departments and the ability to complete project requests by 30%.

- o The Administrative program will reduce staffing at the public information desk from 3 to 2 positions resulting in less coverage to answer telephone calls and provide customer service.

In the **County Attorney department** there are $752K of reductions (5 positions).

- o Reductions in the Outside Legal Counsel program result in diminished legal representation capacity for conflicts or specialty areas requiring outside counsel.

- o The County Attorney program will reduce administrative support to a 3:1 lawyer/secretary ratio resulting in more lawyers performing non-legal functions with a resulting loss in efficiency. Each lawyer will also be required to personally fund necessary licensure and professional affiliations.

In the **Fleet Management department** there are $1.2M of reductions (11 positions).

- o The Maintenance & Repair program will be re-sized in proportion to reductions in the overall fleet size. Reductions may result in additional downtime during unplanned heavy workload periods and reduce organizational emergency response capabilities.

- o Reductions in the Fuel program result in the closing of 5 of 24 fuel sites which has diminished the County's fuel storage capabilities and impacts the County's ability to provide provisional fuel to other agencies during emergency response efforts.

In the **Management & Budget department** there are $103K of reductions (1 position).

- o Reductions in the Budget Preparation & Management program increase workload per Analyst and result in less availability for special projects, research, and training.

In the **Real Estate Management department** there are $2.7M of reductions (12 positions).

- o The Facility Operations & Maintenance program will realign staff through the strategic implementation of a proactive maintenance and asset management program to minimize organizational impact.

- o As a result of reductions in the Real Property program large scale land or right-of-way acquisitions will be contracted out. The current CIP does not anticipate the need for large scale acquisitions.

- o Reductions in the Facility Planning program result in diminished ability to react to customer's non-maintenance project requests. Requests will be prioritized based upon health, safety, and mission criticality.

In the **Risk Management department** there are $196K of reductions (2 positions).

- o The County Liability program will shift administrative duties to Claims Adjusters resulting in an increased response time to claims (up to 5 days) and reduced personal contact with employee and citizen claimants.

OVERVIEW OF REDUCTIONS

***Strategic Focus Area*: Environment, Open Spaces, Recreation & Culture**

In the Environment, Open Spaces, Recreation & Culture Strategic Focus Area, there are reductions totaling $4.1M resulting in the elimination of 54 positions.

SFA: Environment, Open Spaces, Recreation & Culture	Reduction	F/T Positions
Culture, Education, & Leisure	*$2.1M*	*33.0*
CEL-Cultural Affairs	$364K	3.0
CEL-Heritage Village	$205K	2.0
CEL-Extension	$553K	8.0
CEL-Parks & Recreation	$1.0M	20.0
Environmental Management	$2.0M	21.0
Total	$4.1M	54.0

In the **Culture, Education, & Leisure department** there are $2.1M of reductions (33 positions).

- The Cultural Services program will be eliminated and transition the **Cultural Affairs** Division to a non-profit organization. This will result in less County influence in this area and reduced advocacy for the arts due to reduced funding. The non-profit would receive the proceeds from the sale of specialty arts plates through a performance based agreement and possibly administer the Cultural Tourism grants on behalf of the Tourist Development Council. Transitional non-recurring funding of $300K is also proposed.

- At **Heritage Village** the Collections program will reduce public access to the research library from 20 hours to 6 hours per week. Response time to telephone calls to archive and library will increase from one business day to 5-10 business days. In the Program Participant program all revenue based programming will be eliminated, a free self-guided tour will be offered daily Wednesday through Friday, and position reductions will result in less school children visiting Heritage Village.

- At **County Extension** the Sustainable Living program will reduce educational programs and on-line resources for financial management, nutrition, youth life skills, and sustainable practices from approximately 40,000 to 30,000 citizens served. In the Natural Resources program the horticulture help line will be transitioned to volunteer support only as available. Educational programs and on-line resources for home landscape best practices will be reduced from approximately 60,000 to 40,000 citizens served.

- In **Parks & Recreation,** reductions in the Landscape Services program result in less staff available for off season department projects such as refurbishing picnic tables and benches, facility painting and repair, landscape restoration, which will impact service levels and facility appearance which may reduce facility and equipment life cycles. In the Visitor Services program position reductions will result in slower response time to inquiries and complaints. Increased information signage in the parks will be used to mitigate service level reductions. Reductions in the Administrative program will quadruple walk-up customer wait times to one hour. Reservation inquiries will be increasingly driven to the web-portal.

In the **Environmental Management department** there are $2.0M of reductions (21 positions).

- In the Environmental Lands program, management of the education centers at Weedon Island and Brooker Creek preserves will be incorporated under a new model with Extension Services. Management of environmental lands will leverage parks staff and focus on fire management, exotic vegetation removal, security, and boundary maintenance.

- The Code Enforcement program will increase new complaint response time from two days to 10 to 14 days. This program will be transitioned to the Building & Development Review Services department.

- In the Watershed Management program reductions will result in less staff to perform mandatory water quality monitoring, respond to citizen complaints, and complete technical advisory committee assignments for the Tampa Bay Estuary Program and Agency on Bay Management. This program will be transitioned to the Public Works department.

***Strategic Focus Area*: Health & Human Services**

In the Health & Human Services Strategic Focus Area, there are reductions totaling $7.0M 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.

SFA: Health & Human Services	Reduction	F/T Positions
Health & Human Services	$7.0M	14.0
Total	$7.0M	14.0

- In the Social Support program there is reduced funding for approximately 27 local non-profit social services agencies impacting their ability to leverage funding and service to the community. Funding is also reduced 27% for local permanent supportive housing programs.

- The Health Care Services program will reduce enrollees from 11,000 to 9,500 resulting in reduced access and fragmented care. Preventive screening and wellness services will be deferred, primary and secondary prevention of existing disease delayed, and emergency rooms will have to provide more costly and stop-gap care.

- Reductions in the Homeless Services program result in the loss of financial assistance for approximately 250 clients per month from the current level of 1,200 per month. Funding for social workers on the 3 homeless street outreach teams is also eliminated.

***Strategic Focus Area*: Public Safety**

In the Public Safety Strategic Focus Area, there are reductions totaling $1.6M, resulting in the elimination of 12 positions.

SFA: Public Safety	Reduction	F/T Positions
Animal Services	$441K	6.0
Justice & Consumer Services	$644K	4.0
Public Safety Services	$381K	2.0
Total	$1.6M	12.0

In the **Animal Services department** there are $441K of reductions (6 positions).

- In the Animal Shelter program holding times have decreased from 10 days if animals have ownership information to 7 days. If animals do not have ownership information, holding times would be reduced from 5 days to 4 days.

- The Outreach program will eliminate two Animobiles resulting in a loss of ability to perform spay/neuter surgeries, rabies vaccinations, and licensing in the most underserved areas of the county. Last year this amounted to approximately 500 surgical procedures, 1,000 rabies vaccinations, and 1,010 licenses. With decreased spay/neuter procedures an increase in the number of unwanted animals is projected. There is potential for the SPCA to offset part of this impact if that organization operates the Animobiles.

- Reductions in the Administrative program result in the elimination of 1 of 2 veterinarians which will reduce the capabilities of performing spay/neuter surgeries and off-sight rabies vaccinations, and licensing.

Surgeries performed on pets at the shelter will decrease by 2,000 a year for citizens on public assistance.

In the **Justice & Consumer Services department** there are $644K of reductions (4 positions).

- Reductions in the Consumer Protection program will require new thresholds and standards for non-priority cases. With an intake of about 2,000 new cases annually, caseloads for dispute resolution would be reduced by up to 20% or about 400 non-priority cases to ensure quality, effective case investigation is maintained. Initial processing of complaints will be maintained at 5 days.

- The Justice Coordination program will prioritize grants based on county needs, available timing, and potential for award as it is estimated that 5 less grant applications will be submitted for funding consideration. Due diligence timing will increase from 3 days to 2 weeks.

In the **Public Safety Services department** there are $381K of reductions (2 positions).

- In the Emergency Communications program position reductions may result in additional overtime necessary to meet minimum staff levels in the 9-1-1 center. Turnaround time to address fire station network issues will increase to 48 hours.

***Strategic Focus Area*: Transportation, Utilities, & Stormwater**

In the Transportation, Utilities, & Stormwater Strategic Focus Area, there are reductions totaling $69.0M, resulting in the elimination of 102 positions.

SFA: Transportation, Utilities, & Stormwater	Reduction	F/T Positions
Public Works	$2.6M	26.0
Public Works-Transp. Trust Fund	$1.7M	12.0
Utilities	*$64.8M*	*64.0*
Utilities-Water System	$5.9M	31.0
Utilities-Sewer System	$4.1M	28.0
Utilities-Solid Waste System	$54.8M	5.0
Total	$69.1M	102.0

In the **Public Works department** that is funded by the General Fund there are $2.6M of reductions (26 positions).

- In the Transportation CIP program there are reductions in field staff involved in data collection and major/minor drainage research for the capital program. A three month delay in completing routine requests leading to the collection and analysis of asset inventory data will be experienced, due to smaller field crews.

- As a result of reductions, in the Permitted Facilities & Storm Water program there will be a major reduction to the level of service of permitted facility re-constructions to meet permit requirements. Current planned level of service is 4.3 acres of reconstruction per year. Elimination of one crew will result in only 1.0 acre of reconstruction per year.

- The Mosquito Control program eliminates proactive mosquito control public education to citizens at state and local fairs, local malls, schools, etc. Citizen education program efforts will now be solely limited to that provided by 12 spray technicians in response to specific citizen requests while performing their duties.

In the **Public Works department** that is funded by the Transportation Trust Fund there are $1.7M of reductions (12 positions).

- In the Concrete, Drainage Structures, and Pipe Maintenance program contractual services for sidewalk replacement will be reduced resulting in approximately 40,000 square feet less sidewalk replacement and an increased need for in-house crews to grind sidewalks to address tripping hazards.

- As a result of reductions, in the Residential Traffic Management (RTM) program there will be no new traffic control device installations in neighborhoods. Changes in residential neighborhoods will be limited to those justified by Traffic Engineering investigations. The maintenance cycle for RTM devices will be extended from 5 years to 7 years.

- The Traffic Signs & Pavement Markings program will reduce preventative maintenance road striping frequency by extending the restriping from 5 years to 7 years.

In the **Utilities department** there are $64.8M of reductions (64 positions).

- In the **Water System** the Customer Service program is eliminating the ultra-low flow toilet rebate program. A credit card usage fee is also being implemented for water customers. In the Business Support program, there will be a reduction in consulting services and promotional information on water conservation. As a result of reductions in the Distribution program, there will be less new services installed and the life of meters and backflows will be extended beyond the planned replacement cycle. In the Treatment program, the majority of sample analysis will be contracted out to private laboratories.

- In the **Sewer System** the Collection program will extend cycle times for wastewater pipe cleaned and televised each year beyond the six year plan resulting in a greater risk of inflow and infiltration into the wastewater collection system. Cycle times for routine inspection and maintenance of infrastructure will extend beyond best management practices and result in a greater risk for sanitary sewer overflows. In the Treatment program, the majority of sample analysis will be contracted out to private laboratories.

- In the **Solid Waste System** the Disposal program has modified bin distribution for the proposed curbside recycling program. Originally the County anticipated absorbing the cost of the new recycling bins as the program was implemented countywide in one year. The curbside recycling program will now be phased in starting in FY2011 and finish in FY2012. The cost of the recycling bins will now be included in the annualized cost of the recycling contracts.

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 FY2011 budget as there was no applicable

target for the programs in the Construction Licensing Board Fund.

The **Feather Sound Community Services District (FCSD)** 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 taxes and subject to a 1.0 mill cap. In FY2011, the taxable value of the district decreased by 13.9% resulting in a $26K or 17% reduction. The FSCSD will continue to support necessary ongoing operational requirements totaling $174K by drawing down reserves ($50K) accumulated by the FSCSD non-profit organization. This is consistent with the multi-year plan for drawing down FSCSD reserves approved during the FY2010 budget process.

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. In FY2011, the taxable value of the district decreased by 9.6% resulting in a $378K decrease in ad valorem revenue. Due to this decrease, the Health Department has identified $759K of reductions to the following programs: Violence Prevention ($160K), Primary Care ($475K) and Building and Grounds Maintenance ($124K). Funding for the Violence Protection program was moved to the Justice & Consumer Services department for FY2011.

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 15% target reduction. The department submitted reductions totaling $355K or 11.4%. Reductions include the closing of the St. Petersburg office and the elimination of three full-time positions and one part-time position.

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 15% target reduction. The Medical Examiner submitted reductions totaling $35K or 15%. The reductions are primarily in repair and maintenance expenses and miscellaneous operating expenses. In addition, the Proposed Budget includes a new revenue source proposed by the Medical Examiner for recovery of investigative costs in criminal cases totaling $300K.

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 15% target reduction. That target was ultimately met by the elimination of two positions and the closure of the agency's St. Petersburg satellite office.

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 taxes and subject to a 0.5 mill cap. In FY2011, the taxable value of the district decreased by 10.7% resulting in a $171K decrease in ad valorem revenue. Due to the reduction in taxable values, the Palm Harbor Recreation and Library District has reduced its budget by $401K which is split out between library operations ($361K) and recreation operations ($40K).

The **East Lake Community Library** serves residents of Pinellas County in the northeastern unincorporated area. The library is operated by an independent board, receiving monetary support from the Pinellas Public Library Cooperative through the Palm Harbor Library District and the County General Fund (MSTU portion). The staff members at East Lake are not Pinellas County employees. There is a reduction of 8.6% in the collections of FY2011 MSTU revenues resulting in decreased revenue support for East Lake Community Library of $20K. Remaining County support to the library totals $208K.

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 taxes subject to a 0.1666 mill cap. In FY2011, the taxable value for the PPC millage decreased by 9.6% resulting in a $19K decrease in ad valorem revenue. The PPC is making reductions totaling $9K and continues to draw down reserves of $361K to fund ongoing operations. This is consistent with the multi-year plan for drawing down PPC reserves approved during the FY2010 budget process. The budget for the PPC is summarized in <u>Exhibit G</u> 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 facilitating the sharing of materials and resources among its members. The activities of the PPLC are supported by ad valorem taxes imposed exclusively in the unincorporated area (less Palm Harbor) and subject to a 0.5 mill cap. In FY2011, the taxable value for the PPC millage decreased by 7.8% resulting in a $441K decrease in ad valorem revenue. Due to a reduction in taxable values, the PPLC has reduced its budget by $482K resulting in a 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 the Constitutional Officers, Independent Agencies, and the Courts. BTS is governed by the Business Technology Services Board. BTS is mostly funded by the General Fund and was subject to a 15% target reduction. BTS reductions total 8.5%, or $1.8M (net of an additional $947K necessary for Oracle Licensing). The reductions include the elimination of 49 positions and were dependent on five key strategies. The five strategies are: (1) Implementing Voice Over Internet Protocol technology for providing telephone communications services throughout the county; (2) Implement a new cell phone/PDA/pager stipend in lieu of the devices currently provided by BTS for use in performing County business; (3) Establish and administer a contract agreement for the external hosting of the

County's mainframe until such time as the OPUS and Justice CCMS projects have been completed; (4) Exploit technology and standardization for the centralization and remote maintenance of personal computers in lieu of dispatched field desktop support; and (5) Implement self-service options to reduce the need for providing level one customer support.

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 subject to Article V requirements and local options.

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 15% target reduction. The Clerk of the Circuit Court submitted reductions totaling 1.5%, or \$190K. The reductions include various reductions in operating expenses.

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 15% target reduction. The Property Appraiser submitted reductions totaling 5%, or \$242K. The reductions include the elimination of 5 positions and various reductions in operating expenses.

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 15% target reduction. The Sheriff submitted reductions totaling 10%, or \$20.1M, including the elimination of 178 positions. Law Enforcement was reduced \$16.6M (120 positions). Detention & Corrections was reduced \$3.5M (50 positions). Judicial Operations increased \$189K (eliminated 6 positions). Sheriff Administration was reduced \$835K (2 positions). The \$20.7M of reductions were offset by a decrease in revenue of \$651K for a total reduction impact of \$20.1M.

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 updates 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 15% target reduction. The Supervisor of Elections

submitted reductions totaling 14%, or $651K. The reductions include the elimination of 2 positions and various reductions to operating expenses due to cost saving measures. The upcoming Presidential election cycle will likely require additional funding in FY2012.

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 15% target reduction. The Tax Collector submitted reductions totaling 12%, or $342K. The reductions include the elimination of 5 positions and the closure of the 501 1st Avenue North, St. Petersburg office.

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 15% target reduction. The Judiciary's budget submission met the 15% target by making reductions totaling $24K which included reducing operating costs for the guardian and alternative sanctions coordinator.

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 and incompetent to proceed programs were subject to a 15% reduction target. The Public Defender's budget submission did not include any reductions.

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

Reduction in Force

As shown in the table below, the net position reductions for the BCC Departments and the Constitutional Officers and Independent Agencies result in the elimination of 445 positions or 8.3% of the total workforce.

Permanent Full-Time Positions	FY2011 Positions	% of FY2010 Total Positions
BCC Departments	(232)	(11.4%)
Constitutional Officers & Independent Agencies	(213)	(6.4%)
Total	(445)	(8.3%)

Note: The numbers above are net figures based on the net of adds and deletes. The reduction summaries show only the number of position deletions. The difference between 232 net BCC positions and 228 position reductions is explained by positions that will be eliminated post-October 1st for retirements, eliminated grant worker positions not included in the reductions that are naturally eliminated as grant funding expires, and the increased use of part-time positions.

Since FY2007, total positions have decreased 1,618 or 25%. Within that number, the BCC departments have decreased 985 positions or 35%, which yields the lowest position count since FY1985. The Constitutionals and Independents have decreased 633 positions or 17% which yields the lowest position count since FY1995.

Reduction in Force

Due to the elimination of 232 positions in the BCC departments, 200 employees will be laid off. Other employees will change positions within their departmental units consistent with the new bumping process and vacant positions will be eliminated. For more information regarding the retention formula, layoff rule, and bumping process please visit the following Human Resources website: http://ups.co.pinellas.fl.us/Transition

The distribution of the layoffs in the BCC departments for FY2011 includes 28% managers and professionals, 49% technical and administrative support, and 23% skilled craft workers and service maintenance positions. The distribution of position reductions is generally consistent with the composition of the workforce. 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. The table below shows the estimated impact of the leave payouts by fund on the current FY2010 budget for the BCC departments, Business Technology Services, Human Resources, and Human Rights.

Estimated Leave Payouts by Fund	Payout Total
General Fund	$750,200
Transportation Trust Fund	42,910
Emergency Medical Service Fund	1,080
Community Development Fund	130
STAR Center Fund	9,350
Bldg. & Dev. Review Svcs. Fund	10,790
Utilities Service Fund	124,100
Business Techn. Services Fund	356,130
Fleet Management Fund	10,640
Risk Financing Fund	4,260
TOTAL	$1,309,590

FUND REVIEWS: GENERAL FUND

Description

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; health and human services; emergency management and communications; parks and leisure services; and the operations of the Property Appraiser, Tax Collector, and Supervisor of Elections.

The General Fund includes operations for both county-wide functions and the unincorporated area. These segments are tracked separately within the fund. The unincorporated area is commonly referred to as the MSTU (Municipal Services Taxing Unit). MSTU expenditures are about 10% of the total (net of reserves).

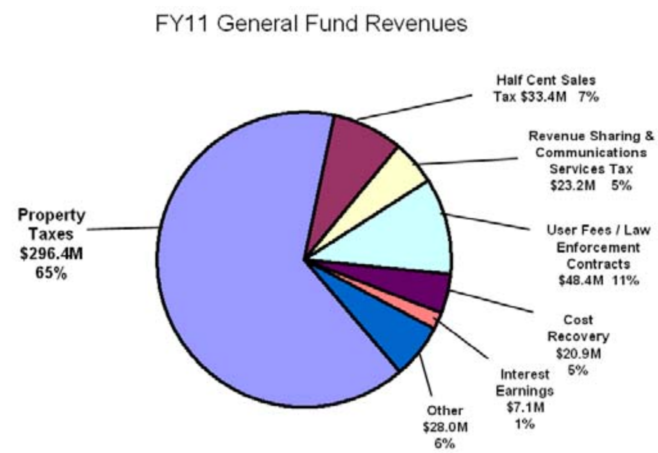
Reduction Target

The reduction strategy for the General Fund was to close the forecast structural gap of $80M over a two-year period, with $60M of reductions in FY11 and $20M of reductions in FY12. The FY11 reduction targets were allocated by applying a 15% proportional budget reduction to the BCC/County Administrator departments ($21M) and the Constitutional Officers and Independent Agencies ($39M) based on their share of the total General Fund budget.

The BCC / County Administrator departments and the Constitutional Officers and Independent Agencies achieved $46.4M of reductions. After adjusting for updated revenue estimates, the result is that a $26.5M shortfall remains in the forecast for FY2012 – FY2015. However, FY11 recurring revenues will exceed expenditures by $12.1 million, and this amount is being added to the Service Level Stabilization Account established in FY10 for a total of $19.3M which is available to be used for mitigating future shortfalls.

Revenues

There are four primary funding sources for the General Fund: Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes. These sources comprise about 77% of the revenue. The remaining 23% is derived from a variety of resources, including User Fees, Grants, Interest, and Cost Recovery from other County funds.



Property Taxes

Ad valorem taxes, commonly called property taxes, are assessed on real property and on tangible personal (business) property. The tax rate is expressed in "mills". One mill is one dollar of taxes for each thousand dollars of taxable value. For example, a tax rate of 5.9 mills on a taxable value of $100,000 yields $590 in taxes.

The Florida Constitution imposes a cap of 10 mills on the total of all Countywide ad valorem rates (which includes the General Fund countywide levy plus the levies for the Health Department and for Emergency Medical Services). A separate cap of 10 mills is also imposed on the combined total of all MSTU ad valorem rates (which includes the General Fund MSTU levy plus the levies for other dependent districts).

FUND REVIEWS: GENERAL FUND

The taxable values as of January 1st are established annually by the Property Appraiser and certified for budget purposes by July 1st. Final taxable values, following appeals and adjustments, are certified following the completion of the Value Adjustment Board (VAB) appeals process, which recently has been extending into February of the next calendar year.

Millage rates are approved annually by the Board of County Commissioners by resolution as part of the budget process. This process must follow the "Truth in Millage" (TRIM) law, including timing, advertisement, and conduct of public hearings.

Federal, state, county and municipal property is exempt from property taxes. Besides the Homestead and Save Our Homes Exemptions discussed in the Economic Overview section, various other exemptions may be available depending on the type of property.

