

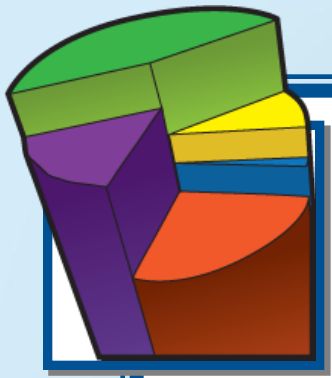
Budget Forecast

FY2012-2021

January 25, 2011

Outline

- **Forecast document**
- **Economic overview**
- **Fund forecasts**
- **General Fund forecast**
- **FY2012 Budget strategy**
- **FY2012 Budget process**
- **Next steps**



Forecast Document

Forecast Document

- Second year as a formal stand-alone document
- New section: **Key Assumptions**
- New fund: **Capital Projects Fund**
 - Replaces Penny for Pinellas Fund
- Includes ten key funds:
 - General Fund
 - Tourist Development Fund
 - Transportation Trust Fund
 - Capital Projects Fund
 - Emerg. Medical Svcs. Fund
 - Fire Districts Fund
 - Airport Fund
 - Utilities Water Funds
 - Utilities Sewer Funds
 - Utilities Solid Waste Funds

Forecast Document

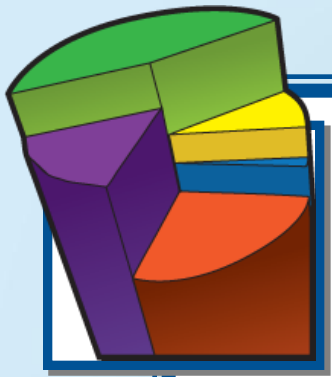
- Forecasts are based on the best information we have at this time
- Model is designed to facilitate sensitivity analysis to demonstrate impact of changing key assumptions
- All assumptions and detail analysis (pro-formas) are provided
- Potential risks affecting the forecasts are identified and discussed
- Funds are presented as “in balance” or “not in balance” based on current revenues and expenditures
 - Net of beginning fund balance and reserves

Forecast Document

- **Introduction:** discusses how the Forecast dovetails with the annual budget process, how the Forecast is developed, and how the Forecast can be used
- **Executive Summary:** summarizes the key elements of the Forecast as a whole over the ten-year time horizon
- **Economic Overview:** features an overview of the national, state, and local economies
- **Key Assumptions:** provides detail regarding key revenue and expenditure assumptions
- **Funds Forecasts:** includes key fund information as well as succinct interpretations of each forecast
- **Pro-Formas:** provides ten-year pro-formas for all ten key funds

Power of the Forecast

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



Economic Overview

National Economic Outlook

- The recession officially ended in June 2009 and lasted 18 months
- Worst recession since the Great Depression

Length of Recession (Contraction Peak to Trough)	No. of Months
August 1929 – March 1933	43 months
November 1973 – March 1975	16 months
July 1981 – November 1982	16 months
December 2007 – June 2009	18 months