Property taxes for FY2011 are levied based on taxable values as of January 1, 2010. This means that the continuing decline in values during calendar year 2009 did not impact the FY2010 budget, but have a major impact on FY2011. In determining the values as of January 1, 2010, which are the basis for FY2011 calculations, the Property Appraiser factored in the impact of mortgage foreclosures, which continued at record levels during the 2009 calendar year. Foreclosures do not have a significant impact on current year collections of taxes levied 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.

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. Along with the rest of the state, Pinellas County foreclosure filings increased significantly beginning in 2007. To date, calendar year 2010 is showing some improvement compared to 2009, but is still about four times higher than the historical norm.

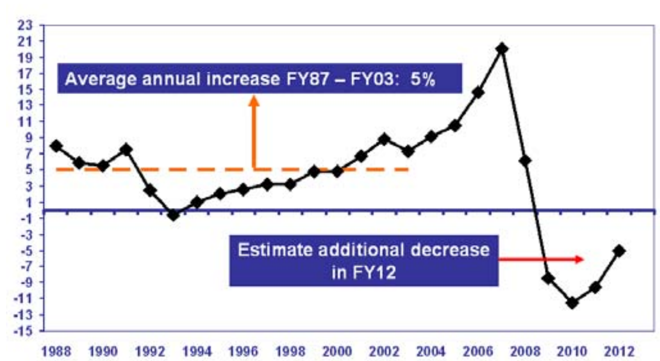
Pinellas County Foreclosure Case Filings
Comparison 2006-2010

	2006	2007	2008	2009	2010
Jan	255	506	963	1,263	1,128
Feb	253	469	1,016	1,284	1,383
Mar	315	494	1,035	1,420	1,118
Apr	247	513	1,134	1,407	1,118
May	281	479	1,118	1,275	860
Jun	259	557	1,112	1,236	1,025
Jul	273	650	1,086	1,365	806
Aug	321	642	999	1,142	
Sept	324	662	1,295	1,215	
Oct	403	899	1,390	1,239	
Nov	398	894	969	1,120	
Dec	369	773	1,198	1,487	
TOTAL	**3,698**	**7,538**	**13,315**	**15,453**	**7,438**

Source: Pinellas County Clerk of the Circuit Court

The taxable values for FY2011 were certified by the Property Appraiser on July 1, 2010. The county-wide value decreased by 9.6% compared to the FY2010 values. It is the fourth year in a row that the tax base declined. Prior to this the tax base only decreased once since World War II, a small -0.6% dip in FY1993.

Countywide Taxable Values Annual Rate of Change



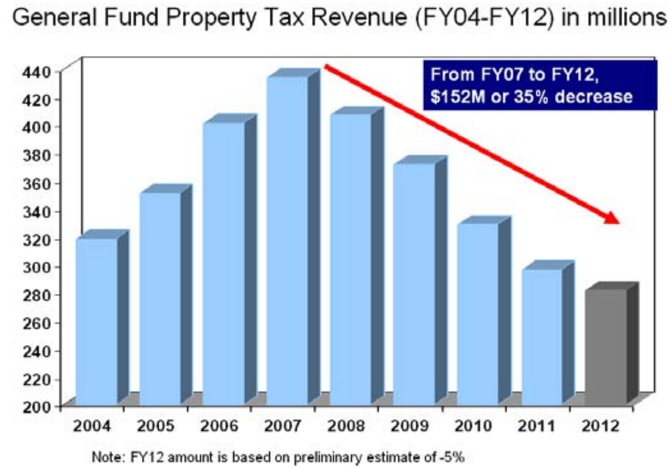
The growth in homesteaded taxable value is subject to the caps imposed by the Save Our Homes amendment. This limits the annual growth in a property's taxable value to the growth in the Consumer Price Index (CPI) or 3%, whichever is lower. If the CPI index is negative, the allowable change in taxable values is also negative.

Save Our Homes Cap for Fiscal Year Based on Change in Consumer Price Index				
2002	**2003**	**2004**	**2005**	**2006**
3.0%	1.6%	2.4%	1.9%	3.0%
2007	**2008**	**2009**	**2010**	**2011**
3.0%	2.5%	3.0%	0.1%	2.7%

Source: Florida Department of Revenue

The factor used is the annual change in the CPI as of December each year. For example, the limit for FY2011 is the December, 2009 change percentage, +2.7%, which was issued by the U.S. Bureau of Labor Statistics on January 15, 2010.

Property taxes comprise about two-thirds of the revenue supporting the General Fund. 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. The decline in property tax revenue from FY2008 to FY2011 will exceed the increases that occurred from FY2004 though FY2007. The additional revenue resulting from the run-up in values from 2003 through 2006 is no longer available, and the FY2011 budgeted revenue is less than the FY2004 revenue. The combined General Fund property taxes for countywide and MSTU are expected to generate $296.4M in FY2011. From FY2007 to FY2012 property tax revenue is estimated to decrease $152M or 35%.



The revenue caps approved by the Legislature in 2007 require that beginning with FY2009, 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. The County may have some flexibility for increases in the short term because we did not levy the maximum millage in FY2009, FY2010, or FY2011.

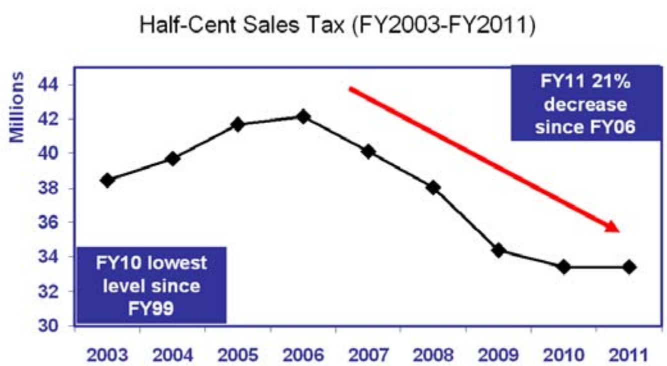
The negative impact from reduced property tax revenue is generally less pronounced for the municipalities in Pinellas County. Their General Fund revenue mix usually reflects other revenues such as franchise fees and utility taxes that can help mitigate the impact of a reduction in property tax revenue.

Sales Taxes

The second largest General Fund revenue source is the State Shared Half-Cent Sales Tax, which is 7% of total General Fund revenues. This is a portion of the State's six cent sales tax that is shared with counties and cities. First authorized

in 1982, the program generates the largest amount of revenue for local governments among the state-shared revenue sources currently authorized by the Legislature. In addition to food and medicine, certain other purchases are exempted from sales tax by legislation.

Sales tax revenues are highly elastic, increasing and falling with the health of the overall economy. Reflecting the recession, collections have declined from FY2006 through FY2010 as shown in the chart below. The projected revenue for FY2010 is the lowest in eleven years (since FY1999).



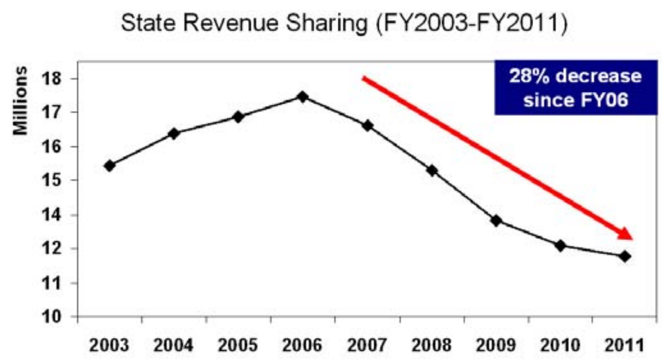
Estimated Sales Tax revenues for FY2011 are 21% under the peak year of FY2006. This tax is expected to generate $33.4M in FY2011.

State Revenue Sharing

The third major General Fund source, State Revenue Sharing, which is 3% of total General Fund revenues, is also primarily based on the State's sales tax revenue. The formula for Revenue Sharing is subject to adjustment by the Legislature.

This revenue source reflects a long-term decline due principally to legislative reductions in the formula, and similar to sales taxes, Revenue Sharing has been negatively impacted by the recession. The projected revenue for FY2011 is the lowest in eighteen years (since FY1992).

This source is expected to generate $12.1M in FY2011.



Communications Services Taxes

The fourth major revenue in the General Fund is the Communications Services Tax (CST). This tax, which is 2% of total General Fund revenues, is paid by unincorporated area residents and is dedicated entirely to providing services for them through the MSTU.

The CST legislation was enacted to restructure taxes on telecommunications, cable, direct-to-home satellite, and related services that existed prior to October 1, 2001. Previously, a county could impose franchise fees on telephone and cable television within its boundaries. Currently, for charter counties a local CST may be levied at a rate up to 5.1 percent, plus an add-on of up to 0.12 percent in lieu of imposing permit fees. The County has levied the maximum rate of 5.22% since January, 2003.

The CST is expected to generate $11.1M in FY2011, down from a peak of $13.8M in FY2007, due in part to Department of Revenue adjustments related to prior years' collections. This source experienced continued erosion as consumers reduced spending in response to the recession.

Other Revenues

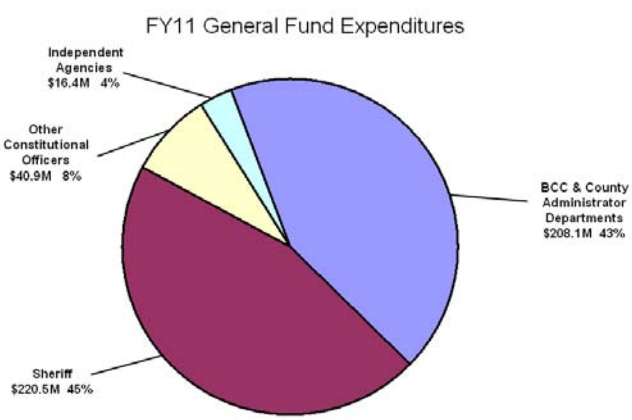
Lesser revenue sources include User Fees, Sheriff's Law Enforcement Contracts, Cost Recovery from other funds, Interest Earnings, and various other sources including Federal and State grants. In general these revenues have decreased as a result of the recession, but are

mostly expected to resume moderate growth in future years.

Expenditures

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.

The expenditures in the General Fund total $485.9M (net of reserves) and can be summarized in four groups: the Board of County Commissioners, the Sheriff, Other Constitutional Officers, and Independent Agencies.



Board of County Commissioners

This grouping of departments includes the departments under the County Administrator as well as the County Attorney's Office and the BCC. They are $208.1M or 43%, of total FY2011 General Fund expenditures (excluding reserves). Some of the major programs include: social services; matching funds for State Managed Healthcare; building operations and maintenance (including the courts, jail, and Sheriff's headquarters); park maintenance; environmental protection; preserves; cultural affairs; emergency management; animal shelter; rabies control; economic development; consumer services; veteran's services; the county extension service; Florida Botanical Gardens; Heritage Village; public information; the County cable television station; planning; budget; purchasing; and State-mandated support of juvenile detention.

Over the past several years, this department group has declined as a percentage of the total General Fund budget due to program reductions, reorganizations, and new operating efficiencies.

Sheriff

The Sheriff is an independently elected Constitutional Officer. The Sheriff's budget is $220.5M, or 45%, of total FY2011 General Fund expenditures (excluding reserves). Detention and Corrections programs comprise 52% of this total. The Sheriff also provides support to the Court System and provides Law Enforcement services to both the unincorporated area (MSTU) and by contract to 12 municipalities. The Sheriff's adopted budget is often supplemented during the year by grants from Federal and State agencies such as the U.S. Department of Justice and the Florida Department of Law Enforcement.

Other Constitutional Officers

These agencies, which are headed by independently elected officials, comprise $40.9M, or 8%, of total FY2011 General Fund expenditures (excluding reserves). In most cases, the General Fund only reflects part of the total agency budgets.

The Tax Collector and Property Appraiser's budgets are determined by statutory formulas and are approved by the State Department of Revenue. Only about 85% of the Tax Collector and Property Appraiser total budgets are

included in General Fund expenditures. The remainder is supported by other funds and by revenue sources that are specific to certain functions. An example of the latter is the processing of driver's licenses, which receives some state support but not enough to cover the Tax Collector's cost of providing the service.

The Clerk of the Circuit Court has two separate budgets for activities in support of the Board of County Commissioners and for support of the Court system. The latter is fee supported and is not included in the County's budget; it is funded and approved by the State. The Board-related functions comprise about 24% of the Clerk's total budget.

The budget for the Supervisor of Elections experiences annual fluctuations which result from the varying number and scope of elections in a given year. The Supervisor is responsible for preparing and conducting all Federal, State, County, and Municipal elections within the County.

Independent Agencies

These agencies are $16.4M, or 4%, of total FY2011 General Fund expenditures (excluding reserves). They include the County's support for the Judiciary, the State Attorney, the Public Defender, and the Criminal Justice Information System. Much of this support is driven by statutory mandates that require the County to fund certain technology expenses, programs, and facilities. Only about 13% of the Judiciary's total budget, 6% of the Public Defender's budget, and 1% of the State Attorney's budget are funded by Pinellas County. This funding includes some local programs, such as non-mandated Court options and the Public Defender's Jail Diversion efforts. The Sixth Judicial Circuit encompasses both Pinellas and Pasco counties. Pasco County provides funding for similar functions at a lower level due to its relative size. The balance of these agency budgets are funded by the State.

The Medical Examiner also serves the entire Sixth Judicial Circuit, and therefore is supported by both Pinellas and Pasco Counties. The Medical Examiner is not a government employee, but provides forensic investigative and laboratory services to the County by contract.

Two other agencies receive General Fund support. The Office of Human Rights provides County citizens protection from employment and housing discrimination and also acts as the County's internal affirmative action agency. The Human Resources department manages the Unified Personnel System (UPS) which provides centralized personnel services for the BCC and most of the other County elected officials and independent agencies. The major exception is the Sheriff, who operates a separate personnel system.

Types of Expenditures

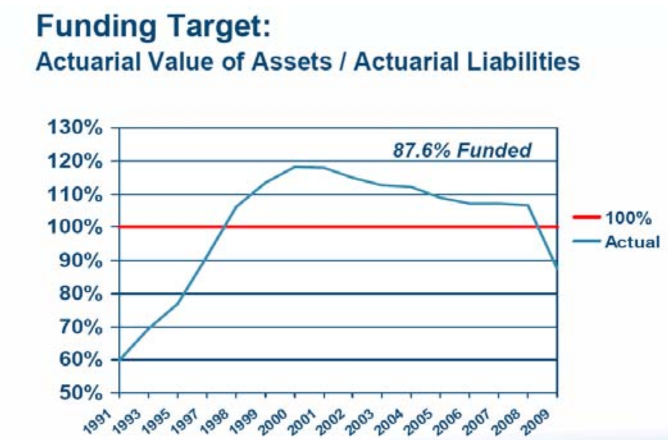
In addition to the breakout of organizational responsibilities, another way of looking at General Fund requirements is to consider the types of expenditure required for those organizations to carry out their responsibilities. As defined in the State Uniform Chart of Accounts, these categories are Personal Services, Operating Expenses, Capital Outlay, Debt Service, Grants & Aids, and Transfers.

The cost of Personal Services (salaries and benefits) is the single largest category of expense in the General Fund. Prior to FY2009, the range of salary 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.

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. The Legislature used a portion of the surplus over multiple years to artificially lower contributions that are based

on an employee's salary and benefit category (public safety employees have higher benefits).

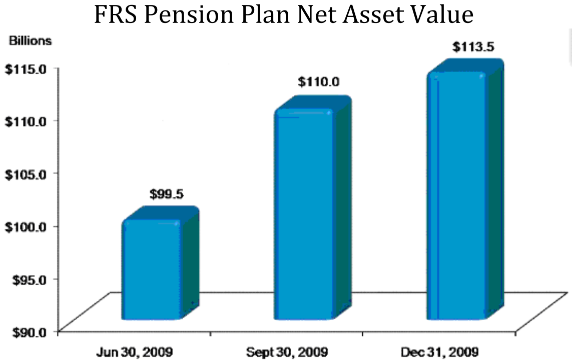
As with most other pension systems, the financial system crisis in the fall of 2008 had a significant effect on the value of FRS investments.



Source: Milliman presentation to FRS Actuarial Estimating Conference, October 16, 2009

In theory, the Legislature should have addressed the unfunded liability by increasing the contribution rates well above the "Normal Cost" rates. However, the timing of the official valuation at the end of the State's 2009 fiscal year (June 30, 2009) occurred at the low point in the investment value. Over the next six months, FRS net assets grew by 16%.

FRS Pension Plan Net Asset Value



Source: State Board of Administration Update on FRS Investments, March 2010

The FRS contribution rates which ultimately emerged following the 2010 Legislative session reflect only the Normal Cost Rates and do not address the unfunded liabilities. Because of the partial recovery of the FRS portfolio, and the negative impact FRS rate increases have on the State's own budget, increases in the contribution requirements over the next several fiscal years, while still likely, may not be quite as severe as some worst case scenarios had anticipated. The forecast assumes a more moderate level of increases.

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 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 often exceed that pace.

Unlike many other local governments, Pinellas County has no outstanding bond issues which are supported by a pledge of property taxes or other general revenue. The only budgeted expenses for Debt Service (principal and interest payments) are for lease/purchase agreements and short term cash flow needs.

The Grants and Aids expenditure category includes several types of funding provided by the County to other entities, such as financial assistance for low income residents and support of community non-profit social action agencies.

Grants and Aids also include Tax Increment Financing (TIF) payments to cities for community redevelopment areas (CRAs). Nine cities within the county have established a total of twelve CRAs. The County is required by

interlocal agreements to contribute funds annually based on formulas that reflect the amount of growth in taxable values compared to a specified base year. In FY11, the County will contribute a total of $6.7M in TIF payments to the cities.

Transfers between funds may be ongoing or non-recurring in nature. For example, an ongoing transfer to the Employee Health Benefits Fund is budgeted to address unfunded liabilities for Other Post Employment Benefits (OPEB). In FY2011, a non-recurring transfer to the Capital Projects Fund is budgeted for energy efficiency and conservation capital projects.

Non-recurring funds may also be included in the other expenditure categories. For example, in FY2011 Operating Expenses includes several non-recurring BTS projects, OPUS, Justice CCMS, and self-help customer service tools.

At the end of each fiscal year, non-recurring funds may be realized as additional fund balance resulting from revenue in excess of expenditures in a given fund. The FY2011 Budget allocates non-recurring funds for a variety of projects. Many of these projects will yield recurring savings in future years. The amount of non-recurring or one-time funds can vary significantly from year to year. As stated in the County's budget policies, non-recurring funds should be applied to increase reserves or used for one-time purposes only. They should not be used to fund ongoing programs.

Ten-Year Forecast

The General Fund Forecast has been updated to reflect the FY11 Proposed Budget as its starting point. It is presented here in three segments, which describe the assumptions for revenues, the assumptions for expenditures, and the results of the forecast.

KEY ASSUMPTIONS - REVENUES

In establishing revenue assumptions, we have reviewed data and forecasts from a variety of economists and other sources, including the State of Florida's Revenue Estimating Conferences. The State utilizes a professional, nonpartisan consensus process involving the Legislature, the Governor's Office, and the State's Division of Economic and Demographic Research in developing national and state economic forecasts that are used in all planning and budgeting actions of the state. The County is not required to use this data, but it provides useful background information for projecting changes in revenues and expenditures. The current Conference projections end at FY2019. The projections are available on-line at http://edr.state.fl.us/conferences.htm.

Property Taxes

For the purposes of this forecast, **it is assumed that the General Fund millage rates for both countywide and MSTU purposes will remain the same as in FY2010.** The millage rates have not changed since FY2008, at which time they decreased due to action by the State Legislature. The countywide millage rate is currently 4.8108 mills, the lowest since FY1990, and the MSTU rate is 2.0857 mills.

The assumption in the forecast is that taxable values will decline by 5% in FY2012 before returning to a growth mode in FY2013. Current information indicates that the 5% assumption may not be conservative enough and that values could decrease from 5-8%.

Change in Taxable Values - Countywide				
2011	**2012**	**2013**	**2014**	**2015**
-9.6%	-5.0%	3.0%	3.0%	5.0%
2016	**2017**	**2018**	**2019**	**2020**
5.0%	5.0%	5.0%	5.0%	5.0%

FUND REVIEWS: GENERAL FUND

In FY2011, the overall taxable value decrease of 9.6% in countywide taxable values reflects differing changes in the major components of the tax base. Within these categories, changes in individual properties may vary significantly due to many factors, including location (for example, beach vs. inland) or use (for example, hotel vs. retail).

Another aspect of the declining market values (and the "doubling" of the Homestead Exemption from $25,000 to $50,000) has been the erosion of the amount of value exempt from taxes due to Save Our Homes. Prices are now at the point where in some instances homesteaded residential market values have decreased below last year's taxable value. This means that unlike prior years, some parcels covered by Save Our Homes will see decreases in their taxable value for FY2011.

In the future, the growth in property tax revenues will be restrained by the 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 which 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 FY2008, the new construction in Orange County essentially offset the mandated Legislative property tax rollback. Our forecast, however, anticipates that the rate of growth will be 3% in FY2013 and FY2014, before returning to the 5% average growth which occurred in the years before the real estate boom.

Sales Taxes

For the State Shared Half-Cent Sales Tax, in FY2011 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. A 3% growth rate is assumed for FY2012 through FY2020. This projection is more conservative than the State General Revenue Estimating Conference, which anticipates a large FY2011 – FY2012 recovery "bump" in total statewide sales tax receipts that would bring collections up to the FY2008 level by FY2013. We believe this is overly optimistic and are not anticipating a return to the FY2008 level of our Half-Cent Sales Tax revenue collections until FY2016.

Change in Half-Cent Sales Tax Revenue				
2011	**2012**	**2013**	**2014**	**2015**
0.0%	3.0%	3.0%	3.0%	3.0%
2016	**2017**	**2018**	**2019**	**2020**
3.0%	3.0%	3.0%	3.0%	3.0%

State Revenue Sharing

For State Revenue Sharing, the forecast assumes that there will not be any changes to the sharing formula. We expect a return to the pattern of moderate growth in this revenue source that predated the economy's boom and bust cycle, and are assuming an annual increase of 2% from FY2012 through FY2020.

Change in State Revenue Sharing Revenue				
2011	**2012**	**2013**	**2014**	**2015**
-3.0%	2.0%	2.0%	2.0%	2.0%
2016	**2017**	**2018**	**2019**	**2020**
2.0%	2.0%	2.0%	2.0%	2.0%

Other Revenues

For other revenues in the General Fund, the forecast assumes flat to moderate growth (+2%) which reflects the anticipated gradual economic recovery.

KEY ASSUMPTIONS - EXPENDITURES

The forecast assumes a continuation of current (FY2011) programs and service levels. It does not include any new programs or increased services, and does not estimate any expenditure reductions that may be made after FY2011 to address future budget gaps.

FUND REVIEWS: GENERAL FUND

As described in the Economic Overview section of this document, the basic assumptions for Personal Services and Operating Expenses that are used throughout the forecast apply to the General Fund.