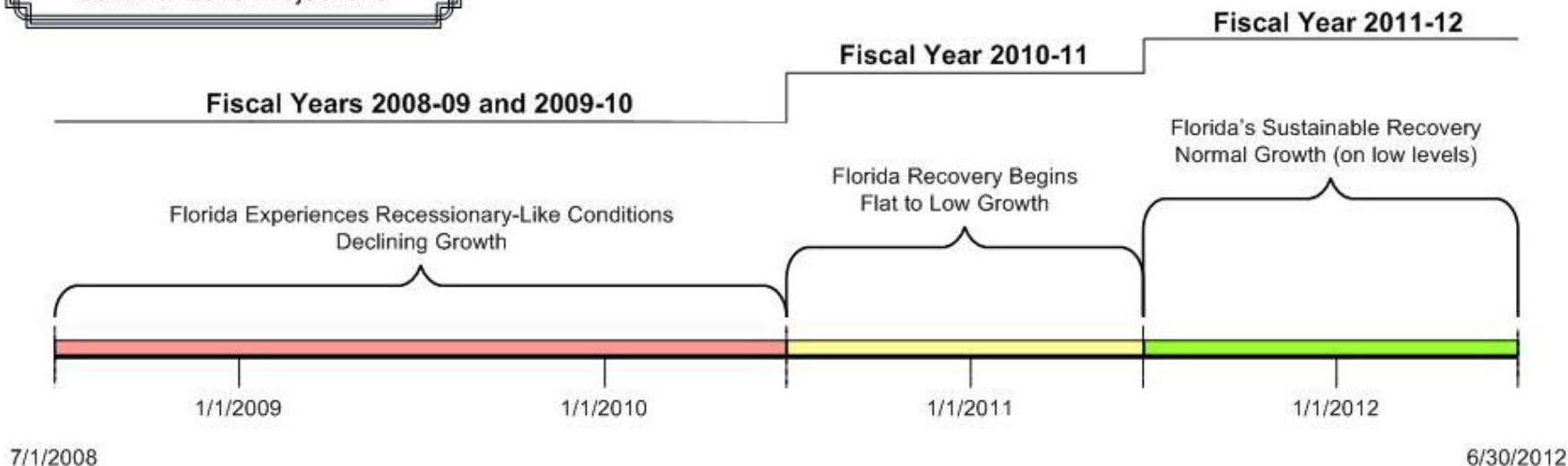
- The national economy is anticipated to grow by **2-3%** annually over the next three years

State Economic Outlook

- Florida Economic Estimating Conference met in December 2010
- Expect “flat to low growth” through mid-2011
- A transition to “low level normal growth” from mid-2011 through 2012
 - Marked by weak population growth and a slow improvement in the unemployment rate

Florida Recovery Timeline

Summer 2010 Projections



Fiscal Year 2009-10

National GDP has negative growth in 2008-09 and less than 1% growth in 2009-10.

National consumer spending has negative growth in 2008-09 and turns weakly positive in 2009-10.

National job growth sees decreases in both years.

National Wages & Salaries declines in both years.

Florida has negative population growth in both years.

Florida personal income declines in both years

Florida employment declines in both years

Florida unemployment rate moves into double-digits.

Florida housing starts decline in both years.

Florida Visitors decline in 2008-09 and turns weakly positive in 2009-10.

Fiscal Year 2010-11

National GDP has 3% growth.

Florida population has very low growth.

Florida personal income has weak growth.

Florida employment has weak growth.

Florida unemployment rate is only slightly off the peak.

Florida private housing starts enter positive territory.

Florida Visitors has weak growth.

Fiscal Year 2011-12

Most Florida measures return to normal or accelerated growth rates.

Florida population growth is still weak, but begins to slowly accelerate.

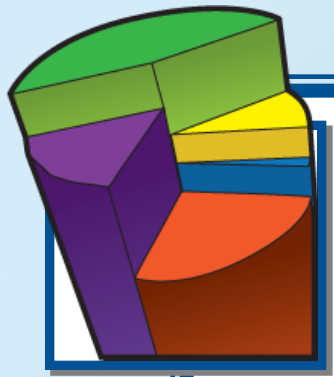
Florida unemployment rate improves slowly.

Local Economic Outlook

- Generally tracks with timing of recovery of Florida's economy
- Moderate growth expected in 2011

Year	% Change in Gross Metro Product (MSA)
2010	2.3%
2011 (Est.)	2.4%
2012 (Est.)	4.0%
2013 (Est.)	5.0%

- Local recovery will be hindered by high unemployment, low prices and high inventory of residential property due to foreclosures, and slow improvement in the commercial real estate market