Personal Services

As with other operating funds, no salary adjustments are included in FY2011. In future years, moderate pay for performance merit increases are expected to resume in order to maintain a compensation structure that can attract and retain quality employees. No automatic cost of living increases are anticipated in the forecast.

Change in Salaries (Merit Increases – Net)				
2011	**2012**	**2013**	**2014**	**2015**
0.0%	0.0%	2.5%	2.5%	2.5%
2016	**2017**	**2018**	**2019**	**2020**
2.5%	2.5%	2.5%	2.5%	2.5%

Due to the decline in value of the State's pension fund investments and the current unfunded liability, we are assuming continued increases in the FRS contribution requirements over the next several fiscal years.

Change in FRS Pension Contributions				
2011	**2012**	**2013**	**2014**	**2015**
5.0%	5.0%	9.0%	9.0%	6.0%
2016	**2017**	**2018**	**2019**	**2020**
6.0%	6.0%	6.0%	6.0%	6.0%

The forecast assumes that the County's aggressive health insurance cost containment measures will continue. The passage of the Affordable Care Act, the Obama Administration's national initiative to restructure and contain health insurance costs, could have a significant impact but due to the uncertainty of the impact of this legislation, the forecast does not assume any changes in the County's current situation. A 10% increase in the County's Health Insurance contribution is budgeted for FY2011.

Change in Health Insurance Contributions				
2011	**2012**	**2013**	**2014**	**2015**
10.0%	10.0%	8.0%	8.0%	9.0%
2016	**2017**	**2018**	**2019**	**2020**
9.0%	9.0%	9.0%	9.0%	9.0%

The combined result of the forecast changes in salaries and benefits results in the following overall change to Personal Services costs.

Change in Personal Services Expenditures (Net Total Salary and Benefit Changes)				
2011	**2012**	**2013**	**2014**	**2015**
1.7%	1.7%	3.9%	3.9%	3.9%
2016	**2017**	**2018**	**2019**	**2020**
3.9%	3.9%	3.9%	3.9%	3.9%

Operating Expenditures and Capital Outlay

The forecast assumes that the cost of services, commodities, and equipment will in the aggregate track the CPI increases developed by the State in their consensus Revenue Estimating Conference. The forecast incorporates the Conference projections prepared in the first quarter of FY2010. Note that these assumptions are subject to ongoing revision by subsequent Conferences, although recent projections still do not anticipate a major inflationary trend. There is a potentially large impact on expenditures if inflation exceeds these expectations. In particular, inflationary pressures may increase if Federal spending patterns result in continued large deficits at the national level.

Projected Change in Consumer Price Index (CPI)				
2011	**2012**	**2013**	**2014**	**2015**
1.6%	2.3%	1.9%	1.9%	1.9%
2016	**2017**	**2018**	**2019**	**2020**
2.0%	2.0%	1.9%	2.0%	2.0%

Other Expenditures

As discussed previously, the County has no outstanding bond debt supported by property taxes or other general revenues. No such bond issues are anticipated during the term of the forecast.

Because of the uncertain nature of non-recurring funds, none are anticipated in the forecast with the exception of those estimated to be available in FY2011.

No new programs funded by the Federal economic stimulus (ARRA) or other non-routine grants are included in the forecast. The assumption is that any such expenditures will be dedicated for non-recurring purposes or will cease when the grant funds are no longer available. In the recent past, the Sheriff in particular has been very proactive in seeking Federal and State funding for public safety purposes that supplement but not supplant existing budgets. While this is desirable and likely to continue, for the purposes of the forecast these unpredictable expenses and their offsetting revenue are not included.

Some capital improvement projects have the potential to require increased operating expenditures when completed. In FY2011, these additional costs have been absorbed within the relevant departments' operating budgets. As future needs arise, to the extent possible these new demands will also be accommodated within existing budgets. Other capital improvement projects actually decrease operating requirements by replacing high maintenance aging infrastructure or by upgrading facilities with more energy-efficient systems.

General Fund Forecast FY2011 – FY2020

KEY RESULTS

The General Fund is balanced for FY2011, including a $12.1M addition to the Service Level Stabilization Account, bring the total of this account to $19.3M. **The updated forecast projects that recurring expenditures will exceed recurring revenues in the General Fund in the FY2112 – FY2015 timeframe by an estimated $26.5M.**

The FY2012 gap would be even larger if not for the reduction of operations in the FY2011 budget. The goal was to:

> *Reshape Pinellas County government by restructuring, reorganizing, and realigning the organization to provide an efficient and effective array of services.*

A significant part of this task was accomplished, but not all of the target reductions were achieved. Because of this, coupled with the anticipated continuing decline in revenues for at least another year, and the slow growth thereafter, there remains a structural imbalance between the General Fund's recurring revenues and recurring expenditures. The forecast shows

that if this situation is not addressed, the imbalance will continue to grow.

Forecast Budget Gap				
2011	**2012**	**2013**	**2014**	**2015**
+12.1M	-$18.0M	-$20.7M	-$26.4M	-$26.0M
2016	**2017**	**2018**	**2019**	**2020**
-$26.5M	-$23.7M	-$21.6M	-$19.0M	-$17.2M

Potential Risks

REVENUE FACTORS

Taxable Values

There are many factors that can alter the ten-year forecast of the General Fund. The primary concern, due to this fund's reliance on property taxes for a significant portion of revenue, is the performance of the real estate market.

The timing of the valuation of property for tax purposes is important. The FY2011 values reflect the market changes during calendar year 2009, and the FY2011 values (as of January 1, 2011) will reflect the continuing deterioration of the property tax base during the 2010 calendar year, unless prices begin to recover between now and the end of this calendar year.

A change of 1% in the FY2011 countywide taxable value would result in a $2.7M change in revenue at the current millage rate of 4.8108. Similarly, a change of 0.1 mills in the rate using the FY2011 taxable value would result in a $5.5M change in revenue. In the following years, these impacts would be amplified by the other growth factors.

Save Our Homes Impact

Another variable is the homesteaded taxable value increase cap imposed by the Save Our Homes amendment, which is based on the annual change (December to December) in the Consumer Price Index. Under "normal" circumstances, as homesteaded properties represent about 35% of the total FY2010 countywide taxable value, a change of 1% in the CPI (positive or negative) at the current millage rate would produce a change in revenue of approximately $1M. Because of the decline in market values, the amount of value that is shielded by Save Our Homes has been greatly reduced. When the real estate market returns to a pattern of growth, Save Our Homes will limit the amount of the increased value that is subject to property taxes.

Potential Property Tax Exemptions

The 2009 Legislature authorized a November, 2010 statewide referendum on two proposed expanded property tax exemptions. The first proposal 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 (up to $250,000) to homeowners who previously have not owned a home in Florida in the last 8 years. In August, 2010 the Florida Supreme Court removed these proposals from the ballot due to technical flaws in the ballot summary language.

If approved, either of these proposals would have resulted in further reductions to the tax base. Other new exemptions as well as revenue and expenditure caps have been discussed and their passage would have negative revenue impacts as well.

Annexations

In the unincorporated area, the property tax base and revenue in the MSTU would be affected by annexations or by the creation of new municipalities. If a significant reduction in the tax base occurs, costs could be spread across a much smaller population. A thorough reevaluation of the scope and delivery methodology for MSTU services would be required if these changes reach a tipping point in the economies of scale.

Economic Conditions

The three other major revenue sources – Sales Tax, Revenue Sharing, and CST - are highly sensitive to economic conditions. If the economy improves, collections could be higher than anticipated as disposable income increases. The reverse would be true if the economy deteriorates into a "double dip" recession.

The Sales Tax is highly sensitive to economic conditions. If consumer confidence does not continue to improve, consumption will not grow at the moderate pace assumed in the forecast. Another unknown at this time is the ultimate impact of the Deepwater Horizon oil spill on the Florida economy. If tourism continues to be hurt by the environmental damage, there could be serious negative effects on county revenues even if there is no direct physical harm to Pinellas beaches. The 3% annual growth in the Sales Tax forecast generates about $1M in additional revenue each year, which would be impacted by variations from the anticipated economic recovery assumptions.

The forecast assumes that Revenue Sharing will grow at 2% per year, a rate slightly less than the 3% growth in Sales Tax. However, there is no Constitutional prohibition against the State changing the formula to reduce or eliminate this revenue source unless the funds have been committed for debt service (which is restricted to 50% of the prior year's proceeds). Pinellas has no Revenue Sharing pledged to support debt and the entire allocation, currently about $12M, is subject to revision by the Legislature.

State Budget Impacts

For the second year in a row, the State used non-recurring revenues, including $2.6 billion of federal stimulus funds and a $500 million sweep of trust fund balances, to address the State FY 2011 budget deficit. Upcoming budget cycles will be extremely challenging given the flat to low growth expected in sales taxes, which are the State's primary revenue stream. In dealing with the upcoming multi-billion dollar State budget gap, the Legislature may consider the possibility of reducing the amount of revenue it shares with local governments or cost shifting state responsibilities.

In light of the State's serious budget problems, legislative changes to the formulas for sales tax and revenue sharing are a real possibility. There is an unfortunate precedent for this type of action. Effective in July, 2005, the counties' share of sales tax and revenue sharing revenues was decreased in response to the implementation of Article V / Section 7 court funding reforms. The impending statewide budget gap could be used as a justification to revise the formulas and reduce the amount of funding provided to local governments. A 10% cut in the Sales Tax formula would reduce revenues by over $3M.

Similarly, there has been repeated pressure from the telecommunications industry to reduce the scope of services that are subject to the Communications Services Tax. To date, the Legislature has resisted major changes that would reduce local CST revenues.

Limiting Factors

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, and the slowing of overall population growth in the State will delay the effect. Some erosion will result for those grants and other revenues that are allocated by population-driven formulas.

EXPENDITURE FACTORS

Inflation

On the expenditure side of the equation, the Consumer Price Index is a key element. For consistency, the CPI changes used in the forecast are those produced by the State of Florida's National Economic Estimating Conference. It should be noted that this is a consensus process which involves the Legislature, the Governor's Office, and the State's Division of Economic and Demographic Research. The intent is to produce a professional, nonpartisan basis for development of the State's budget that melds a variety of perspectives, and therefore does not necessarily reflect any one participant's economic model.

Historically, although inflation was as high as 12.5% in 1981, in the years since 1989 the change in the CPI has averaged about 3%.

The true inflation rate will have a significant effect on future requirements. For example, an increase of 1% in the CPI, if applied to all FY2011 recurring costs, would require an additional $5M in expenditures. A change of 1% in the salary and benefits assumptions would produce a cost variance of $3M and an increase in the inflation rate of 1% would result in a $2M change in operating expenses in FY2012, and would trigger escalating impacts going forward.

Operating expenses have been assumed to generally follow the CPI inflation rate, but costs such as fuel and electricity are subject to unforeseeable variations and could impact this scenario.

Florida Retirement System

Because salaries and benefits are such a significant part of General Fund expenditures, higher than projected FRS contribution rates or health insurance cost increases could have significant negative impacts. The FRS rates for the State 2011 fiscal year (July 1, 2010 to June 30, 2011) defaulted to the Normal Cost Rates when Governor Crist vetoed the FRS bill passed by the Legislature. The rates for the fourth quarter of the County's 2011 fiscal year (July – September 2011) will not be known until the Legislature sets them next year. The FRS rates in the FY 2011 Budget assume that the Legislature will increase contributions to begin to address the system's unfunded liability at that time. The forecast also assumes that there will be gradual increases in the following years to address the unfunded liability. If the rates rise more quickly, the impact could add $5M or more to General Fund requirements. There is an incentive for the Legislature to mitigate the impact on employer contribution rates since about 20% of FRS participants are State employees. Also, the Legislature may make other changes which were discussed this year such as requiring employee contributions to the pension system.

Health Insurance

Health insurance costs are impacted by inflation and also by the package of benefits offered. An additional unknown is the effect of Federal health insurance reform on costs and services, including any related mandates to programs such as Medicaid.

Unfunded Mandates

No new State or Federal mandates have been included in the forecast. As the State deals with their budget shortfall, there is likely to be growing pressure to push expenses down to local governments even while imposing more restrictions or rollbacks on local revenues. For example, previous Legislatures have considered altering the Medicaid Matching Funds and Mental Health Matching Funds requirements. In FY2011, these obligations total $12M for Pinellas County.

Theoretically, Article VII Section 18 of the Florida Constitution has a prohibition against imposing unfunded mandates on counties and cities. In practice, the Legislature can avoid this prohibition in many ways, through exemptions (such as mandates to enforce criminal laws) or exceptions, including declaring that the mandate "fulfills an important state interest" and is approved by a 2/3 vote of both the Senate and House. According to a report prepared by the Legislative Committee on Intergovernmental Relations (LCIR), in 2008 alone the Legislature enacted 54 laws containing 83 provisions that imposed mandates on counties and municipalities.

Balancing Strategies

There are several balancing strategies that could be considered to address the ongoing structural gap in revenues and expenditures beginning in FY2012.

Expenditure reductions are an option to be considered. The efforts to find efficiencies and streamline operations will continue to be pursued. Due to reductions over the last four years, General Fund costs have been trimmed to the point that any further cuts would directly impact the continuation of programs as well as service levels.

Revenue increases are another option. The property tax rate could be increased to make up some or all of the shortfall in property tax revenue without exceeding the "rolled up" rate. Technically, this would not be defined as a property tax increase under the state definition. The County is currently collecting less than the maximum allowed majority-vote property tax revenue.

The County does not have a wide range of other revenue options. User fees can be increased but need to be considered in the context of the local marketplace and the effect on economic recovery. In the FY2011 budget process, both County employees and the general public identified potential revenue generating ideas. In addition to increasing user fees, some of these ideas include a local business tax (formerly known as occupational tax), payments in lieu of taxes or a return on equity from enterprise funds, and creating a fee-based storm water utility.

One of the key strategies employed in concert with the budget reductions for fiscal years 2010 and 2011 has been the creation of a Service Level Stabilization Account in the General Fund. The $19.3M that has been allocated is available to mitigate the impact of future budget gaps on services. This account is intended to be preserved until a clear bottoming out of the recession impact has occurred. At that time, a plan for drawing down the account to smooth the transition to the new level of recurring revenue will be developed.

The *General Fund Reserves* portion of the FY2011 Budget Message describes the purpose of reserves, the relevant industry standards, the County's budget policies on reserves, and the specific components of the FY2011 General Fund Reserves. It includes the following sections:

- Purpose of Reserves
- New Accounting Standards and Best Practices
- General Fund Reserve Policy
- FY2011 Budgeted Reserves

Purpose of Reserves

Reserves are not expenditures, but they are included in the budgeted total requirements for the fund. In order to be expended, the BCC must take formal action reappropriating these funds.

Maintaining adequate reserves is key to the County's ability to deal with potential emergencies and unforeseen events such as fuel price increases, unanticipated dips in revenues 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. Also, federal (FEMA) reimbursements typically cover only 75% of the loss. Additionally, due to conditions in the insurance marketplace, our coverages are less than the County's total asset base. The County's property value is estimated at approximately $600M (net of the Solid Waste and South Cross facilities). We carry $100M worth of insurance. This means that we have approximately $500M of exposure depending on the kind of damage we could receive in a storm event or natural disaster.

Having an adequate reserve also demonstrates stability to the financial markets. Although Pinellas has the lowest general revenue debt of any major Florida county, this stability enhances our ability to raise capital through bonding at a lower cost if required in the future. Even with the recent recalibration of credit scores by the bond rating agencies, Pinellas County earned a AAA rating (the highest) for general obligation debt by Fitch Ratings.

New Accounting Standards and Best Practices

In 2002, the Board of County Commissioners adopted a comprehensive series of budget policies which included reserve requirements. In June, 2010, the BCC reviewed revisions to the Budget Policies on General Fund Reserves. These changes incorporated the new fund balance categories defined by the Government Accounting Standards Board (GASB) and Best practices adopted by the Government Finance Officers Association (GFOA).

GASB Statement 54

The Government Accounting Standards Board is an independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Established in 1984 by agreement of the Financial Accounting Foundation (FAF) and 10 national associations of state and local government officials, the GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.

In February, 2009, GASB issued Statement 54 which becomes effective for the County's FY2011 financial statements. The two main changes resulting from this statement are redefining how Reserves (Fund Balances) are to be reported, and changing the definitions of Special Revenue funds and other fund types.

GENERAL FUND RESERVES

Due to GASB 54, the Penny for Pinellas Fund will be closed and revenues and expenditures will be realigned into the Capital Projects Fund. Also, the Local Option Gas Tax Fund will be closed and revenues and expenditures will be realigned into the Transportation Trust Fund. These consolidations will provide more clarity and transparency by reflecting revenues and expenditures within the same fund.

For Reserves (Fund Balances), GASB 54 changes the focus from what is available for appropriation in reserves, to what the constraints on spending are. Those constraints identify who sets the restrictions on the spending and the amounts assigned to each category.

The budget policies for General Fund Reserves (Fund Balance) have been revised in accordance with GASB 54 and are summarized in the following table.

	GASB Category	Working Definition	General Fund Definition
	•Non-spendable	By nature, cannot be spent	Inventory
	•Restricted	Spend only per outside agency	Grants
Unrestricted Categories	•Committed	Specific amount or percentage set by BCC	* Contingency Reserve
	•Assigned	Amounts determined by Admin in accordance with BCC policy	* Cash Flow Reserve * Encumbered Contracts Reserve * Disaster Response Reserve
	•Unassigned	Fund Balance in excess of Reserves	Non-recurring funds for one-time expenses

GFOA Best Practice

The Government Finance Officers Association (GFOA) is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. GFOA's purpose is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

In October, 2009 the GFOA issued a new Recommended Best Practice on the Appropriate Level of Unrestricted Reserves (Fund Balance) in the General Fund which states:

> *GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain a reserve in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenue or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.*
>
> *Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level.*

Based on new requirements from GASB 54 and updated GFOA Best Practice, the Board of County Commissioners revised their existing General Fund reserve policy.

General Fund Reserve Policy

Prior to FY2011, the General Fund reserve policy was "at a minimum, no less than 5% to 15% of operating revenues, or no less than one to two months of operating expenditures." Over the last several years, the Board of County Commissioners set a conservative General Fund reserve target of 15% of total resources. This percentage target has resulted in a decrease in the gross dollar amount of reserves over the last several years as the total budget has decreased in size.

For FY2011, the Board revised its budget policy to transition from a methodology based on a percentage, to more of a gross dollar amount necessary for disaster response given that Pinellas County is a high hazard, coastal county.

GENERAL FUND RESERVES

The revised budget policy states:

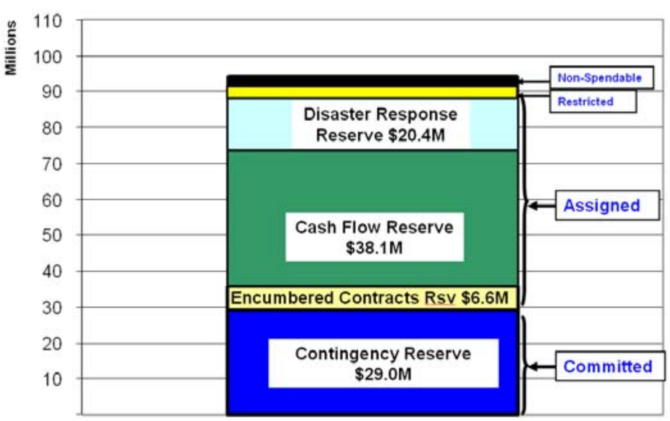
> ***The General Fund Reserve (Ending Balance) should be budgeted at a level of no less than 15% of total resources.***

The policy essentially sets a floor of 15% for the reserve level and does not set a cap to limit the reserve. The complete list of Budget Policies is presented in Exhibit A of the Budget Message.

FY2011 Budgeted Reserves

The FY2011 General Fund budget includes a projected reserve of $94.1M (16%) which meets and exceeds the Board's 15% policy target. This dollar amount is the same as the year before and was not adjusted downward as the overall budget decreased.

The components of the estimated FY2011 year-end reserves are Non-Spendable, Restricted, Contingency, Encumbered Contracts, Cash Flow, and Disaster Response.



Non-Spendable and Restricted Reserves

These two categories of reserves are well defined as they are driven by things such as the change in the value of inventories and limitations imposed by external entities such as grants that are being carried forward from the previous year. As a percentage of the overall reserve, non-spendable and restricted reserves represent less than 1% of reserves.

Contingency Reserve

The Contingency Reserve, which is budgeted at $29.0M in FY2011, is an amount equal to 5% of resources to be used for unanticipated revenue shortfalls or expenditures. For example, fuel costs and electricity rate increases have been highly volatile and often exceed normal inflation. Another example is the need for accrued leave payouts due to layoffs.

Encumbered Contracts Reserve

During the year, at any given time there are purchase orders and service contracts that have been approved and are subject to payment as work is completed or goods delivered. The $6.6M in the Encumbered Contracts Reserve for FY2011 represents the average amount that was encumbered at month's end for the 12-month period ending May 2010.

Cash Flow Reserve

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 about 65% of the total General Fund revenue. The FY2011 amount for the Cash Flow reserve, $38.1M, is equal to one-twelfth of all General Fund revenue budgeted for the fiscal year.

Disaster Response Reserve

As a high hazard coastal county, Pinellas needs to have Disaster Response Reserve funds on hand in case of an emergency such as a hurricane or other man-made or natural disasters. In FY2011, $20.4M is budgeted in this reserve. 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 $1.6M of the $9.3M total cost was not reimbursed for these storm events.

There are other economic impacts which can result from a major disaster. With a substantial portion of the county's highest taxable value properties located on the shoreline or in lower elevation coastal areas, there is the potential for a reduction in the tax base if properties are damaged or destroyed by a storm surge or high winds. This would result in a decline in property tax revenue in the following year. Sales and other taxes would also decrease due to the negative effects on tourism from the storm. Rebuilding would generate additional revenues, but it would take time to offset the losses in the aftermath of the disaster. As an indication of the size of this problem, a seven-county area of Florida impacted by 2004's Hurricane Charley sustained over $6.6 Billion in losses to residential, commercial, and industrial properties.

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.

GENERAL FUND NON-RECURRING PROJECT ALLOCATIONS

The *General Fund Non-Recurring Project Allocations* portion of the FY2011 Budget Message provides an overview of the allocations included in the FY2011 Budget and sources of funding for the allocations. It includes the following sections:

- Sources of Funding
- Non-Recurring Project Allocations

Sources of Funding

Non-recurring 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, non-recurring funds are in addition to the reserve target and the amount for the Service Level Stabilization Account.

Non-Recurring Funds =
(Revenues – Expenditures) – Reserve Target

Non-recurring 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.

The primary source for the non-recurring funds available in the FY2011 budget were the 97% expenditure targets in FY2009. The forecast assumes that departments will spend the historical average of 99% of their budgets. Any amounts above this average help generate additional non-recurring funds.