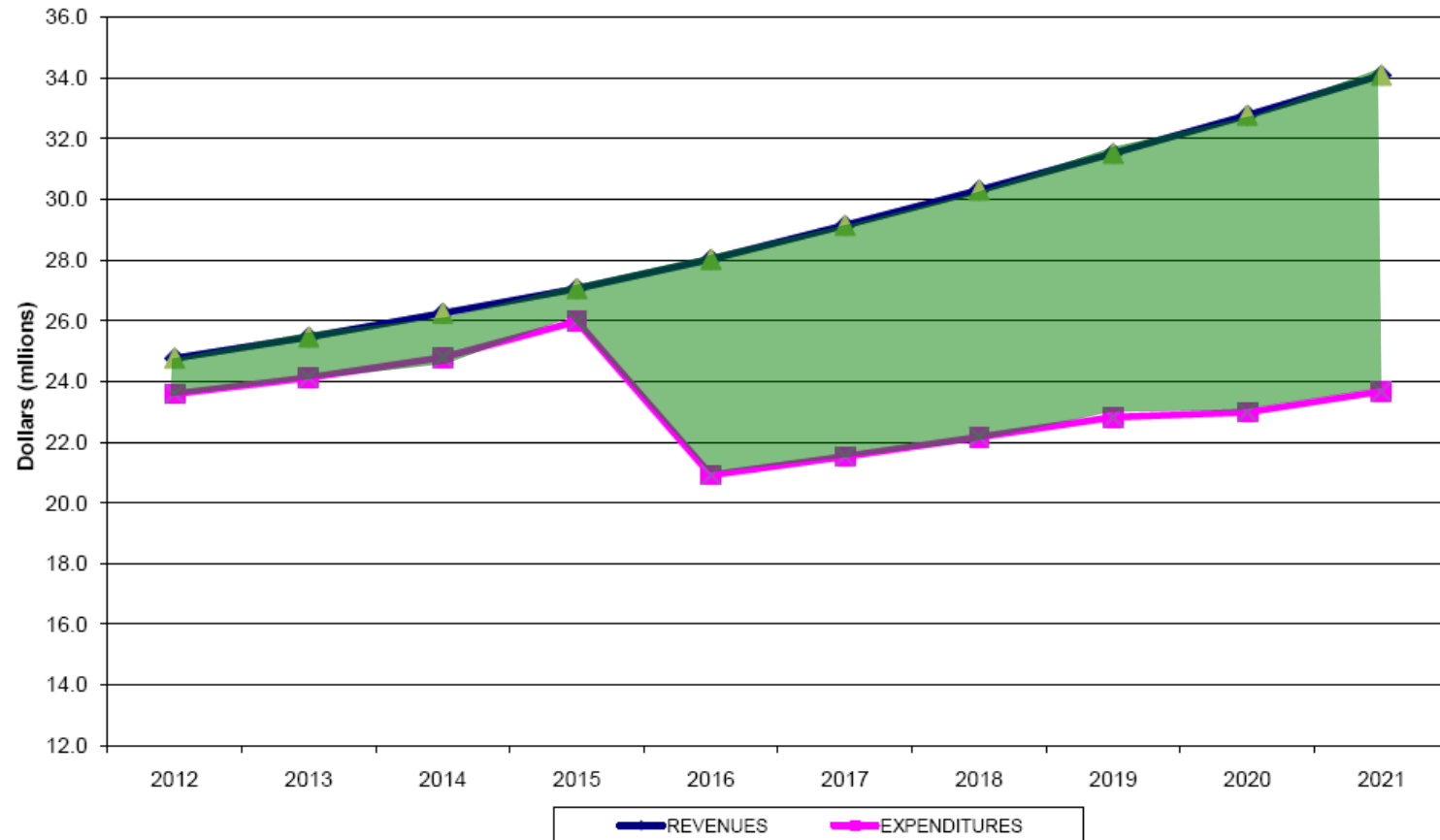


Fund Forecasts

Tourist Development Fund Forecast

- **Fund is balanced through the forecast period**
 - Tourist development tax collections are expected to grow from 2.5% to 3.5%
 - Based on assumption that promotional activities budget is adjusted to match revenues
 - Additional capacity beginning in FY2016 as debt service is paid off
- **Balancing strategy**
 - Continue to adjust the promotional activities budget to match revenues