An estimated total of $13.1M of non-recurring 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.

Non-Recurring Project Allocations

Projects are selected based on criteria such as return on investment, cost avoidance, recurring savings to the operating budget, and organizational impact. The projects receiving non-recurring project allocations in the FY2011 Budget include:

- Justice Consolidated Case Management System (CCMS) project ($4.0M): 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, Business Technology Services (BTS), and other law enforcement agencies.

  The total project budget has not been finalized for this project at this time, but the current cost estimate is approximately $11-12M. This project was funded in FY2010 for $2.7M. This amount combined with the FY2011 allocation of $4M will mean that a total of $6.7M will have been budgeted to date. Based on the estimated total project cost of $11-12M, another allocation of approximately $5M will be necessary in FY2012.

  It is anticipated that this project will begin implementation by the end of the 2010 calendar year. A separate cost center was created in the BTS Fund to account for this project. An internal website has been created for this project that provides additional information: http://intraweb.co.pinellas.fl.us/justice/

GENERAL FUND NON-RECURRING PROJECT ALLOCATIONS

- Oracle Projects Unified Solution (OPUS) project ($2.2M): This project is a joint effort of the Board of County Commissioners, the Clerk of the Circuit Court, the Human Resources Department, and Business Technology Services (BTS) to integrate and consolidate all financial, human resources, and administrative functions under one system. This project is anticipated to provide high value by reducing duplication, increasing efficiencies, and enhancing management information.

  The total project budget is $17.1M. Between FY2009 and FY2010, $14.9M has been budgeted for OPUS. The FY2011 allocation of $2.2M is anticipated to completely fund this project. It is anticipated that this project will be complete at the end of the 2011 calendar year. A separate cost center was created in the BTS Fund to account for this project. An internal website has been created for this project that provides additional information: http://intraweb.co.pinellas.fl.us/opus/

- Facilities Energy & Conservation projects ($1.9M): Funding for three energy and water conservation projects that will provide savings to the operating and maintenance costs of running our buildings. These projects are expected to yield approximately $450K in recurring savings once implemented. The three projects: Detention Facility Water Conservation Phase II, Lighting Retrofits, and Demand Control Ventilation Phase II, appear as part of the Capital Improvement Program in FY2011.

- Homeless Initiatives ($1.0M): This item allocates funding to support homeless initiatives in Pinellas County. The $1.0M was allocated by the Board as follows: $500K for Pinellas Hope, $300K for Homeless Street Outreach Teams, $160K for Social Action Funding, and $40K for the Turning Point program. These funds are budgeted in General Government.

- Centralized Chiller Facility ($3.0M): This item contributes $3.0M to the new centralized chiller facility for the downtown Clearwater campus. The County will purchase chilled-water at a set rate based on the amount of investment towards the cost of the facility. If the County chooses to cover the estimated total project cost for the facility of $8.5M, the project is estimated to generate $507K of savings, cost avoidance of $3.8M, and potential revenue opportunities of $300-$400K a year. Design costs for the facility are being paid for by a federal grant from the Department of Energy. This project appears as part of the Capital Improvement Program in FY2011.

- Working Capital for Cultural Affairs and STARS program ($600K): This allocation funds $300K each to Cultural Affairs and STARS program to provide necessary working capital as these two programs transition to non-County entities. Cultural Affairs was previously part of the Culture, Education, & Leisure Department and the STARS program was part of the Health & Human Services Department.

- BTS Customer Support Automation ($400K): This item allocates funding to the Business Technology Services department to cover automation costs related to self-service options in the new customer support center service model. This project appears as part of the BTS budget.

UNINCORPORATED AREA (MSTU) BUDGET

The *Unincorporated Area (MSTU) Budget* portion of the FY2011 Budget Message provides an overview to the unincorporated area budget. It includes the following sections:

- Municipal Services Taxing Unit (MSTU)
- MSTU Revenues
- MSTU Expenditures
- MSTU Reductions
- Summary of MSTU Budget

Municipal Services Taxing Unit (MSTU)

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.

MSTU Revenues

MSTU Revenues consists of the following:

- o 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 FY11 is 2.0857 mills, the same as FY08, FY09, and FY10. The tax base for the MSTU declined by 8.6% compared to FY10.

- o 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 FY11, 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.

- o 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.

- o 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 FY11, 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

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 FY11, 39.1% 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 FY11 Budget, these activities are building inspection, development review services, local stormwater drainage maintenance, the East Lake Library operating grant, and an East Lake Youth Sports recreation 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

MSTU Reductions: By keeping the tax rate the same, the lower MSTU tax base will produce less revenue than FY10, resulting in the following program reductions:

- In the Development Review Services program, phone and walk-in customers will experience response delays due to the reduction of support staff.

- Reductions in the Building Inspection program will require the use of contract services for electrical inspections during peak permit activity.

- Reduced clerical support for the Zoning program will result in reduced public outreach on zoning and land use changes.

- New complaint response time for Environmental Code Enforcement will increase from the current 2 day average to a 10-14 day average response.

- The Permitted Facilities and Stormwater program will be reduced with less frequent clearing of ditches and ponds and the elimination of mechanical harvesting of vegetation in lakes and canals.

- The annual contribution for operating support for the East Lake Community Library program will be reduced by 8.6%.

The following table is a summary of the MSTU budget for FY2011.

MUNICIPAL SERVICES TAXING UNIT (MSTU)
FY2011 BUDGET

REVENUES	**FY2010 Budget**	**FY2011 Budget**
Ad Valorem Taxes	32,547,700	29,637,580
Delinquent Taxes & Tax Redemptions	118,240	118,240
Franchise Fee - I-Net	7,980	8,140
Franchise Fee - PEG	463,530	444,760
Communications Services Tax	11,499,930	11,100,000
Building Permits	3,439,000	3,832,530
Tree Removal Permits	162,340	206,740
Mobile Home Licenses	105,000	107,100
Local Gov't 1/2¢ Sales Tax	3,350,000	3,350,000
Tax Collector Excess Fees	218,010	205,290
Sheriff Excess Fees	163,140	266,140
Property Appraiser Excess Fees	5,000	3,260
Reimbursement of Impact Fee Admin.	66,870	68,210
Zoning Fees	333,170	406,320
Sheriff Civil Income	249,630	-
Lot Clearing	43,700	38,000
Interest and Miscellaneous	623,530	740,160
Subtotal - Revenues	53,396,770	50,532,470
Beginning Fund Balance	16,382,580	15,854,690
TOTAL RESOURCES	**69,779,350**	**66,387,160**
EXPENDITURES AND RESERVES		
Building Inspection	3,861,190	4,172,900
Prior Years' Recreation Grants outstanding	506,090	145,930
Development Review Services	2,598,190	2,111,840
Zoning (in Planning Dept, formerly in DRS)	205,470	103,410
Economic Incentive Grants	107,100	123,570
Environmental Management (incl Lot Clearing)	2,207,040	1,350,930
Public Works Permitted Facilities(Stormwater)	3,738,280	3,216,840
Property Appraiser Fees	339,710	325,980
Tax Collector Fees	667,380	615,250
Sheriff	38,899,100	35,815,100
East Lake Library Operating Grant	227,880	208,280
Subtotal - Expenditures	53,357,430	48,190,030
Reserve for Contingencies	3,488,970	3,319,360
Reserve - Fund Balance	12,932,950	14,877,770
TOTAL EXPENDITURES & RESERVES	**69,779,350**	**66,387,160**

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

Pinellas County

FUND REVIEW: TOURIST DEVELOPMENT COUNCIL FUND

Description

The TDC Fund is a special revenue fund that accounts for the 5% tourist development tax (i.e. bed tax) on rents collected for temporary lodgings per Section 125.0104, Florida Statutes (enacted by the State in 1977). The Board of County Commissioners enacted an ordinance in 1978 to levy this 2% tax to promote tourism in Pinellas County, and was approved at a referendum held on October 5, 1978. In 1988, the ordinance was amended to increase the tax by an additional 1% (third cent). One-half of the 1% was earmarked to fund beach re-nourishment projects and one-half to provide funding for promoting and advertising tourism. In January 1996, an additional 1% (fourth cent) was levied to provide additional funds for promotional activities and to service debt on the County's obligation to the City of St. Petersburg's bonds for Tropicana Field. In December 2005, an additional 1% (fifth cent) was levied to provide funding for promoting and advertising tourism.

The TDC Fund supports the Tourist Development Council, serving as 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 used to enhance the County’s economy by increasing tourism and direct visitor expenditures through marketing and promoting the destination.

Reduction Target

The Tourist Development Council sets the budget target based on input from County budget staff. The Council had their Budget Committee Meeting on May 6th and approved reducing FY2011 promotional expenditures overall by $1.2 million to attain a 10% reserve level at 100% tourist tax revenue projections. Since promotional activities represent the largest portion of the TDC’s budget, it is usually increased or decreased based on the tourist development tax revenue stream.

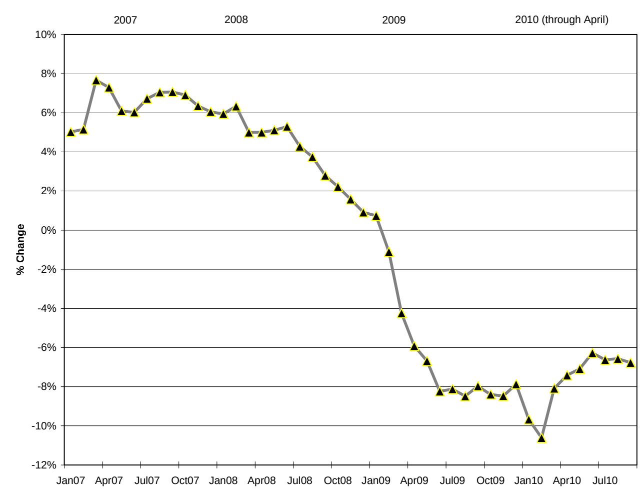
Revenues

The TDC Fund consists almost exclusively of one primary funding source: tourist development taxes.

Tourist Development Taxes

Tourism is a key economic driver of the economy in Pinellas County and contributes direct and indirect visitor expenditures of $6.4 billion annually. This tax is expected to generate $22.9M in FY2010.

Tourist Development tax collections are very sensitive to economic conditions due to the close relationship between disposable income and leisure travel. As the recession has progressed, collections have decreased dramatically since 2007. The chart below showing a 12-month moving average of collections from 2007 to April 2010 seems to indicate that collections have bottomed out.



In addition, transient rental occupancy increased 2.4% from April 2010 compared to April 2009. From this point, collections are expected to grow slightly in 2010 and grow moderately over the next 2-3 years as the general economic recovery continues.

FUND REVIEW: TOURIST DEVELOPMENT COUNCIL FUND

The chart below compares visitor origins between April 2010 and April 2009 and shows that although foreign visitors have decreased, that the domestic market has picked up for a net total increase of 3.4%.

Visitor Segments	2009	2010	% Change
Florida	63,761	73,066	+14.6%
Southeast	28,423	30,974	+9.0%
Northeast	235,069	225,553	-4.0%
Midwest	254,274	271,616	+6.8%
Canada	56,079	63,536	+13.3%
Europe	116,766	114,365	-2.1%
U.S. Opp. Mkts.	13,828	15,090	+9.1%
Latin America	N/A	N/A	N/A
Total	**768,200**	**794,200**	**+3.4%**

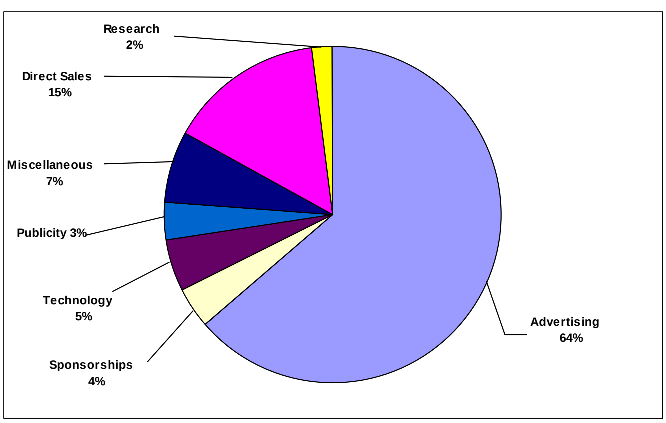
Source: April 2010 Visitor Profile, Research Data Services, Inc.

Expenditures

The TDC Fund supports budgeted expenditures and reserves in FY2011 totaling $24.3M. The primary expenditures in the fund are $10.0M for promotional activities, $5.5M for debt service for three sports facilities, $2.5M for two transfers, and $1.5M in reserves.

Promotional Activities

This budget helps pay for the promotional activities to promote the St. Petersburg/ Clearwater destination. As the pie chart below shows, advertising is the largest component of promotional activities at 64% in the FY2011 budget.



During FY2010, Pinellas County received $1.15 million in additional advertising funding associated with the Deepwater Horizon oil spill emergency to assist with the promotion and advertisement of Florida's tourism industry.

Debt Service

The TDC fund dedicates the entire $4.7M in proceeds of the 4th cent of tourist development revenue to the City of St. Petersburg to fund debt service on bonds for Tropicana Field (expires 2015). At the City of St. Petersburg's request, ownership of Tropicana Field was turned over to the County by the City in October 2002, as the County is exempt from paying property taxes on the facility. The County leases back the property to the City under terms that provide the City the same rights and responsibilities for the property that it had prior to the transfer of ownership. This fund also pays debt service in the amount of $588K for the City of Clearwater's spring training facility (expires 2021) and $298K for the City of Dunedin's spring training facility (expires 2015).

Transfers

The TDC fund transfers half of the proceeds of the 3rd cent or $2.1M, to the Capital Projects fund for beach nourishment projects. The TDC fund also provides funding for arts grants to help cultural organizations market their attractions to tourists. The transfer for Cultural Arts Grants of $350K in FY2010 to the Cultural Affairs Department is zeroed out due to the elimination of that department in the FY2011 budget. The $350K in funding for FY2011 will now be contracted with other agencies for the same purpose. The ordinance was changed in 2010 to amend the Pinellas County Code associated with the costs of administration for collection of tourist development taxes by the Tax Collector. The original transfer for these costs represented 3% of tax revenues to cover the costs of collection, which was approximately $200K higher than what was estimated for FY2011 at $485K, which is approximately 2% of estimated tax revenues.

Reserves

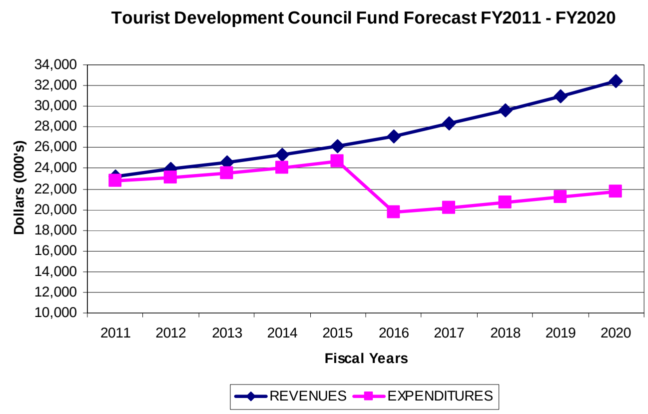
The reserve level in the TDC fund is currently at 10.4%, at the 100% revenue level, which is the reserve level requested by the Tourist Development Council. This is at the mid-range of the 5-15% reserve level budget policy adopted by the Board. From a budget perspective, this fund would ideally carry a reserve on the high end of the range to serve as a fiscal shock absorber in case tourist development tax revenue deteriorates as it tends to do quickly due to its sensitivity to economic conditions. For example, tourist development revenues declined dramatically in FY2002 after the September 11th terrorist attack, in FY2005 as a result of multiple hurricane landfalls in Florida, and most recently in FY2009 as a result of the financial crisis.

Reserves need to be maintained at a minimum of a 5% level if not higher to maintain liquidity in the fund. The TDC fund has several large expenditures, such as debt service, that early in the fiscal year and then some occur later in the fiscal year, while peak revenues primarily occur throughout the Spring with tourists coming for Spring Break and the Easter timeframe. Since such seasonality occurs for both revenues and expenditures and these fluctuations do not match when they occur, the shortfalls of revenues during these times would be made up by using reserves until the revenues come in.

Ten-Year Forecast

Key Assumptions

The revenue forecast for tourist development taxes assumes only a minor increase of 1.5% in FY2011 reflecting slight growth following the bottoming out of the economy. The next two years are expected to increase 2.5% as the recovery takes hold and climb to 3.0% in FY2014 and FY2015 before leveling out at the "new normal" of 3.5% growth through the rest of the forecast horizon. On the expenditure side, the promotional activities budget is assumed to decrease in FY2011 to reflect the approved reductions with advertising remaining flat through FY2013 then promotional activities are anticipated to increase to match the increase in revenue through FY2015. Beginning in FY2016, a substantial amount of debt service will be paid off. The forecast does not assume that the additional capacity will be re-approved to service new debt or allocated to supplement the promotional activities budget.



Key Results

The forecast for the TDC Fund shows revenues exceeding expenditures in FY2011 as reserves are built up to 10% per the Tourist Development Council's direction. From FY2012 to FY2015, revenues and expenditures are in-line as the promotional activities budget is increased to match the gradual increases in tourist development revenue, while maintaining a 10% reserve. Beginning in FY2016, revenues exceed expenditures by a wide margin as the debt service of Tropicana Field and the Dunedin Spring Training Facility is paid off. The decision point in FY2016 will be whether to continue to use this portion of the proceeds of the 4th cent of tourist development for debt service on sports facilities or use it for other approved tourism development purposes such as promoting and advertising the St. Petersburg-Clearwater destination or to increase the reserves. Going forward, bed tax revenues need to be closely monitored in case mid-year reductions become necessary.

Potential Risks

There are many impacts that can alter the ten-year forecast of tourist development tax collections. The primary concern is the strength of the national economy due to the sensitivity of collections to economic conditions. If the economy improves, collections could be higher than anticipated as disposable income increases. The reverse would be true if the economy deteriorates.

There is serious concern regarding the possibility of oil reaching Pinellas area beaches from the Deepwater Horizon oil spill in the Gulf of Mexico. The ultimate impact of the oil spill is unknown at this time. Local hotels have experienced an increase in cancellations due to the confusion of the impact of the oil spill to other Florida beaches. This may have a negative impact on tourism tax revenue. The following website contains the latest information regarding the oil spill: http://www.pinellascounty.org/oilspill

The appreciation or depreciation of the U.S. dollar also has an impact on the number of foreigners visiting Pinellas County. Recently, the U.S. dollar has appreciated significantly against the Euro, which may result in less European visitors, thus negatively impacting tourism tax revenue.

Increases in fuel costs are also a factor for visitors driving to Pinellas County. In the past an increase in hurricane activity has had a negative effect on tourism as have red tide outbreaks in Tampa Bay.

The TDC Fund could experience a potential windfall from a lawsuit filed by Pinellas County (similar lawsuits have been filed by other counties and the State of Florida) against on-line tourism companies for uncollected sales taxes. It is estimated that the County could realize an additional $1.4 million annually.

The possibility of offshore drilling in Florida's gulf coast could discourage tourism due to the potential negative ecological effects of that industry. Additional competition from potential tourism development in Cuba could also be a factor in the future.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period. The assumption is that the promotional activities budget is increased or decreased to match the tourist development tax revenue stream. The additional capacity forecast to begin in FY2016 will most likely be applied to newly approved debt service, to supplement promotional activities, or to increase the reserves.

FUND REVIEW: TRANSPORTATION TRUST FUND

Description

The County Transportation Trust Fund is a special revenue fund required by Florida Statute 336.022 to account for revenues and expenditures used for the operation and maintenance of transportation facilities and associated drainage infrastructure. Activities include road and right of way maintenance (e.g., patching, mowing), bridge maintenance and operation, traffic engineering, traffic signal operation including Intelligent Transportation Systems, traffic control signage and striping, sidewalk repair and construction, and maintenance of ditches, culverts and other drainage facilities. Resources to support these activities are provided from gas taxes collected and distributed on a shared basis to all Florida Counties by the State of Florida, and local option gas taxes levied by the County. There are two local option taxes that have been imposed by the Board of County Commissioners. The most recent was a one cent levy (referred to by statute as the "Ninth Cent") beginning January, 2007 dedicated to the installation, operation, and maintenance of advanced technological traffic signal and messaging systems (Intelligent Transportation Systems). The other local levy is a six cents per gallon tax that is shared by Interlocal agreement between the County and all municipalities within Pinellas County. The County's share of collections is 60% of total receipts and the municipalities each receive portions of the remaining 40%. This six cent local option tax was recently extended for a ten year period commencing January, 2007.

Reduction Target

For FY2011, the Transportation Trust Fund had a reduction target of $1.7M based on the continuing lack of growth in currently authorized revenues. This target was achieved, resulting in a positive cash flow for the fiscal year. The revised forecast based on this reduced expenditure level indicates that a potential supplement to this fund from the General Fund has been moved out from FY2012 to FY2014.

Revenues

The Transportation Trust Fund consists mainly of three primary funding sources: State shared gas taxes ($10.2 million), a six cent per gallon local option gas tax ($12.7 million), and a one cent per gallon gas tax (the "Ninth Cent") earmarked for intelligent traffic systems ($3.8 million). The remaining revenues of the fund include interest and other miscellaneous revenues such as reimbursements from other governments for the County's work on municipal and state traffic signal systems.

State Shared Gas Taxes

This resource is the equivalent of three cents per gallon on motor fuel collected statewide then redistributed to Florida Counties by a formula related to population, geographic area, and local collections. This resource is driven by the gallons of fuel used, and is therefore sensitive to economic activity such as commuting and tourism trips, or increases in the price of oil that might reduce demand for gasoline usage. The move toward more fuel efficient cars also has an effect in offsetting any population growth that might result in more vehicle trips; therefore this must be considered a relatively flat growth revenue source. As shown below, this has trended downward due to the recent general economic activity though not as dramatically as other County tax sources.

Six Cent Local Option Gas Tax (LOGT)

This resource is a six cent per gallon tax on all motor fuel sold within the County including diesel. Unlike the Ninth Cent it is shared with municipalities. By interlocal agreement, the County retains 60% of monthly collections with municipalities sharing the remaining 40%. This resource is directly tied to the Pinellas County economy and its affect on gallons of fuel consumed. Since Pinellas County's growth in population has slowed, this resource can be impacted to a greater extent by more efficient cars and fuel conservation efforts. This is projected to be a relatively flat growth revenue source because economic growth that might spur increased demand in fuel is mitigated by these factors.

Ninth Cent Gas Tax

This resource is a one cent per gallon tax on all motor fuel sold within the County including diesel. It is not shared with municipalities. This resource is also directly tied to the Pinellas County economy and its affect on gallons of fuel consumed. As with the six cent local option tax, since Pinellas County's growth in population has slowed, this resource can be impacted to a greater extent by more efficient cars and fuel conservation efforts. This is projected to be a relatively flat growth revenue source because economic growth that might spur increased demand in fuel is mitigated by the factors discussed above.

Expenditures

The Transportation Trust Fund supports expenditures totaling approximately $28.4 million.

Transportation Programs

These expenditures include staff and operating expenses to maintain and operate the County's traffic controls, bridges, roads, and associated drainage systems. Key program expenditure areas include mowing County right of way and ditch maintenance activities, traffic signal and traffic control activities, and bridge and concrete structures maintenance.

Intelligent Transportation Systems

As a part of traffic signal and traffic control activities the County is actively pursuing technological improvements to improve the flow of traffic in Pinellas County. This activity is tied to the Ninth Cent gas tax resource and is being focused on high priority traffic corridors in order to size the program to available resources.

Transfers

Following the inception of the Ninth Cent gas tax a transfer from the Transportation Trust Fund to the Capital Projects Fund has been made to support the installation of capital structures needed to implement the Intelligent Transportation System, such as traffic signal controllers, fiber optics, cameras, and message boards. Depending upon available revenues after deductions for operating expenses, an annual average of approximately $3.0 million is transferred to the Capital Projects Fund to match state and federal grants available to implement the system on major County and State road corridors.

Reserves

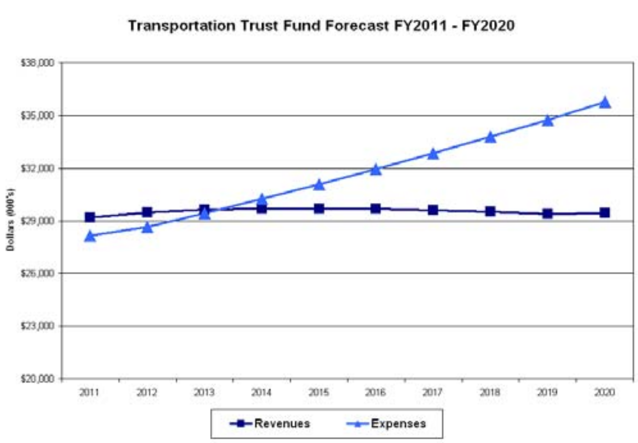
The reserve level in the Transportation Fund for FY2011 is 26%, which is higher than the 15% reserve level budget policy adopted by the Board. This is the result of savings gained

through recent budgetary reductions and efficiency initiatives. The reserve also includes the fund balance previously carried in the Local Option Gas Tax Fund, which has been merged into the Transportation Trust Fund in accordance with new accounting standards (GASB Statement 54). This reserve level will gradually be reduced after expenditures begin to exceed expenses in FY2014.

Ten-Year Forecast

Key Assumptions

As discussed, the main revenue sources for this fund are state shared gas taxes and local option gas taxes. The State's Revenue Estimating Conference projected an annual average growth rate of 2.1% for fuel taxes. These taxes are based on gallons consumed and not fuel prices. Pinellas County's built out condition, and the likelihood of future mandated vehicle fuel efficiency standards, leads to this forecast assuming no growth in these revenues. Based on the historical and future growth patterns, current gas tax revenues are not predicted to keep up with current and projected inflationary expenditure demand on transportation operation and expenditure needs. The ten year forecast assumes that the current six cent local option gas tax levy will be extended beyond its current expiration year of 2017. The "Ninth Cent" levy is in effect until year 2026.



Key Results

The updated forecast for the Transportation Trust Fund, following the FY2011 reductions, shows revenues exceeding expenditures until the fund assumes a negative cash position in FY2014. Between FY2014 and FY2016, potential revenue and expenditure options will need to be implemented to keep the fund in balance throughout the forecast period and maintain reserves in line with the Board's adopted policy of 15%.

Potential Risks

Impacts on this forecast include macro-economic conditions such as increases or decreases in the price of oil that could affect demand for motor fuel. Changes in the price of commodities such as concrete and asphalt could also affect the expenditure side of this forecast as the Transportation Trust Fund activities utilize large amounts of physical commodities. An unanticipated increase in fuel conservation efforts or mass transit efforts could also affect the outer years of this forecast. Also a decision to not extend the current six cent local option gas tax levy would have a major impact on this analysis.

Balancing Strategies

Major strategies to manage the forecasted gap in revenues versus expenditures include a continuation of actions to reduce future costs on the expenditure side, transfer of General Fund revenue to support transportation activities, or the imposition of additional local option gas taxes.

On the expenditure side, the County has experienced recent labor cost efficiencies in the Public Works operational areas as the result of improved preventive maintenance, work scheduling, and equipment utilization practices.

Public Works should continue these improvement practices. Policy decisions could also be made to reduce service levels, such as mowing right of way areas 9 times per year rather than 11 for example.

From an enhanced revenue standpoint, the County has authority to impose an additional five cents tax per gallon of fuel sold within the County, however by statute proceeds realized would have to be shared with municipalities. The County's estimated share of one cent of local option gas tax is now approximately $2.0 million, therefore, assuming current sharing percentages, one additional cent would need to be imposed no later than year 2015, rising to a need to impose three cents by year 2020, in order to maintain a 15% ending fund balance position, and to avoid the negative cash position forecast for year 2015. For comparison purposes, other Florida Counties that impose greater local option taxes than Pinellas County's seven cents are shown in the following table.

Counties Imposing Local Option Taxes Greater than Seven Cents	Cents Imposed
Alachua	12
Broward	12
Charlotte	12
Citrus	12
Collier	12
DeSoto	12
Hardee	12
Highlands	12
Lee	12
Mamatee	12
Martin	12
Miami-Dade	10
Okeechobee	12
Palm Beach	12
Polk	12
Sarasota	12
Suwanee	12
Volusia	12
Highlands	12

FUND REVIEW: PENNY FOR PINELLAS FUND

Description

Penny for Pinellas revenues are proceeds of an additional one cent Local Government Infrastructure Surtax on Sales, pursuant to Section 212.055(2), Florida Statutes, imposed in Pinellas County. The authorized use of these funds is generally restricted to infrastructure projects only and cannot be used for ongoing operation and maintenance costs. The Penny for Pinellas Infrastructure Sales Tax Fund is a special revenue fund used to account for the collections and distribution of the County's share of these proceeds. The Penny became effective February 1, 1990 for an initial period of ten years and has been extended by referendums in 1997 and 2007 for two additional ten year periods (until 2020). This is the primary source of revenue supporting the County's Capital Improvement Program. In accordance with statutory requirements, and interlocal agreements with each municipality in Pinellas County, the County's receives approximately 52.3% of the total monthly collections generated by this tax, following the deduction of a dedicated $225M "off the top" for countywide use in improving Court and Jail facilities. Prior to FY2011, Penny proceeds were collected and deposited into this separate fund. The proceeds were then transferred to the Capital Projects Fund to support specific capital projects, and, if necessary, to the Debt Service Fund for repayment of any outstanding Capital Improvement Revenue Bonds. Beginning in FY2011, the Penny for Pinellas Fund will be closed per GASB 54 requirements and Penny revenues and expenditures will be reflected in the Capital Projects Fund.

Reduction Target

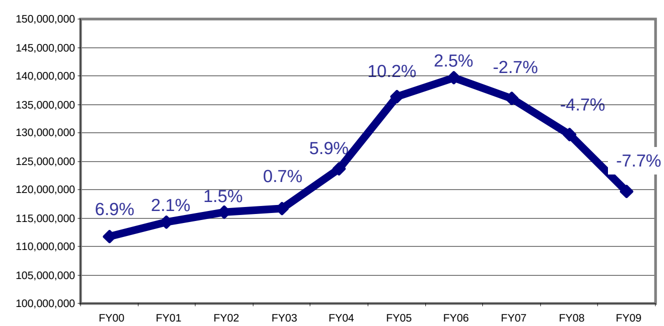
The Penny for Pinellas Fund is a special revenue fund that must adjust transfers to the Capital Projects Fund to fit the Penny sales tax revenue stream. No reduction target is necessary for FY2011 as revenues and expenditures are consistent with budgeted amounts.

Revenues

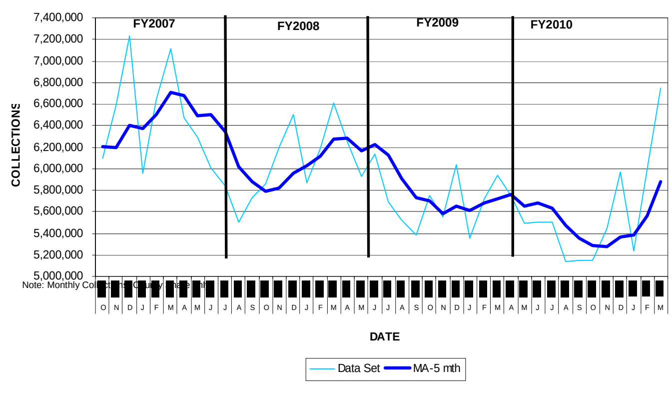
The Penny Fund consists almost exclusively of one primary funding source: a local option sales tax.

Local Sales Taxes

Sales tax as a revenue source is highly elastic and is very sensitive to local and national economic conditions, such as inflation, wage growth, unemployment, and tourism. Normally sales taxes increase with economic activity and inflation, but reflecting the depth of the recent recession, collections have declined since 2007. The chart below shows the fluctuation in annual growth rates experienced since year 2000.



Looking ahead, Penny revenue is trending upward based on a five-month moving average trend line.



However, most of the increase in the trend line is actually due to the new Penny distribution between the County and the Municipalities which appears in the February 2010, figures. The new Penny Program begins as of February 1,

2010 so the revenue figures in FY2010 will include four months of the distribution from the last Penny program and eight months of distribution for the new Penny program. The new distribution includes a higher "off the top" monthly amount for Courts & Jail Improvements and a slightly lower monthly amount for the rest of the distribution due to annexations that reduced the population of the unincorporated area. Overall, the net effect is that the County is receiving a higher amount of Penny revenue. The underlying revenue trend, net of the new Penny distribution, appears to be relatively flat or slightly increasing.

Expenditures

The Penny Fund supports budgeted transfers to finance the implementation of the County's governmental portion of its Capital Improvement Program.

Transfers

The Penny fund transfers a majority of its proceeds to the Capital Projects fund for infrastructure projects in the areas of transportation, storm water drainage and water quality, parks, environmental preservation, courts, jails, public safety, and other public facilities. In FY2011, $75 million is projected to be transferred. The current policy is that capital projects will be financed on a pay as you go basis moving forward, therefore no transfers for debt service are shown in this forecast.

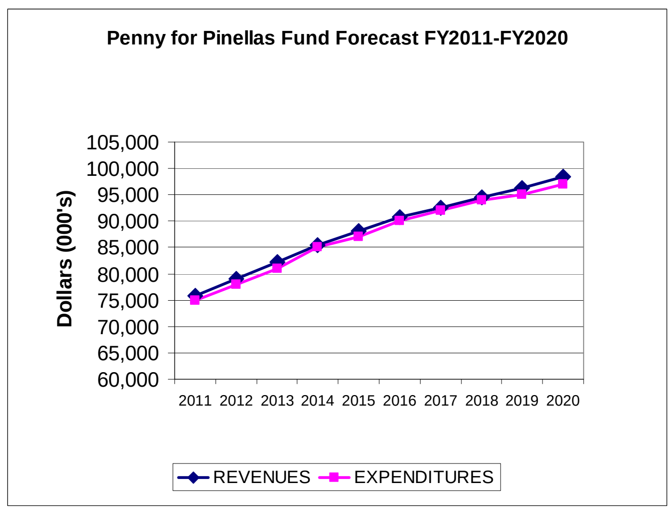
Reserves

The Penny fund reserve totals $3.6 million or 5%. This is in the range of the 5-15% reserve level budget policy adopted by the Board. From a budget perspective, this should be adequate for a capital projects fund where the resource allocations and timing of project implementation can be scheduled and controlled by County management.

Ten-Year Forecast

Key Assumptions

The revenue forecast for the Penny sales tax assumes 0% underlying growth in FY2011 tracking the bottoming out of the recent economic slowdown. In gross dollar terms, revenue will increase $5.0M due to the annualized effect of the new Penny distribution. The growth rates in FY2012-2014 are expected to increase to the historical long term average annual growth of the Penny of 4% as the economy rebounds. For FY2015-2016 we project 3% growth and 2% from FY2017-2020 to be more conservative in our projections of out years' growth. As previously stated, the forecast assumes that capital projects will be financed on a pay as you go basis, therefore no debt service impacts are included in this forecast.



Key Results

The forecast for the Penny for Pinellas Fund shows balanced revenues and expenditures over the forecast period reflecting transfers to the Capital Projects Fund in line with estimated revenues while maintaining reasonable reserve amounts in accordance with Board policy.

Potential Risks

There are many impacts that can alter the ten-year forecast of the Penny tax collections. The primary concern is the strength of the local economy due to the sensitivity of collections to economic conditions. If the economy improves, collections could be higher than anticipated as consumer activity increases. The reverse would be true if the economy deteriorates. The County could also decide to bond Penny revenues in order to advance the implementation of certain projects, which would impact the expenditure side due to the cost of servicing debt obligations. There are also risks of increases in major commodities used in capital project construction such as steel or concrete, such as those the County experienced in 2005-2007 where prices escalated as much as 60-80% for these key materials. This forecast also assumes the Penny will be extended so that a full year of revenue will be collected in FY2020. Should this extension not occur, the revenue forecasted for FY2020 will be reduced by 75%, as the Penny would sunset on December 31, 2019.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period. The assumption is that the capital projects budget and cash flow needs are increased or decreased, through planning and development of the Capital Improvement Program, to not exceed the sales tax revenue stream available for transfer.

Pinellas County

FUND REVIEW: EMERGENCY MEDICAL SERVICE FUND

Description

The EMS Fund is a special revenue fund established by referendum in 1980, which allows up to 1.5 mills to be levied annually on a county-wide basis to finance the operation of a comprehensive county-wide emergency medical service system. This system provides advanced life support emergency medical response and transport services to all citizens of Pinellas County. The County maintains EMS contracts with 18 fire service agencies (first responders), and one ambulance provider (Paramedics Plus, operating in Pinellas County under the trade name "Sunstar"). This operation is funded by a combination of property taxes and ambulance user fees. The ambulance user fees support the ambulance contractual expenditures and property taxes are intended to support the first responder expenditures.

The EMS Fund provides for a dual-response public utility model in which the local government retains control of and sets standards for the ambulance system and maintains contracts with 18 fire service agencies and one ambulance provider (Paramedics Plus, operating under the trade name "Sunstar"). Under the dual-response system, this means that both a first responder (firefighters, paramedics or emergency medical technicians (EMT), and an ambulance go to the scene of an emergency when it occurs.

The EMS Fund was established by referendum in 1980 by the Special Act (Chapter 80-585, Laws of Florida) that created the EMS Authority as a Dependent Special District. In 1988, Pinellas County Ordinance 88-12 solidified the current EMS system design. The Fiscal Policy guidelines within Ordinance 88-12 state that the Board of County Commissioners, sitting as the Emergency Medical Services Authority, directs the following fiscal policy guidelines that governs the financial operations of the County's EMS system: (a) To establish sound business controls and long term cost containment incentives throughout the County EMS system; (b) To provide adequate funding to upgrade all EMS components to state-of-the-art-levels, and to maintain that progress in future years; (c) To provide for long term financial stability sufficient to sustain quality EMS operations far into the future; (d) To reduce the County EMS system's excessive dependence upon local tax support by developing a more balanced approach to EMS funding; and (e) To provide the Board of County Commissioners with a wider range of EMS financing options than have been available in the past.

Reduction Target

The EMS fund is a special revenue fund that must adjust expenditures to fit the ambulance fee and ad valorem revenue streams. For FY2011, the County's negotiations with the first responder providers reduced the overall increase in contractual payments by $1.5M from the providers' requests. Ambulance user fees were also increased. Despite these adjustments, recurring revenues and recurring expenditures are still out of balance requiring the use of $9.6M in reserves to balance the fund. The EMS Fund will make several efficiency adjustments in service level by streamlining processes for FY2011, such as conducting financial audits of prior years ALS first responder expenditures and implementing the final phase of Priority Dispatch, which will allow for the appropriate resources being dispatched to all requests for EMS. Additional operational considerations for reductions in FY2011 are still under review.

Revenues

The primary funding sources for the EMS Fund are property taxes and ambulance user fees. Property taxes account for approximately half of total revenue and ambulance user fees account for the balance of total revenue in this fund.

FUND REVIEW: EMERGENCY MEDICAL SERVICE FUND

Ambulance User Fees

The ambulance service user fees provide funding for the ambulance provider (Paramedics Plus) contractual expenditures. Ambulance user fees are based on transport volume and transport charges. An average charge is $581 per transport. Billing for the service is done by Pinellas County and collection is currently about 69% of billing for the transport service. The County also bills for Medicare, Medicaid and private insurance companies for transport service. The County handles transports for non-emergencies and mental health transports as well. The County utilizes the 9-1-1 System to dispatch calls for the proper response to the call. Ambulance user fee revenue is expected to generate $41.0M in FY2011. The Board of County Commissioners has the authority to increase ambulance user fees as necessary. In FY2010, the Board authorized an ambulance service retail rate increase of 10.15% that is expected to generate approximately $1.4 million in FY2011.

The County also offers an ambulance user fee membership program that citizens can utilize to minimize the cost of EMS transports for frequent users. This revenue is anticipated to decrease as a result of less program advertising. For FY2011, membership revenue is estimated to generate $204.3K.

Property Taxes

Property taxes are used to fund first responder expenditures. Property tax revenues have decreased significantly over the last three years due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market, and the recession. Property taxes are expected to generate $30.0M in FY2011.

The EMS millage rate is a county-wide millage rate that has remained flat since FY2008 at 0.5832. The Board of County Commissioners has the authority to increase or decrease this millage rate. The millage cap for this revenue is 1.5000 mills. In FY2011, the Board voted to keep the millage rate flat with the FY2010 millage rate at 0.5832 and utilize fund balance to make up the difference in revenues versus expenditures. The following chart shows the history of the EMS millage rate and projected ad valorem revenue collected from FY2006 to FY2011.

Emergency Medical Service Fund
Ad Valorem Revenue & Millage History

Fiscal Year	Millage	Revenue
2011	0.5832	$30.0M
2010	0.5832	$33.6M
2009	0.5832	$38.3M
2008	0.5832	$41.9M
2007	0.6300	$42.6M
2006	0.6600	$36.8M

From FY2006 through FY2010, the EMS millage rate declined 0.0768 while property tax revenues decreased $3.6M due to taxable values decreasing during that timeframe. For the FY2011 Budget, due to reductions of 10.3% in taxable values and maintaining the same millage rate, property tax revenues will decrease by $3.6M compared to FY2010. The FY11 property tax revenue is $12.6 million or 30% less than the peak amount collected in FY2007.

Expenditures

The Emergency Medical Service Fund supports budgeted expenditures and reserves in FY2011 totaling $101.5M for all eighteen first responders and the ambulance contractor. The primary expenditures in the fund are $35.7M for payments to the ambulance contractor, $38.5M for contractual payments to the first responders and $15.9M in reserves.

Ambulance Contractor Payments

The County contracts with Paramedics Plus for the County's SUNSTAR ambulance system. Contracts with the County's ambulance provider

were renegotiated in FY2010 with a minimum 3% increase per year through September 30, 2012. A 4% increase was included in the forecast from FY2013 through FY2020 as these contracts can increase an amount for the medical consumer price index (MCPI) up to a maximum of 5.5% annually. During the FY2011 Budget development, the County negotiated with the contractor to decrease operating expenditures. However, once the contract is up for negotiation in FY2012, expenditures may increase if fuel and labor costs increase.

First Responder Contractual Payments

The County contracts with the eighteen first responder EMS providers and the ambulance provider that respond to calls using paramedics and that utilize Advanced Life Support (ALS) or Basic Life Support (BLS) equipment and personnel. For FY2011, the County negotiated with each EMS provider, which resulted in an overall reduction in funding of $1.5M from their requests. However, even with these adjustments, the use of $9.6M in reserves is necessary to make up the shortfall where expenditures exceeded property tax revenues.

The first responder agreements also include an agreement with Eckerd College for basic life support water rescue for $33K. The first responder agreement of $625K with Bayflite for EMS air transport was reduced by the Board to the remaining life of the contract at $313K. The costs of these combined agreements for FY2011 are $346K.

Administrative Costs

The County has administrative costs (Personal Services and Operating Expenditures) to support both the ambulance function and the first responder function that are allocated between these functions.

Ambulance operating expenditures of $5.9M include personnel and operating expenditures attributable to the medical billing function as well as the other ambulance support functions. These expenditures include the Office of the Medical Director, St. Pete College training expenses, and system medical supplies allocated between the ambulance and first responder functions. There are approximately 34 positions associated with the medical billing function. First responder expenditures of $5.3M include those personnel and operating expenditures attributable to the first responder function.

Transfers

The Emergency Medical Service fund has transfers to the Property Appraiser and Tax Collector to cover the costs for collection of ad valorem revenues. FY2011 costs for this function are $996K. The commissions for the Property Appraiser and Tax Collector are pursuant to Florida Statutes.

Reserves

Pinellas County Ordinance 88-12, which was amended with Resolution 89-208, authorizes the establishment of a prudent reserve equal to one-third of the annual expenditure budget for this fund. This guideline exceeds the 5-15% reserve policy adopted by the Board. Reasons for such a high reserve level include disasters, such as a hurricane, where a large amount of equipment/vehicles may need to be replaced quickly to sustain EMS service and enough working capital for a potential transition if contract requirements are not met by the service provider. The FY2011 budgeted reserve level is 23% (at 100% revenues). In order to balance the FY2011 budget $9.6M in reserves will be used to offset the difference between recurring revenues and recurring expenditures.

Ten-Year Forecast

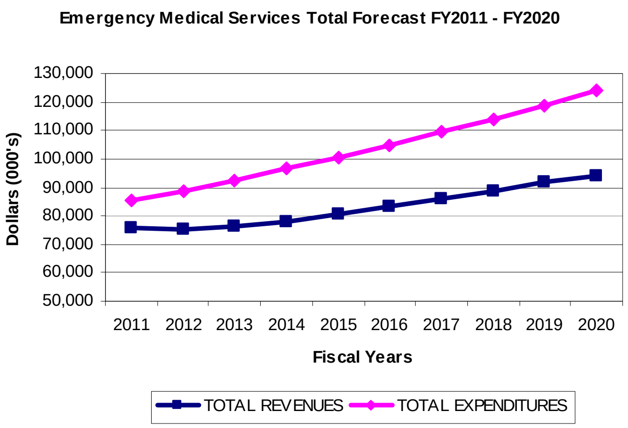
Key Assumptions

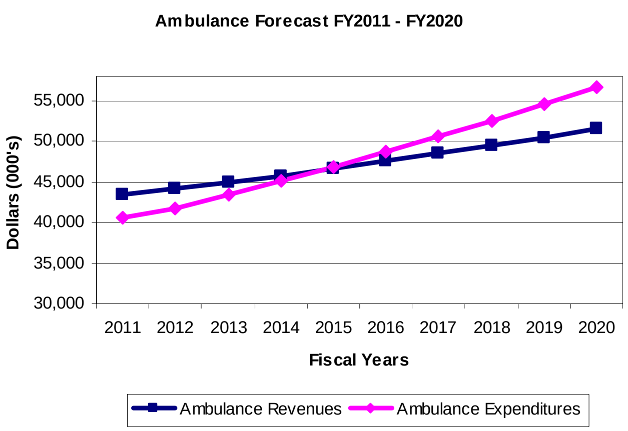
The EMS countywide FY2011 millage is assumed to remain flat at 0.5832 mills through the forecast period. However, property tax revenue is forecasted to decrease in FY2012 by 5% due to an additional decrease in taxable value during this timeframe. From FY2013 to FY2014, a 3%

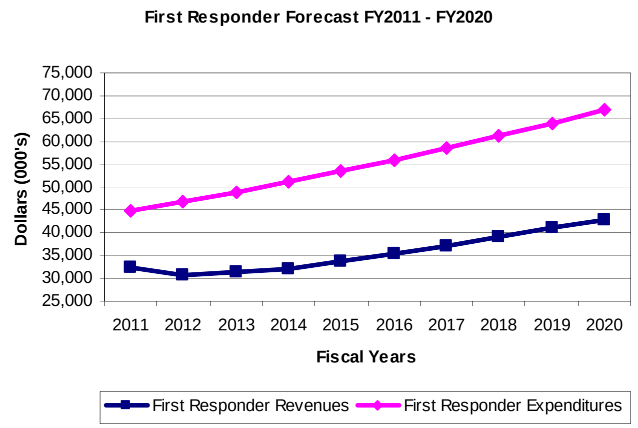
growth factor is assumed as taxable values should begin to slowly recover as the economy begins to recover and the housing market starts to rebound. From FY2015 to FY2020 property tax revenue is forecasted to increase by 5% as property tax revenues rebound as the economy is expected to rebound. During the forecast period, Ambulance revenue user fees are estimated to increase by 2.0-2.2%.

After FY2011, first responder contractual expenditures are estimated to increase at 5.0% through the remaining forecast period.

Contractual payments to the ambulance contractor are assumed to increase by 3% through FY2012 as the ambulance contract with Paramedics Plus has been renegotiated through this period. The contractual expenditures are then increased to 4% for the remainder of the forecast period as contracted expenditures have the potential to increase up to a maximum of 5.5% annually.







Key Results

In the first chart for the total EMS Fund, the forecast shows total expenditures exceeding revenues beginning in FY2011 and throughout the entire forecast period for the total fund. This is driven by the first responder requests for funding. The forecast shows that the total EMS Fund is not in balance. Reserves will be utilized until completely used up in FY2013 if balancing strategies for the fund are not employed.

The ambulance chart details ambulance revenues and expenditures and shows that expenditures exceed user fee revenues after FY2014 despite 2% increases built into the forecast period. Initially, ambulance revenues cover the expenditures in FY2011 with $2.8M additional revenues remaining, however expenditures exceed revenue throughout the remainder of the forecast period. The decision point will be whether to increase ambulance user fees further and/or decrease expenditures to balance.

The first responder chart more specifically shows that first responder ad valorem revenues are outpaced by contractual expenditure growth throughout the entire forecast period. The decision points will be whether to increase the EMS millage and/or decrease expenditures to make up this shortage.

Potential Impacts

The major impact to future revenues is declining property tax revenues. If taxable values begin to rebound then the opportunity for higher revenues will increase. This will be one of the major drivers for increased revenues in the forecast.

Another major impact for future revenues will be ambulance user fee revenues. Tourism and inflow into the local area of more visitors and residents will impact number of users to the EMS system.

Continued aging of the general population (baby boomers) could result in more transport volume in the ambulance area.

The County has a long-standing relationship with Paramedics Plus, the ambulance contractor. However, if this contractor does not meet contract requirements then the County would be negatively affected.

An EMS study is currently being performed by a consultant, engaged by the County. This study should provide an overview of the entire EMS System and demonstrate how the County could better serve the citizens with EMS services. The study is estimated to be complete in early 2011.

Balancing Strategies

The forecast shows structural gaps in the revenues and expenditures as the fund is not balanced through the forecast period. The County has the option to increase the millage as necessary to raise the necessary ad valorem revenue to assist in balancing the fund to pay for the first responders. Ambulance user fee increases beyond the 2% annual increase will most likely need to occur to assist in balancing the fund and help pay for the ambulance contractual expenditures. Fund balance may assist in making up for some of the immediate shortfall. However, this is a short-term measure and not a long-term solution for balancing funds. On the expenditure side, the County could continue to pursue system efficiencies or lower service levels.

Pinellas County

FUND REVIEW: FIRE DISTRICTS FUND

Description

In 1973, a Special Act of the Florida Legislature (Chapter 73-600, Laws of Florida) created the Pinellas County Fire Protection Authority. This special legislation subsequently assumed ordinance status as Article II, Chapter 62 of the Pinellas County Code. The Board of County Commissioners is designated as the Fire Protection Authority, with responsibility to "establish and implement a permanent plan of fire protection for Pinellas County and each of its municipalities" and is granted the authority to establish and abolish fire protection districts, and levy ad valorem taxes to fund fire protection services within these districts.

At present, the Fire Districts Fund consists of twelve separate municipal services taxing units (MSTUs) that provide fire protection services in the unincorporated areas of Belleair Bluffs/Largo, Clearwater, Dunedin, Gandy, Largo, Pinellas Park, Safety Harbor, Tarpon Springs, Seminole, High Point, Tierra Verde, and South Pasadena. These districts were formed at differing times, after the electors in the affected unincorporated areas approved their creation and the levy of ad valorem taxes to fund fire protection.

Per County Code 62-32, compensation to each fire service provider is based on the pro rata share of the fire department's budget in each fire district. The pro rata share is allocated based on the value of real property for the unincorporated area in that district.

Reduction Target

The Fire Districts fund is a special revenue fund that must adjust expenditures for each dependent fire district to each district's property tax revenue stream. County staff negotiates with each municipality for the cost of fire service within each district. In order to meet cost increases and mitigate taxable value decreases in several of the dependent fire districts, the FY2011 Budget includes millage increases to six of the twelve fire districts.

Revenues

The Fire Districts Fund consists of primarily one funding source: property taxes (ad valorem revenue).

Property Taxes

Property tax revenues have decreased significantly over the last three years due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market, and the recession. These revenues are affected by taxable values for properties in the local economy. Overall, property taxes are expected to generate $15.0M in FY2011 across all districts.

Each dependent fire district has a separate ad valorem millage rate that is the major revenue source for each of the fire districts. The chart illustrates that half of the fire districts require an increase in millage rates in FY2011 to fund fire service provider expenditures. These districts are Clearwater, Gandy, Largo, Safety Harbor, High Point, and Tierra Verde.

Dependent MSTU Fire Protection Districts

Ad Valorem Millage Rates & Millage Rate Caps

	Millage Rate Caps	FY10 Millage	FY11 Millage	Variance FY10/FY11 Millages
Belleair Bluffs/Largo	5.0000	1.7320	1.7320	0.0000
Clearwater	5.0000	1.8628	2.1385	0.2757
Dunedin	5.0000	2.0102	2.0102	0.0000
Gandy	5.0000	1.3143	2.1594	0.8451
Largo	5.0000	2.4416	3.4384	0.9968
Pinellas Park	5.0000	2.3675	2.3675	0.0000
Safety Harbor	5.0000	2.4252	2.6800	0.2548
Tarpon Springs	5.0000	2.3745	2.3745	0.0000
Seminole	10.0000	1.9581	1.9581	0.0000
High Point	10.0000	2.7275	3.2644	0.5369
Tierra Verde	3.0000	1.3997	1.7382	0.3385
South Pasadena	5.0000	2.2188	2.2188	0.0000

In addition to millage adjustments in FY2011, each district is subject to a mandated millage

cap. The millage cap threshold for Belleair Bluffs/Largo, Clearwater, Dunedin, Gandy, Largo, Pinellas Park, Safety Harbor, Tarpon Springs, and South Pasadena are set at 5 mills while Seminole and Highpoint have a 10 mill cap. Based on action taken by the Board of County Commissioners June 15, 2010, Tierra Verde's millage cap increased from 1.5 mill to 3.0 mill.

The next chart shows the variation in the taxable values between unincorporated fire districts due to the composition of properties within the districts, e.g. beach properties, condominiums, etc. All of the FY2011 taxable values decreased from the prior year as a result of the real estate market downturn and economic recession.

Unincorporated Fire Districts
Percentage Change in Taxable Values FY2010/2011

Taxing Authority	FY10 Taxable Values	FY11 Taxable Values	% Chge
Belleair Bluffs/Largo	301,703,737	291,359,880	-3.4%
Clearwater	1,063,305,209	941,918,460	-11.4%
Dunedin	317,903,981	288,913,510	-9.1%
Gandy	66,603,910	59,181,660	-11.1%
Largo	671,768,560	614,446,992	-8.5%
Pinellas Park	310,084,387	280,429,863	-9.6%
Safety Harbor	77,093,607	67,391,217	-12.6%
Tarpon Springs	207,417,166	176,170,146	-15.1%
Seminole	2,549,426,107	2,289,800,426	-10.2%
Highpoint	851,597,086	746,306,270	-12.4%
Tierra Verde	830,884,982	738,945,178	-11.1%
South Pasadena	117,481,145	103,236,297	-12.1%

Expenditures

The Fire District Fund supports budgeted expenditures and reserves in FY2011 totaling $23.5M for all twelve districts. The primary expenditures in the fund are $14.5M for contractual payments to the municipalities and other independent agencies for fire and rescue services and $7.2M in reserves.

Contractual Fire Payments
Contracts for fire protection services are negotiated with providers on an annual basis. The forecast includes an annual 3.5% increase for the service contracts through the forecast period. Fire departments submit their operating and capital budget requests on an annual basis and the County provides funding based on the unincorporated pro-rata share of property values within the district.

Administrative Costs
Administrative costs from the County are allocated to each fire district based proportionately on the amount of budgeted ad valorem revenue collected. In FY2011, this cost of $307K has decreased in recent budget years as reductions have been made to this allocation. Operating Expenses for this fund is the distribution of the County's administrative expenses, such as personal services, repair services and intergovernmental charges, and other operating charges, to the twelve fire districts.

Transfers
The Fire District fund has transfers to the Property Appraiser and Tax Collector to cover the costs of collection for ad valorem revenues. FY2011 costs for these were $398K and fluctuate with ad valorem revenue estimates. Transfers also include a $280K repayment to the Capital Projects Fund for funds utilized to purchase a new fire engine vehicle for Lealman.

Reserves
The reserve level in the Fire District fund fluctuates as a whole, but each fire district is evaluated individually. The minimum reserve level that each district maintains is 5% reserve for contingency, which is at the low end of the 5-15% reserve level budget policy adopted by the Board. Several of the individual fire districts maintain a 5% minimum reserve including Clearwater, Gandy, Largo, Safety Harbor, Tarpon Springs, High Point, Tierra Verde, and South

Pasadena. Some of the districts maintain a 10% reserve level, specifically Belleair Bluffs/Largo, Dunedin, Pinellas Park, and Seminole Fire Districts, that serves as a buffer to shield the district from economic downturn in their area.

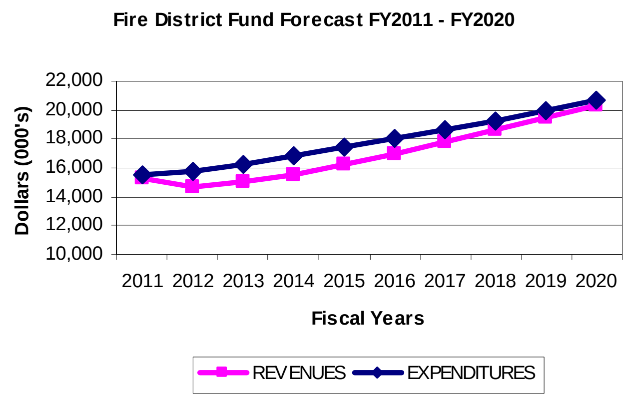
In addition, fire districts set aside funds in Reserve for Future Years for long-term capital projects, such as a new fire truck purchase or improvements to a fire station. Districts can request these funds with the County sharing their portion of this request based on the unincorporated value of the district.

Ten-Year Forecast

Key Assumptions

FY2011 fire district millages are assumed to remain flat through the remainder of the forecast period for each of the districts. However, property tax revenue is forecasted to decrease in FY2011 by an average 10.5% due to additional decreases in taxable values during this timeframe and then minimally decrease by 5% in FY2012. From FY2013 to FY2014, a 3% growth factor is assumed as taxable values slowly recover as the housing market begins to rebound and the economy recovers.

On the expenditure side, the contractual payments to the cities are assumed to increase by 3.5% through the forecast period, which outpaces most of the property tax revenues for the districts. Expenditures are increasing by approximately 2 to 3% while the major revenue source of ad valorem revenue is estimated to decrease 5% in FY2012.



Key Results

The chart above shows that expenditures exceed revenues from FY2012 to FY2017 of the forecast period as expenditures outpace the estimated ad valorem revenue projections. The fire district fund is presented in a consolidated manner for all of the individual unincorporated twelve districts. Specific fire districts will vary in how much reserves are maintained and fund balance is utilized. However, each individual district must be analyzed individually for their specific situations.

Overall, the revenues are outpaced by expenditures in several of the individual fire districts due to the high costs of the contracts. As the main source of revenue in this fund is ad valorem, which is not anticipated to recover immediately, many of the districts will utilize fund balance through the forecast period to pay for long-term capital projects and current operating expenditures. Many of the unincorporated fire districts will also have to increase millage rates in each budget year to keep up with expenditures.

For the four districts (Belleair Bluffs/Largo, Dunedin, Pinellas Park, and Seminole) that have 10% in Reserve for Contingencies and have not had to utilize their fund balances, they are well positioned going into FY2011 through FY2020 without immediately having to increase millage rates for their districts.

For the other eight districts (Clearwater, Gandy, Largo, Safety Harbor, Tarpon Springs, High Point, Tierra Verde, and South Pasadena) that have less than 10% in reserves for contingencies and have had to borrow from fund balances, the forecast shows that these districts may continue to have to increase millage rates for their districts to meet their individual district personnel and operating expenditures unless forecasted operating requests decrease.

Potential Risks

The major variable impacting future revenues is ad valorem revenue and taxable values. If taxable values begin to rebound then the opportunity for higher revenues will increase. This will be one of the major drivers for increased revenues in the forecast.

However, if taxable values continue to decrease as they have been in the past three years, then the major revenue stream for the fire districts will be impacted. As the districts continue to increase their operating requests and as taxable values decrease, the pressure on increasing millage rates for the fire districts will continue to increase each budget year. Some of the dependent fire districts that have not properly anticipated their future expenditures for operating and capital are anticipating millage increases that are near their millage caps, such as Largo Fire District. This will require Board action for the district to increase their millage cap as Tierra Verde did in FY2010.

Another potential impact is annexation of the unincorporated fire district areas. As cities increasingly annex more of the available unincorporated properties area, there are less unincorporated properties to share the burden of costs of the service among the rest of the unincorporated area in a fire district.

An impact to fire service would be increased costs of Emergency Medical Service funding. Since most of these same fire service providers provide EMS services, if EMS funding is reduced by the County due to increased expenditure pressures and reduced forecasted revenues, these same providers may increase what they are requesting in their operating expenditure requests from the County in their funding formula, which the County funds per the Special Act.

The opportunity for consolidation is also a possibility for the fire districts. Consolidation may result in considerable efficiencies that could reduce operating costs without reducing service levels.

Balancing Strategies

The forecast shows structural gaps in the revenues and expenditures as the fund is not completely balanced through the forecast period. This fund cannot be taken as a whole, but each district must be looked at individually. Until the ad valorem revenue forecast situation improves further out into the forecast, the individual districts will feel pressure to increase their millage rates. On the expenditure side, the contractual costs from the fire service providers' requests should be reviewed for efficiency opportunities.

Some of the individual districts can continue to use fund balance as long as it is available to them and as long as the minimum reserve of 5% is prudently maintained to continue funding their district personnel and operating expenditures.

FUND REVIEW: AIRPORT FUND

Description

The Airport Operating and Revenue Fund is an enterprise fund that accounts for revenues received from activities on the Airport property. No Pinellas County ad valorem (property) tax dollars are used to support the operation of the airport.

In March 1941 construction started for the airport at its present site. After Pearl Harbor, the airport, known as Pinellas Army Airfield, was used as a military flight-training base. After WWII, many army airfields were declared surplus and turned over to cities, counties, and state sponsors to manage. The Pinellas Army Airfield property was granted to Pinellas County by the U.S. Government to operate as a commercial airport. It was originally called the Pinellas International Airport, and given the airport call letters, PIE.

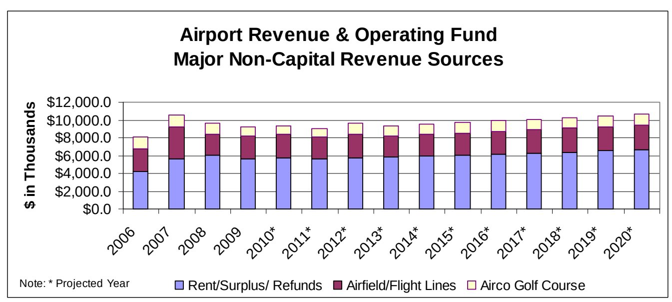
The Airport Revenue and Operating Fund is used to account for the self-supporting operations of St. Petersburg - Clearwater International Airport (airport code PIE) and its surrounding land uses on the airport's 2,000 acres. Approximately, half of this property is dedicated to the airfield and supporting 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. All activities necessary for Airport operations (e.g. administration, operating and maintenance expense) is included in this fund. Also included are airport facility capital improvements, which receive federal and state grant funding of up to 95% of costs, depending on the type of project.

Reduction Target

The airport had no specific reduction target for the FY2011 Budget. In developing the budget, the Airport considered the operational and service level needs for the airlines and their passengers. In addition, there are certain mandated requirements that are imposed by the Federal Aviation Administration in the operation of an airport. The Airport continues its development efforts in order to increase revenue and ensure that the Airport is a self-sustaining county department. This budget, while continuing the targeted budgeted reductions that were enacted in FY 2006 due to the loss of airline service, is based on a very conservative funding approach.

Revenues

Excluding capital contributions, the major funding sources supporting the Airport Revenue and Operating Funds during the forecast period Rentals/Leases (60 to 65%), Airfield/Flight Lines (25%), and Airco Golf Course (10-15%).



Rentals/Leases

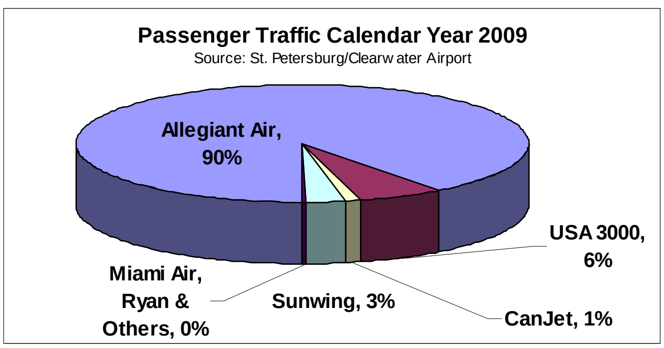
Due to the size of the property and the proximity of Tampa International Airport, the perceived highest and best use of the St. Petersburg/Clearwater Airport land are aviation support and land leases. Pinellas County Criminal and Juvenile Courts, Cracker Barrel Restaurant, Dynamet Inc., and GE Aviation Systems are just a few examples of long term leases at the airport. Also included in this

revenue source are businesses operating inside the airport terminal, such as the gift shop and restaurant.

Airfield/Flight Line

Airfield fees are charges for the use of the runways and taxiways. Flight Line leases are for aircraft parking areas and maintenance hangars. These revenue sources are expected to remain constant over the near future.

The following chart shows that Allegiant Airlines represents 90% of the passengers served on commercial carriers from St. Petersburg/ Clearwater Airport. Terminal Leases and Airfield fees in the near future are dependent on this airline capacity.



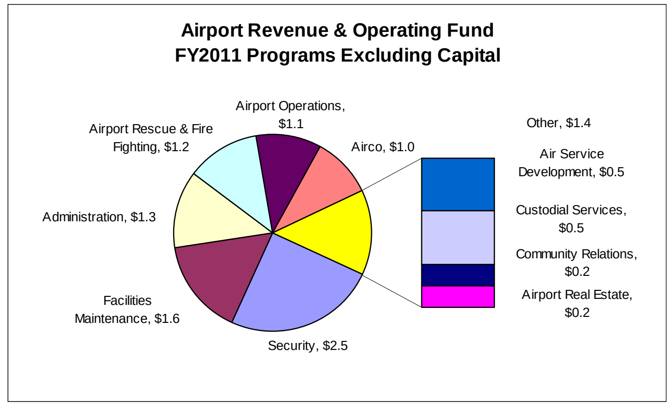
Expenditures

The Airport Revenue and Operating Fund supports budgeted expenditures and reserves in FY2011 totaling $34.8M of which $15.2M is allocated for capital projects and $9.6M is reserves.

Airport Programs

Of the remaining $10.0M in operating expenditures, the primary program expenditure is $2.5M for Security and Utilities. Other major program expenditures include $1.6M for Maintenance, $1.0M for Airco Golf Course, $1.2M for Airport Rescue & Fire Fighting, and $1.1M for Airport Operations.

The airport real estate program ensures compliance to Federal Aviation Administration (FAA) lease requirements. This program has FY2011 budgeted expenditures of $227K. However, the program revenues are budgeted for $5.6M.



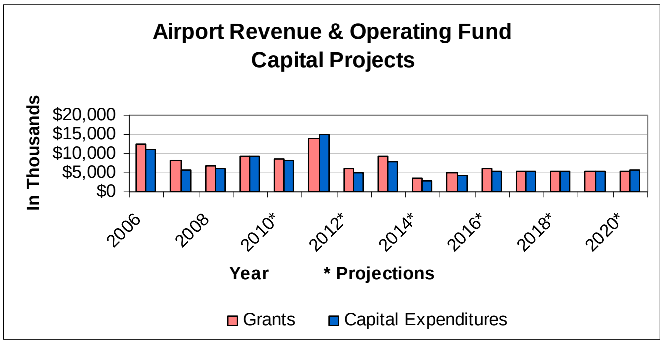
Personal Services

Personal Services expenses are for the salaries and benefits of the 68 positions needed to operate the Airport. Personal Services expenditures in FY2011 total $4.5M.

Capital Projects

The FY2011 Budget for Capital Projects is $15.2M. These projects receive funding in the form of grants from the Federal Aviation Administration (FAA) and the Florida Department of Transportation (FDOT). These projects will only commence when the appropriate grants funding is made available. The following chart shows the relationship between the scheduling of the revenues and the expenditures of capital projects.

FUND REVIEW: AIRPORT FUND



Reserves

The total reserve level in the Airport Revenue and Operating fund is currently at 28%. This level is the result of capital projects completion dates lapsing into subsequent fiscal years.

Ten-Year Forecast

Key Assumptions

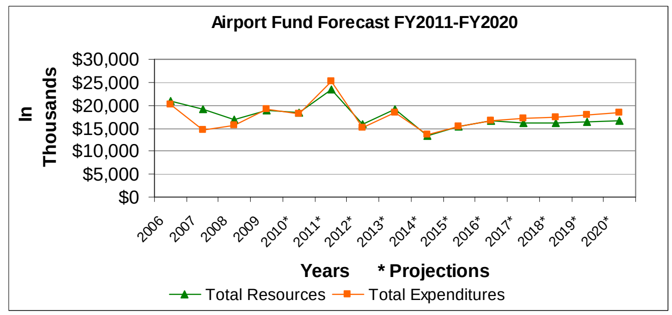
The revenue forecasts of funding total resources are conservative due to the current economic conditions.

Airfield/Flight Line revenue for FY2011 and FY2012 is based on the current level of carriers and passenger numbers. For FY2013 through FY2020, an increase of 2% is forecast. The forecast is conservative, as no new carriers or agreement renewals have been included. Flight Line Leases are projected at a conservative 2% growth rate over the forecast period.

Rent/Surplus/Refunds revenue for FY2011 and FY2012 is based on current leases/agreements through the termination of these lease agreements. No lease escalations are included in these years of the forecast. In FY2013 through FY2020, an increase of 2% is forecast. The forecast also assumes that current agreements are not renewed.

Airco Golf Course revenues are forecast based on a moving average of actual revenues. Therefore, revenues fluctuate between small negative and positive growth between years. The Airco Golf Course is assumed to operate through the entire forecast period.

Capital expenditures track the County's Capital Improvements Program costs until FY2015 when a 2% annual growth rate is included in the forecast.



Key Results

The forecast for the Airport Fund shows over the forecast period revenues decrease slowly as fund balance decreases and reserves are utilized. This is based on the assumption of no new leases.

From FY2011 to FY2016, revenues and expenditures are relatively stable through the period. After FY2016 revenues decline when reserves are utilized to deal with recurring operating expenditures.

The fluctuation magnitudes in both revenues sources and expenditures shown between years in the following chart are caused by the timing of capital projects. Capital project impact to both revenues and expenditures is neutral, since the projects are dependent on the availability of grants. If the grants are not forth coming, the projects are not started.

Potential Risks

Several items can alter the ten-year forecast of Airport revenue collections. A primary concern is the strength of the airline industry and the continued success of Allegiant Airlines. Revenues could increase if the airports can attract new passengers and other carrier services. Increases in rental/leases income would result when current leases are renewed and rate formula escalations occur.

One of the major impacts on revenue is the conversion of the Airco Golf Course lands to different land uses. It has been presented to the Board of County Commissioners a feasibility study to use the golf course land for other revenue endeavors. The timing of this land use change would affect the forecast. Revenues from the golf course would be eliminated during the conversion between land uses, but would be presumably more than offset by additional revenue from new rental/leases.

The potential lease income value of the Airco parcel is well over $1M annually. In addition, other vacant land parcels could add another $200K -$500K in annual lease income if fully leased. In this instance, the fund balance would not be utilized.

Also, this forecast does not add any new passenger service. An increase of 250,000 new airline passengers could provide over $1M in additional income without a significant increase in operating expenses.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period assuming that the operating and capital budget would be adjusted in step with revenues.

FUND REVIEW: UTILITIES WATER SYSTEM FUNDS

Description

The Pinellas County Water System is responsible for the provision of quality, cost effective potable water service to County retail and wholesale customers by planning, developing, constructing, financing, operating and maintaining water treatment and distribution facilities in accordance with State and Federal laws, rules and regulations. The Water System is continually being upgraded to provide customers with a safe and sufficient water supply for domestic needs as well as an ample supply for fire protection. The Water System also continues to educate its customers on important water conservation issues.

The Water Funds are enterprise funds, and are committed solely to support Water System functions. Water utilizes four funds: Revenue and Operating, Debt Service, Renewal and Replacement (capital), and Impact Fees. This forecast covers all funds, except for Debt Service, since it is not utilized at this time.

Reduction Target

The Pinellas County Water System set a target to reduce operating and maintenance expenses for FY2010 and FY2011 to 94% and 85%, respectively, from the approved budget for FY2010. The Water System was able to reduce its operating and maintenance expenses, excluding a contribution of $2.3M and $1.8M to the Sewer System for avoiding additional purchase of water due to the reclaimed water system built and operated by the Sewer System, to 96% and 85% for FY 2010 and FY2011, respectively.

Revenues

The Water Funds generate revenues budgeted in FY2011 totaling $80.9M. The Water Funds have two primary funding sources: retail water sales of $61.3M and wholesale water sales of $16.5M.

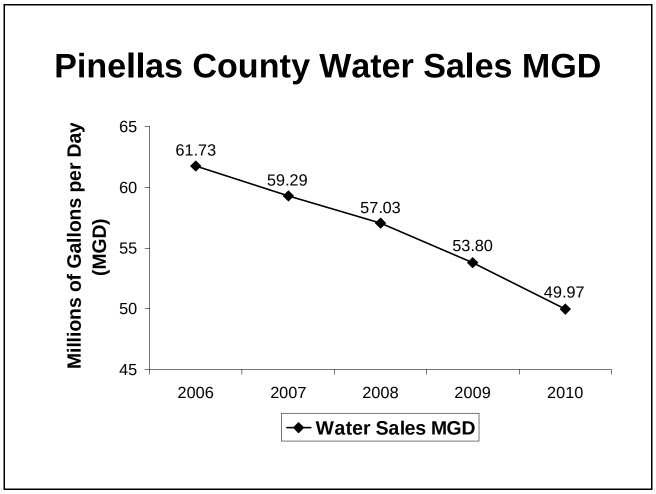
Retail Water Sales

The Water System charges $3.35 per month base rate and $4.78 per 1,000 gallons for retail water service. This proposed rate becomes effective 10/1/2010, an increase of **3.5%** from the previous rate. Retail customers are commercial and residential customers in the Pinellas County Utilities Water Service Area. The volume of water purchased has declined 19% from FY2006 to FY2010. The amount of water purchased is affected by economic conditions, housing and commercial vacancies, and levels of conservation.

Wholesale Water Sales

The Water System charges $3.2959 per 1,000 gallons for wholesale water service. This rate became effective 10/1/2010, an increase of 3.5% from the previous rate. Wholesale customers are five cities within Pinellas County that purchase water from the Water System in bulk and distribute it to their retail water customers. The cities of Clearwater, Tarpon Springs, Safety Harbor, Oldsmar, and Pinellas Park are the wholesale customers of the Water System. Similar to retail water sales, the volume of water purchased has declined 19% from FY2006 to FY2010. The amount of water purchased is affected by economic conditions, housing and commercial vacancies, and levels of conservation.

The graph below shows the recent history of the volume of Water sales by the Water System.



Source: Pinellas County Water System

Expenditures

The Water Funds support budgeted expenditures and reserves in FY2011 totaling $132.2M. The primary expenditures in the fund are $50.2M for the purchase of water, $14.8M for capital outlay, $13.9M for personal services costs, $28.4M for operating expenses, and $24.9M in reserves.

Purchase of Water

Under Section 373.1963 of the Florida Statutes, the Water System is required to purchase its water from Tampa Bay Water, the regional water supply authority. In 1997, 373.1963 F.S. was implemented by the signing of the Interlocal Agreement and the Master Water Supply Contract, under which Tampa Bay Water provides water to its members: Pinellas County, Hillsborough County, Pasco County, City of St. Petersburg, City of Tampa, and City of New Port Richey. Tampa Bay Water sets their rates according to their adopted budget and collects those rates from all members, according to the Master Water Supply Contract. Tampa Bay Water raised their rates by 5.5% for FY2011.

Capital Outlay

The Water System must maintain its equipment, facilities, pipelines, and plants in good working order, utilizing revenues generated within their proprietary funds. Capital outlay reflects the construction and purchase needs as estimated by Pinellas County Utilities engineering in the CIP six year work plan and beyond.

Personal Services

The Water System employs 214 full-time employees in FY2011, down from 245 in FY2010. The Personal Services expenses are for the salaries and benefits of those positions needed to operate the Water System. Water System benefits includes the cost of OPEB (Other Post Employment Benefits), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

Operating Expenses

The Water System incurs annual recurring costs for repair and maintenance, supplies, fuel, and communications. The Water System also pays for electrical power to run its facilities and for chemicals to treat the water.

Reserves

The reserve level in the Water System is 21%, which is above the 5-15% reserve level budget policy adopted by the Board. The Water System maintains these reserves for cash flow and future capital needs.

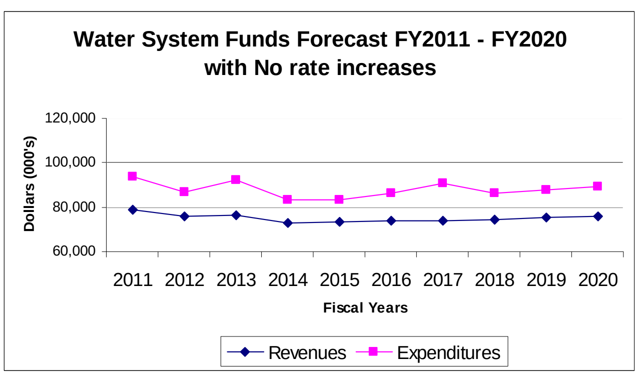
Ten-Year Forecast

Key Assumptions

The revenue forecast assumes only a 0.25% to 0.75% annual increase in retail water demand over the forecast period due to the expected slow growth in the economy. The wholesale water demand reflects a steep 64% decline in demand through FY2014, due to the projected loss of sales to three cities (Clearwater, Tarpon

Springs, and Oldsmar), as they develop their own water resources. The FY2011 budget year assumes the proposed 3.5% rate increase. The FY2012-2020 years do not include proposed rate increase. For expenditures, Personal Services and Operating Expenses fluctuate with the consumer price index in the forecasted years. A major expense to the Water System is the purchase of water. The cost per thousand gallons of purchasing water from Tampa Bay Water is forecasted to increase by 5.5% in FY2011, 3.00% in FY 2012, 1.13% in FY 2013, 3.80% in FY 2014, -2.00% in FY 2015, 1.0% in FY 2016, and then 2.5% each year for FY2017 through FY2020 (source: Tampa Bay Water long-range budget). Electricity and chemicals costs are forecasted to increase by 5% and 7% per year, respectively, through the entire forecast period. The capital outlay forecast reflects the construction and purchase needs as estimated by the Pinellas County Utilities engineering department. This forecast does not include any future costs of a water blending facility.

The graph below shows Water System revenues and expenditures under the above assumptions if there are no future rate increases.



Key Results

The forecast for the Water System Funds shows that the forecasted expenditures are well above forecasted revenues for the next 10 years, with the gap widening each year and all reserves depleted by the end of FY2013. With the forecasted rate of increase in expenditures, current revenues are insufficient to maintain reserves and fund capital replacement needs.

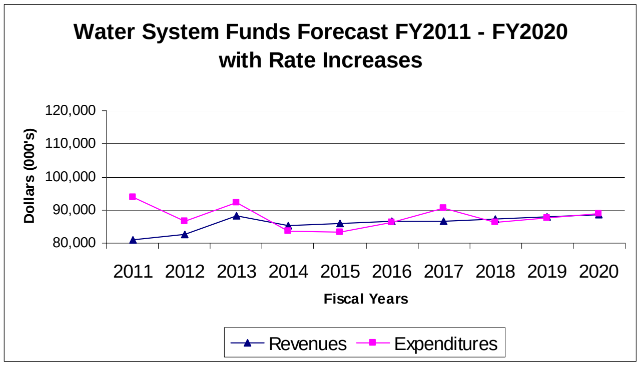
Potential Risks

There are some impacts that can alter the ten-year forecast of the Water System. A continued economic decline would further reduce water demand, which would reduce revenue more than expenses. Operating costs (including Tampa Bay Water) could increase more (or less) than forecasted, causing higher (or lower) operating expenditures than forecasted. The Water System could experience a need for more maintenance than anticipated, causing increased capital costs.

Balancing Strategies

To balance revenues with forecasted expenditures, rate increases will be necessary for both retail and wholesale rates. Burton and Associates, Utility Finance and Economics Independent Consultants have computed that the following rate increases are necessary to meet the forecasted expenses and reserve needs at the forecasted water demand levels: increases of 7.5% in each of FY2012 and FY2013, then increases of 2% each year from FY2014 through FY2020.

The graph below shows Water System revenues and expenditures, assuming the above rate increases are adopted:



With the rate increases recommended by Burton and Associates, Water System revenues will be sufficient to cover forecasted expenditures and maintain sufficient reserves over the forecast period.

FUND REVIEW: UTILITIES SEWER SYSTEM FUNDS

Description

The Pinellas County Sewer System is responsible for the provision of quality, cost effective sewer service to the citizens residing in County sewer service areas by planning, developing, constructing, financing, operating, and maintaining sewage collection, transmission, treatment and disposal facilities in accordance with State and Federal laws, rules, and regulations. It provides an environmentally safe and sanitary means of collecting and transmitting discharged domestic wastes from residential, commercial, and industrial users. The Sewer System provides for the treatment and disposal of objectionable materials and organisms from these wastes in order to protect public health, property, and environment.

The Sewer Funds are enterprise funds, and are committed solely to support Sewer System functions. Sewer utilizes four funds: Revenue and Operating, Renewal and Replacement (capital), Interest and Sinking (Debt Service), and Construction Series 2008. This forecast covers all funds, except for Construction Series 2008, since it is only used for the restricted proceeds of the 2008 bond issue. The Sewer System is required to maintain a debt service coverage ratio of 1.25 per the bond covenants, but the bond ratings services recommend a debt service coverage ratio of 1.5 to sustain a bond rating of A1.

Reduction Target

The Pinellas County Sewer System set a target to reduce operating and maintenance expenses for FY2010 and FY2011 to 94% and 85%, respectively, from the approved budget for FY2010. The Sewer System was able to reduce its operating and maintenance expenses to 97% and 95% for FY 2010 and FY2011, respectively.

Revenues

The Sewer Funds generate revenues budgeted in FY2011 totaling $58.8M. The Sewer Funds have four primary funding sources: retail sewer charges of $43.5M, wholesale sewer charges of $6.7M, retail reclaimed water charges of $3.8M, and wholesale reclaimed water charges of $0.3M.

Retail Sewer Charges

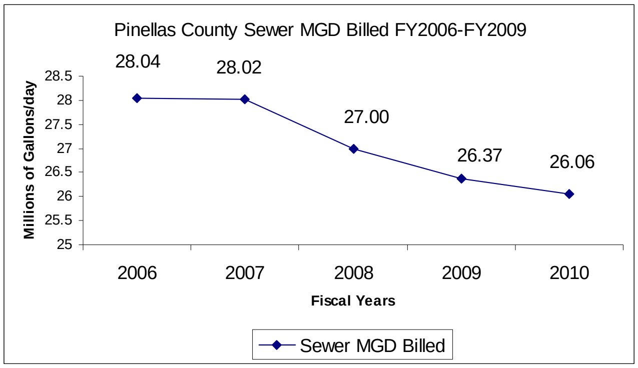
The Sewer System charges $10.50 per month base rate and $3.84 per 1,000 gallons for retail sewer service. This proposed rate becomes effective 10/1/2010, an increase of **1.5%** from the previous rate. Prior to this rate increase, there was a 3.5% increase in FY2010 and no rate increases from FY2004 thru FY2009. Retail customers are commercial and residential customers in the Pinellas County Utilities Sewer Service Area. The volume of waste processed has declined 7.1% from FY2006 to FY2010. The amount of sewage processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

Wholesale Sewer Sales

The Sewer System charges $2.96 per 1,000 gallons for wholesale sewer service. This proposed rate becomes effective 10/1/2010, an increase of **1.5%** from the previous rate. Wholesale customers are four cities within Pinellas County that purchase sewer service from the Sewer System in bulk after collecting it from their retail sewer customers. The cities of Redington Beach, Redington Shores, Indian Rocks Beach, and Pinellas Park are the wholesale customers of the Sewer System. Similar to retail sewer sales, the volume of waste processed has declined 7.1% from FY2006 to FY2010. The amount of waste processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

FUND REVIEW: UTILITIES SEWER SYSTEM FUNDS

The graph below shows the recent history of the volume of waste billed by the Sewer System.



Source: Pinellas County Sewer System

Retail Reclaimed Water Charges

The Reclaimed Water System charges $15.00 per month base rate and $0.64 per 1,000 gallons for retail reclaimed water service for unfunded systems (systems without existing distribution lines) and $14.00 per month base rate and $0.64 per 1,000 gallons for funded systems (systems with pre-existing distribution lines). Rates for funded systems are higher as the Sewer System must recover the cost of constructing the reclaimed water distribution lines. Only those accounts that have metered service pay the volumetric rate, with most paying only the flat monthly rate. These proposed rates become effective 10/1/2010.

Wholesale Reclaimed Water Charges

The Reclaimed Water System charges volumetric rates by contract for wholesale reclaimed water service. Wholesale customers are four cities within Pinellas County that purchase reclaimed water service from the Reclaimed Water System in bulk and distribute it to their retail customers. The cities of St. Pete Beach, South Pasadena, Belleair, and Pinellas Park are the wholesale customers of the Reclaimed Water System.

Expenditures

The Sewer Funds support budgeted expenditures and reserves in FY2011 totaling $110.4M. The primary expenditures in the funds are $13.7M for personal services costs, $15.3M for debt service, $21.9M for operating expenses, $25.1M for capital outlay, and $34.4M in reserves.

Personal Services

The Sewer System employs 205 full-time employees in FY2011, down from 233 in FY2010. The Personal Services expenses are for the salaries and benefits of those positions needed to operate the Sewer System. Sewer System benefits includes the cost of OPEB (Other Post Employment Benefits), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual. This cost is included in the calculation of the debt service coverage ratio.

Debt Service

The Sewer System has $205M of outstanding bonds, requiring annual principal and interest repayments averaging $14.9M per year until 2029. The bonds were issued to fund various sewer system capital projects. The bonds maturity dates are from 2017 through 2032.

Operating Expenses

The Sewer System incurs annual recurring costs for repair and maintenance, supplies, fuel, and communications. The Sewer System also pays for electrical power to run its facilities and for chemicals to treat the waste.

Capital Outlay

The Sewer System must maintain its equipment, facilities, pipelines, and plants in good working order, using revenues generated within their proprietary funds. Capital outlay reflects the construction and purchase needs as estimated by Pinellas County Utilities Engineering Department in the CIP six year work plan and beyond. In this

forecast, the capital outlay only relates to those projects funded by the Renewal and Replacement fund, and not those funded by bond proceeds.

Reserves

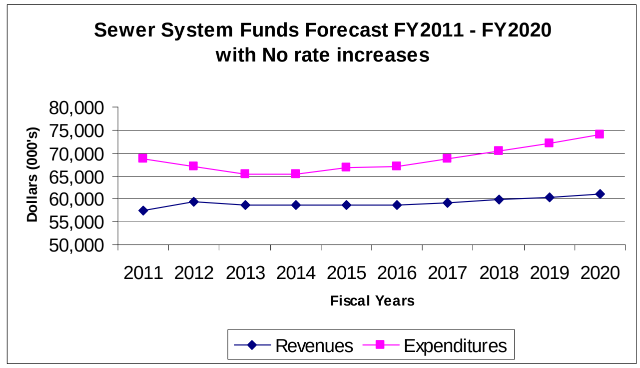
The reserve level in the Sewer System is 33%, which is higher than the 5-15% reserve level budget policy adopted by the Board. The Sewer System maintains $7.4M of reserves for cash flow and $25.0M to fund future capital needs. In addition, the 2008 bond issue requires a debt service reserve of $1.97M.

Ten-Year Forecast

Key Assumptions

The revenue forecast assumes only a 0.25% annual increase in retail and wholesale sewer demand due to the expected slow growth in the economy. The revenue forecast assumes a 50% increase in retail reclaimed water user fee and volumetric charge for FY2011 and a 1.5% annual increase in rates for the remainder of the forecast period, but a 2% annual increase in wholesale reclaimed sales, as the demand for more small cities to provide reclaimed water continues. For expenditures, Personal Services and Operating Expenses fluctuate with the consumer price index in the forecasted years. Electricity and chemicals costs are forecasted to increase by 5% and 7%, respectively, per year through the entire forecast period. The capital outlay forecast reflects the construction and purchase needs as estimated by the Pinellas County Utilities Engineering Department. This forecast does not include any capital expenditures from bond proceeds.

The graph below shows Sewer System revenues and expenditures under the above assumptions if there are no future rate increases.



Key Results

The forecast for the Sewer Funds shows that the forecasted expenditures are well above forecasted revenues, with the gap widening and all reserves depleted by the end of FY2016. With the forecasted rate of increase in expenditures, current revenues are insufficient to maintain reserves, sustain the recommended debt service coverage ratio, and fund capital replacement needs.

Potential Risks

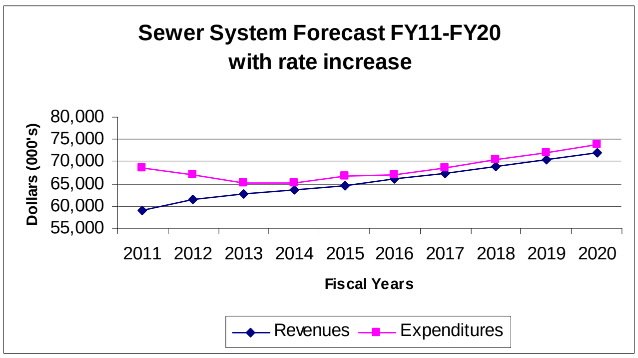
There are some impacts that can alter the ten-year forecast of the Sewer System. A continued economic decline would further reduce water demand, which reduces sewer revenue that is based on volume. Operating costs could increase more (or less) than forecasted, causing higher (or lower) operating expenditures than forecasted. The Sewer System could experience a need for more maintenance than anticipated, causing increased capital costs.

Balancing Strategies

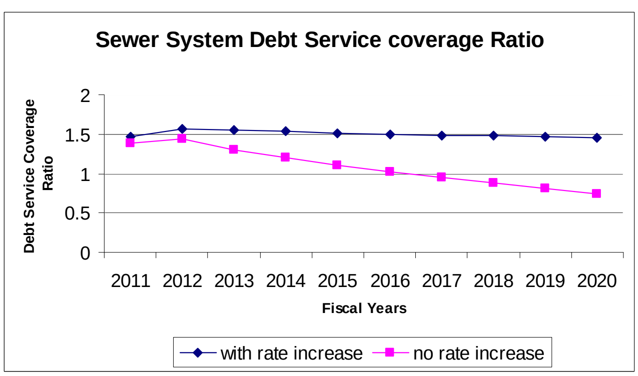
To balance revenues with forecasted expenditures, rate increases will be necessary for both retail and wholesale rates. Burton and Associates, Utility Finance and Economics Independent Consultants have computed that sewer rate increases of 1.5% per year for

FY2012 through FY2020 are necessary to meet the forecasted expenses and reserve needs at the forecasted sewer demand levels. Burton and Associates has also computed that reclaimed water rate increases of 1.5% in each of the years FY2012 through FY2020 are necessary.

The following graph shows Sewer System revenues and expenditures, assuming the above rate increases are adopted:



With the rate increases recommended by Burton and Associates, Sewer System revenues along with the use of reserves will be sufficient to cover forecasted expenditures, maintain sufficient reserves, and sustain the recommended debt service coverage ratio of 1.5. The chart below shows the forecasted debt service coverage ratio with and without the recommended rate increases.



Description

The Pinellas County Solid Waste department provides safe and environmentally sound integrated solid waste services to all citizens of Pinellas County. These services emphasize public awareness and communication to enable the citizens to make educated choices concerning proper management of their solid waste and to help maintain the quality of life in Pinellas County. In support of that mission, the Solid Waste department operates the landfill, the waste-to-energy plant, hazardous waste collection, recycling programs, and litter-reduction.

The Solid Waste Funds are enterprise funds, and are committed solely to support Solid Waste functions. Solid Waste utilizes two funds: Revenue and Operating, and Renewal and Replacement (capital).

Reduction Target

The Pinellas County Solid Waste department set a target to reduce operating and maintenance expenses for FY2010 and FY2011 to 94% and 85%, respectively, from the approved budget for FY2010. The Solid Waste department was able to reduce its operating and maintenance expenses to a 63% and 75% for FY 2010 and FY2011, respectively. The 37% reduction for FY 2010 is mostly due to $12.6M in contractual services of which $7.2M, $3.6M and $1.3M were due to curbside recycling collection program postponed for FY2011, the waste-to-energy contract, and the landfill operations contract, respectively, and a decrease in operating supplies miscellaneous of $14.7M mostly due to the curbside recycling bins and supplies. For FY 2011, the reduction of 25% was mostly due to $4.2M in contractual services of which $3.4M and $0.8M were due to the waste-to-energy contract and the curbside recycling collection program and drop off sites, and a decrease in operating supplies miscellaneous of $14.8M due to the curbside recycling bins and supplies.

Revenues

The Solid Waste Funds generate revenues budgeted in FY2011 totaling $79.0M. The Solid Waste Funds consist almost exclusively of two primary funding sources: tipping fees of $33.4M and electricity sales of $42.6M.

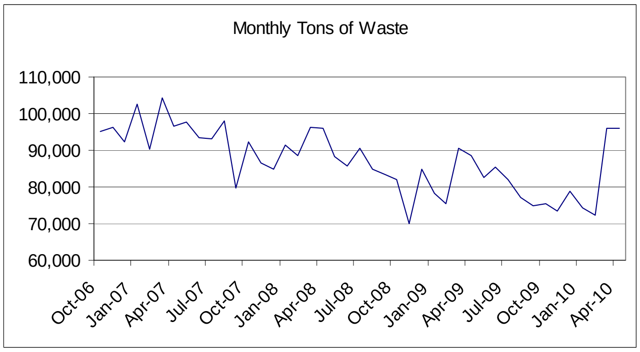
Tipping Fees

Solid Waste charges $37.50 per ton for all waste brought to the Solid Waste Facility. That rate has not changed since 1988. The volume of waste brought to the Solid Waste Facility increased in FY2010, but it is expected to decrease in FY2011. The amount of waste brought to the facility is affected by economic conditions and levels of recycling.

Electricity Sales

Solid Waste receives revenue from the electrical capacity contract with Progress Energy for power produced by the waste-to-energy plant. The revenue from this contract is defined by rates specified in the contract, which expires in 2024. Solid Waste also receives revenue for electricity sales in excess of the capacity contract with Progress Energy. This revenue stream is affected by the amount of waste received by the plant and the operating capacity of the plant. Due to slow growth in the economy and no planned increases in plant capacity for the next 10 years, this revenue is forecast to increase by 0.5% per year from FY2011 through FY2020.

The graph below shows the tons of waste delivered to the Solid Waste Facility.



Source: Pinellas County Solid Waste Mgmt Tonnage Activity Reports

Expenditures

The Solid Waste Funds support budgeted expenditures and reserves in FY2011 totaling $199.6M. The primary expenditures in the fund are $25.1M for the Waste-to-Energy service contract, $11.7M for recycling programs, $11.0M for the Landfill service contract, $28.9M for capital investment, and $108.3M in reserves.

Waste-to-Energy Service Contract

Solid Waste is under contract with Veolia, Inc. to operate the Waste-to-Energy (WTE) plant. This contract expires in 2024, and has 10 one-year extensions.

Landfill Service Contract

Solid Waste is under contract with Veolia, Inc. to operate the landfill. This contract expires in 2015, and has a 3-year extension.

Recycling

Solid Waste will begin its curbside recycling program in FY2011. Solid Waste is planning to contract with service providers for the unincorporated areas of the county and to provide grants to cities for operation of their programs. The first year expenses include $7.2M of startup costs and $12.4M of ongoing costs.

Capital Outlay

Solid Waste must maintain its equipment, facilities, and plants in good working order, utilizing revenues generated within their proprietary fund. Capital outlay reflects the construction and purchase needs as estimated in the consulting engineering services report from Camp, Dresser & McKee, Inc.

Personal Services

The Solid Waste System employs 80 full-time employees in FY2011, down from 85 in FY2010. The Personal Services expenses are for the salaries and benefits of those positions needed to operate the Solid Waste System. Solid Waste System benefits includes the cost of OPEB (Other Post Employment Benefits), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

Reserves

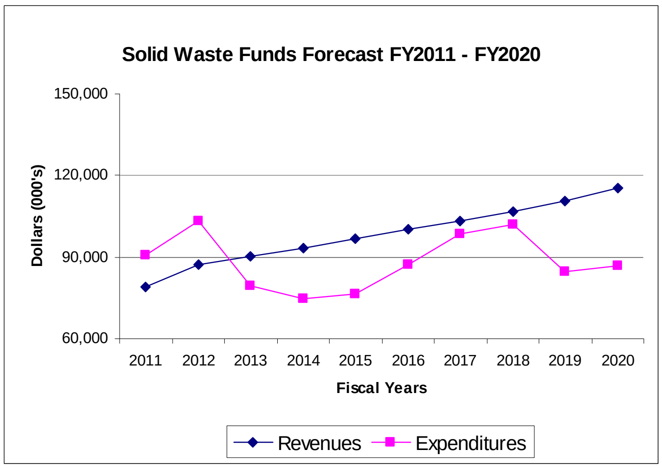
The reserve level in the Solid Waste System is 55%, which is above the 5-15% reserve level budget policy adopted by the Board. Solid Waste maintains the following reserves: $7.5M required reserves per the Veolia contracts, $10M for insurance deductibles, $13.0M for 2 1/2-months of operating expenses, and the remainder of $78M is for future needs consistent with the 25 year capital plan.

Ten-Year Forecast

Key Assumptions

The revenue forecast assumes only a 0.5% increase in tipping fees and electricity sales throughout the forecast horizon due to the expected slow growth in the economy, increased recycling, and no planned capacity increases to the WTE plant. The revenue forecast does not include any increases in tipping fee rates. The economy does affect the tons of waste brought to the solid waste facility, because less consumption and lower tourism means less waste. For expenditures, Personal Services and

Operating Expense fluctuate with the consumer price index in the forecasted years after the start-up of the recycling programs. The capital outlay forecast reflects the construction and purchase needs as estimated by the consulting engineering services report. There is a large capital need forecasted for FY2017 and FY2018 to install additional air pollution measures, in anticipation of tighter regulatory requirements.



Key Results

The forecast for the Solid Waste Funds shows that the forecasted revenues are sufficient to provide for the forecasted expenditures over the next 10 years, while still maintaining sufficient reserves. Expenditures exceed revenue in FY2011 and FY2012 due to non-recurring (one-time) costs associated with implementation of new curbside recycling program. Revenues exceed expenditures from FY2013 through FY2020. In FY2017 and FY2018 expenditures reflect non-recurring costs associated with additional air pollution measures. The revenues are sufficient without any increases in tipping fees. The reserves increase during the forecast period and reach the level of 72% of revenues in FY2020. The reserves are planned to fund considerable future capital replacement needs in the Solid Waste 25-year plan.

Potential Risks

There are some impacts that can alter the ten-year forecast of the Solid Waste Funds. A continued economic decline would further reduce incoming waste, which would reduce revenue from both the tipping fees and electricity sales. The WTE plant could experience more maintenance downtime than anticipated, reducing electricity sales and causing increased capital costs.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period.

Pinellas County

CAPITAL IMPROVEMENT PROGRAM

The *Capital Improvement Program* portion of the FY2011 Budget Message provides an overview of the FY2011-2016 Capital Improvement Program (CIP), project highlights, Penny for Pinellas program, and other useful information. It includes the following sections:

- Capital Improvement Program (CIP)
- CIP Objectives
- CIP Goals
- CIP Policy
- CIP Project Definition and Criteria
- Penny for Pinellas
- Pay-As-You-Go Approach
- Overview of One-Year CIP Budget
- Overview of Six-Year CIP Work Plan

Capital Improvement Program (CIP)

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 in 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.

CIP 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 is 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. This represents a potential 10% increase in a property owner's total millage rate. 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. Information regarding the Penny for Pinellas program can be

found at the following website: http://www.pinellascounty.org/Penny/

For information regarding Penny for Pinellas revenue trends, please see the "Fund Review: Penny for Pinellas" section of this document.

Pay-As-You-Go Approach

During the FY2010 budget process, it was determined that due to the uncertainty in the bond and credit markets, 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.

During FY2008 and FY2009 several projects were accelerated from the 2010-2020 Penny program in order to:

- Enhance hurricane preparation: Public Works Emergency Responders Building; Public Safety Facilities & Central Communications Center; Emergency Shelter Program
- Take advantage of the availability of key endangered and park land parcels: Endangered Lands Acquisition; Community Park Lands Acquisition
- Advance project design funding to FDOT: 118th Avenue Expressway
- Address key infrastructure concerns: Howard Park Bridge Replacement; Eagle Lake Park

Funding for the accelerated projects was anticipated to come from a bond issue similar to previous Penny programs. Due to the new pay-as-you-go policy implemented in FY2010, we do not plan to significantly bond the Penny program. However, a limited interfund loan from the Solid Waste Fund will be necessary to provide liquidity in the Capital Projects fund in FY2010 (est. $15M) and FY2011 (est. $5M) to cover expenditures related to the accelerated projects. The benefits of an interfund loan versus bonding include lower borrowing costs, no reserve requirements, interest accrues to a county entity, and more flexibility in the implementation and terms of the loan.

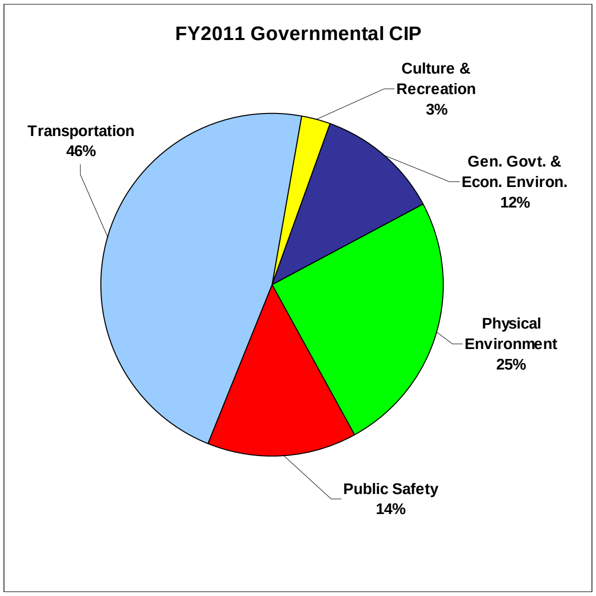
Overview of One-Year CIP Budget

The first year of the Capital Improvement Program, FY2011, is the basis for actual appropriations authorized by the Board of County Commissioners for capital projects when adopting the Annual Budget. The total FY2011 CIP budget is $379.3M. This amount includes both Governmental and Enterprise projects as well as non-project items such as reserves and capitalized billings.

FY2011 Governmental CIP

The expenditure total (net of non-project items) for the FY2011 Governmental CIP is $115.8M. The pie chart below shows the percentage distribution of expenditures amongst the functional areas of the CIP.

CAPITAL IMPROVEMENT PROGRAM



Major project highlights in the **Governmental One-Year CIP** are listed below by functional area.

Transportation ($54.0M):
- Keystone Road-US 19 to East Lake Road ($14.7M)
- Bryan Dairy-Starkey Road to 72nd Street ($3.9M)
- Various Intelligent Transportation/Advanced Traffic Management System projects ($13.7M)
- Road Resurfacing & Rehab Program ($8.5M)
- 46th Ave-80th Street to 62nd Street ($2.0M)
- Bridge Rehab Program ($1.5M)
- Dansville Phase III ($1.3M)
- General Sidewalk & ADA Program ($1.2M)
- Highland Avenue Improvements ($850K)

Physical Environment ($28.8M):
- Sand Key Nourishment ($14.8M)
- Lake Seminole Alum Injection ($2.2M)
- Alligator Lake Habitat Restoration ($1.4M)
- Mobbly Bay Habitat Restoration ($1.4M)
- Bee Branch Drainage Improvements ($1.1M)
- Stormwater Conveyance System ($2.6M)
- Bear Creek Channel Improvements ($560K)
- Lake Seminole Sediment Removal ($450K)
- Curlew Creek Channel A Improvements ($60K)

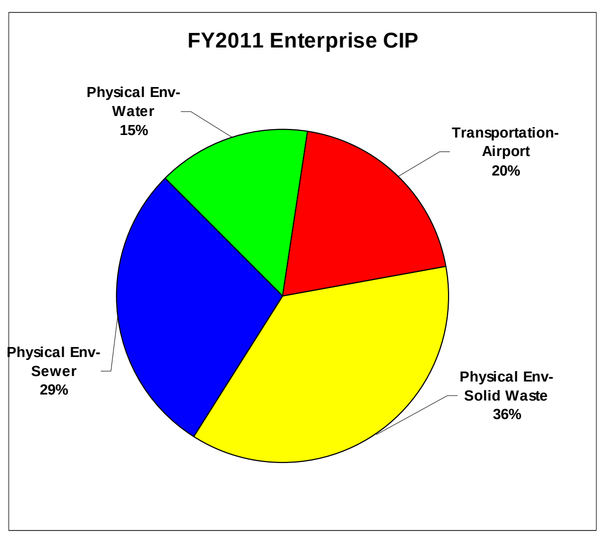
Public Safety ($16.4M):
- Public Safety Facilities & Central Communications Center ($7.3M)
- Public Safety Radio System ($4.3M)
- Sheriff's Tech Buildings Renovations ($2.0M)
- Emergency Shelter Projects ($975K)

General Government/Economic Environment ($13.3M):
- St. Petersburg Judicial Tower Renovations ($6.9M)
- Centralized Chiller Facility ($3.0M)
- Facilities Energy & Conservation Projects ($1.9M)
- 501 Building Renovation ($524K)

Culture & Recreation ($3.3M):
- Fort De Soto Park Fort Rehab ($801K)
- Fort De Soto Water Circulation Project, Phase II ($500K)
- Joe's Creek Greenway Park ($548K)
- Pop Stansell Park Improvements ($350K)
- Wall Springs Development Phase III ($300K)
- North County Recreation Fields ($322K)

FY2011 Enterprise CIP

The expenditure total (net of non-project items) for the FY2011 Enterprise CIP is $76.5M. The pie chart below shows the percentage distribution of expenditures amongst the functional areas of the CIP.



Major project highlights in the **Enterprise One-Year CIP** are listed below by functional area.

Transportation-Airport ($15.1M):
- Rehab Runway 4/22 Pavement & Lighting ($6.3M)
- Terminal Expansion & Loading Bridges ($6.2M)
- Parking Lot Expansion ($1.5M)

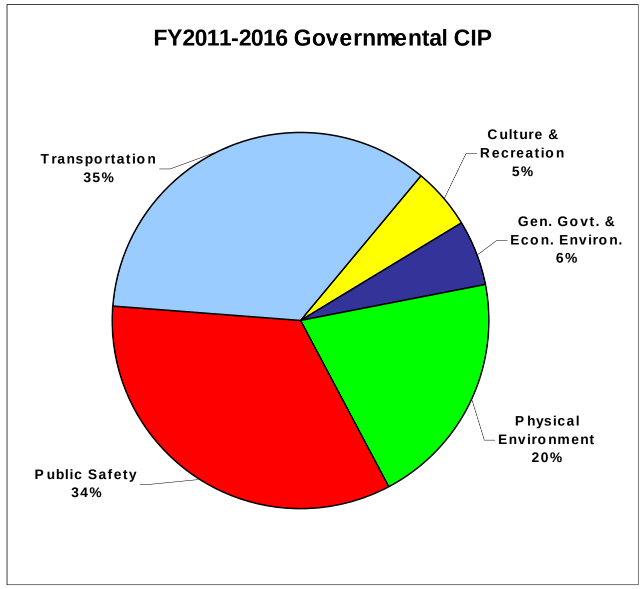
Physical Environment ($61.4M):
- Solid Waste Additions & Improvements ($27.9M)
- Water Transmission Mains ($8.0M)
- South Cross Waste Water Treatment Projects ($5.6M)
- Sewer System Modifications & Rehab ($2.7M)
- W.E. Dunn Facility Projects ($4.6M)
- Modifications & Pump Stations ($4.0M)
- Water Distribution Mains ($1.9M)

Overview of Six-Year CIP Work Plan

In the Six-Year CIP work plan, only the first year, FY2011, is actually appropriated. The remaining five years are a work plan that is subject to change as time goes on. The total FY2011-2016 CIP budget is $1.12B. This amount includes both Governmental and Enterprise projects as well as non-project items such as reserves and capitalized billings.

FY2011-2016 Governmental CIP

The expenditure total (net of non-project items) for the FY2011-2016 Governmental CIP is $687.7M. The pie chart below shows the percentage distribution of expenditures amongst the functional areas of the CIP.



Major project highlights in the **Governmental Six-Year CIP** are listed below by functional area and estimated year of commencement. The focus of this list are the out years of FY2012 through FY2016 as the FY2011 projects are covered in more detail in the "Overview of the One-Year CIP" section.

Transportation ($240.8M):
- 118th Avenue Expressway (FY2014)
- Gulf Boulevard Improvements (FY2013)

Physical Environment ($140.8M):
- Honeymoon Island Improvements (FY2012)
- Long Key Upham Beach (FY2013)
- Pass-A-Grille Beach Nourishment (FY2013)
- Treasure Island Nourishment (FY2013)
- Upham Beach Stabilization (FY2013)
- Lake Seminole Sediment Removal (FY2012)
- Curlew Creek Channel A Phase III (FY2012)

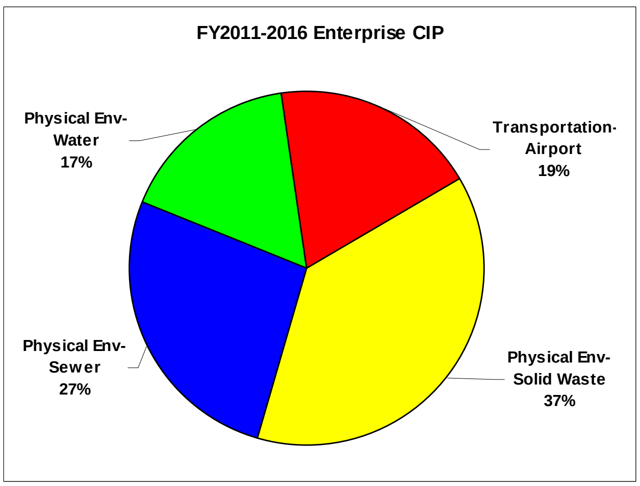
Public Safety ($232.1M):
- Jail Expansion & Court Improvements (FY2014)
- Emergency Shelter Projects (FY2013)

General Government/Economic Environment ($38.1M):
- 315 Court Curtain Wall Replacement (FY2013)
- CJC Security System Upgrade (FY2013)
- CJC Roof Replacement (FY2012)

Culture & Recreation ($35.8M):
- Friendship Trail Bridge Demolition (FY2013)
- Unincorporated Recreation Fields Development (FY2012)
- Pinellas Trail Improvements (FY2013)

FY2011-2016 Enterprise CIP

The expenditure total (net of non-project items) for the FY2011-2016 Enterprise CIP is $220.3M. The pie chart below shows the percentage distribution of expenditures amongst the functional areas of the CIP.



Major project highlights in the **Enterprise Six-Year CIP** are listed below by functional area and estimated year of commencement. The focus of this list are the out years of FY2012 through FY2016 as the FY2011 projects are covered in more detail in the "Overview of the One-Year CIP" section.

Transportation-Airport ($41.4M):
- Cargo Apron Construction (FY2015)
- New General Aviation Taxiways/Ramps (FY2016)
- New Maintenance Facility (FY2016)
- Rehabilitate Runway 17/35 (FY2014)
- Terminal Apron/Hardstand Rehab (FY2012)

Physical Environment ($178.9M):
- Solid Waste Additions & Improvements (FY2012)
- Water Transmission Mains (FY2012)
- South Cross Waste Water Treatment Projects (FY2012)
- Sewer System Modifications & Rehab (FY2012)
- Water Distribution Mains (FY2012)

Overall, there are more than 200 projects or program areas that comprise the six year CIP. A complete listing of CIP expenditure allocations is included in the "CIP by Functions & Activity Report" in Exhibit E. In addition, a summary of changes between this year's CIP and last year's CIP can be found in Exhibit F. The detailed FY2011-2016 CIP document is available at: http://www.pinellascounty.org/budget/11Budget/cip/CIPListing.htm

Pinellas County