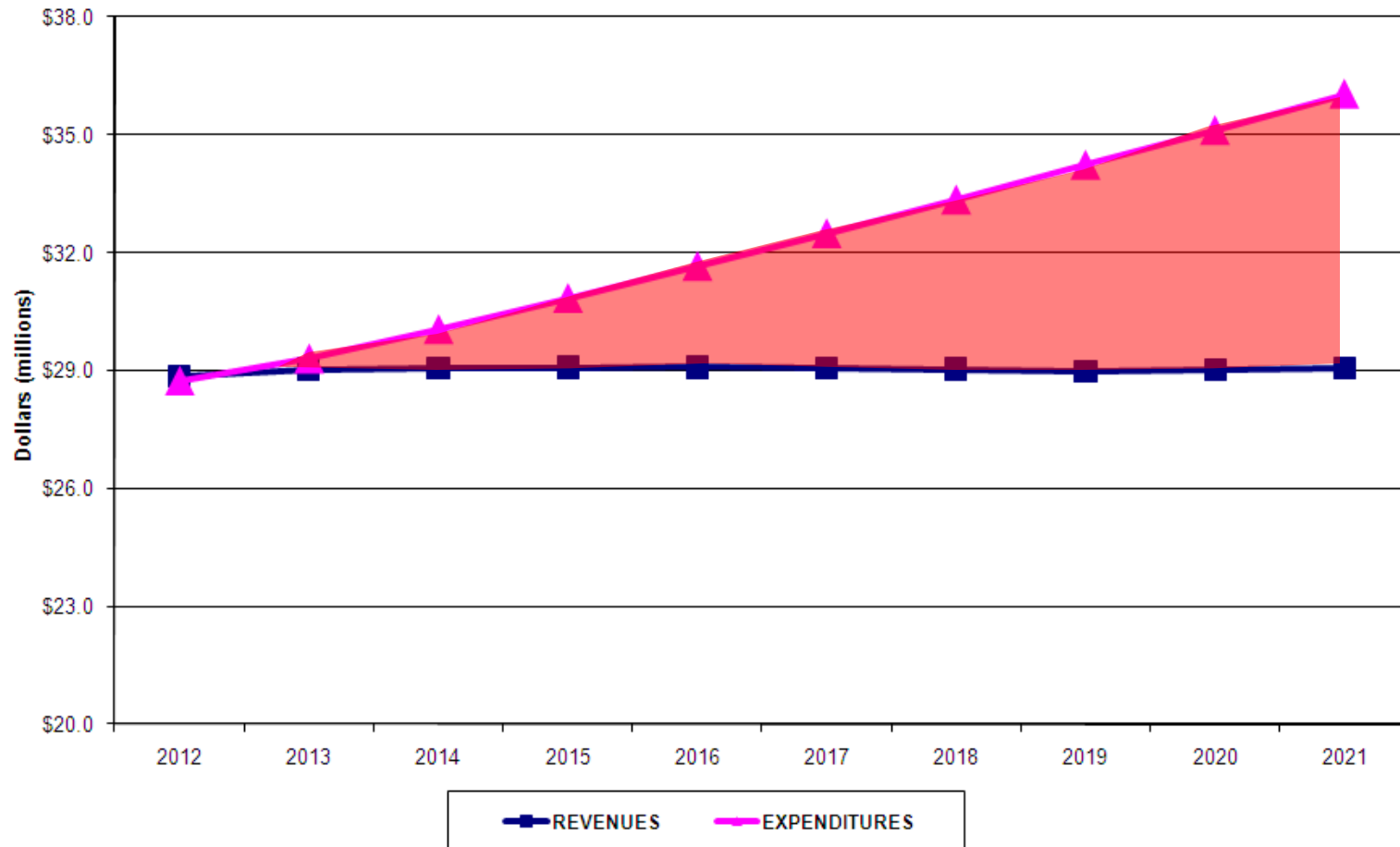
Tourist Development Fund Forecast



Transportation Trust Fund Forecast

- Fund is not in balance beginning in FY2013 resulting in a gradual erosion of fund balance by FY2018
 - Results from inflationary pressures on expenditures exceeding the relatively flat growth in gas tax collections
- Balancing strategies
 - Revenue transfer from General Fund
 - Imposition of additional local option gas taxes
 - Reductions in program service levels

Transportation Trust Fund Forecast

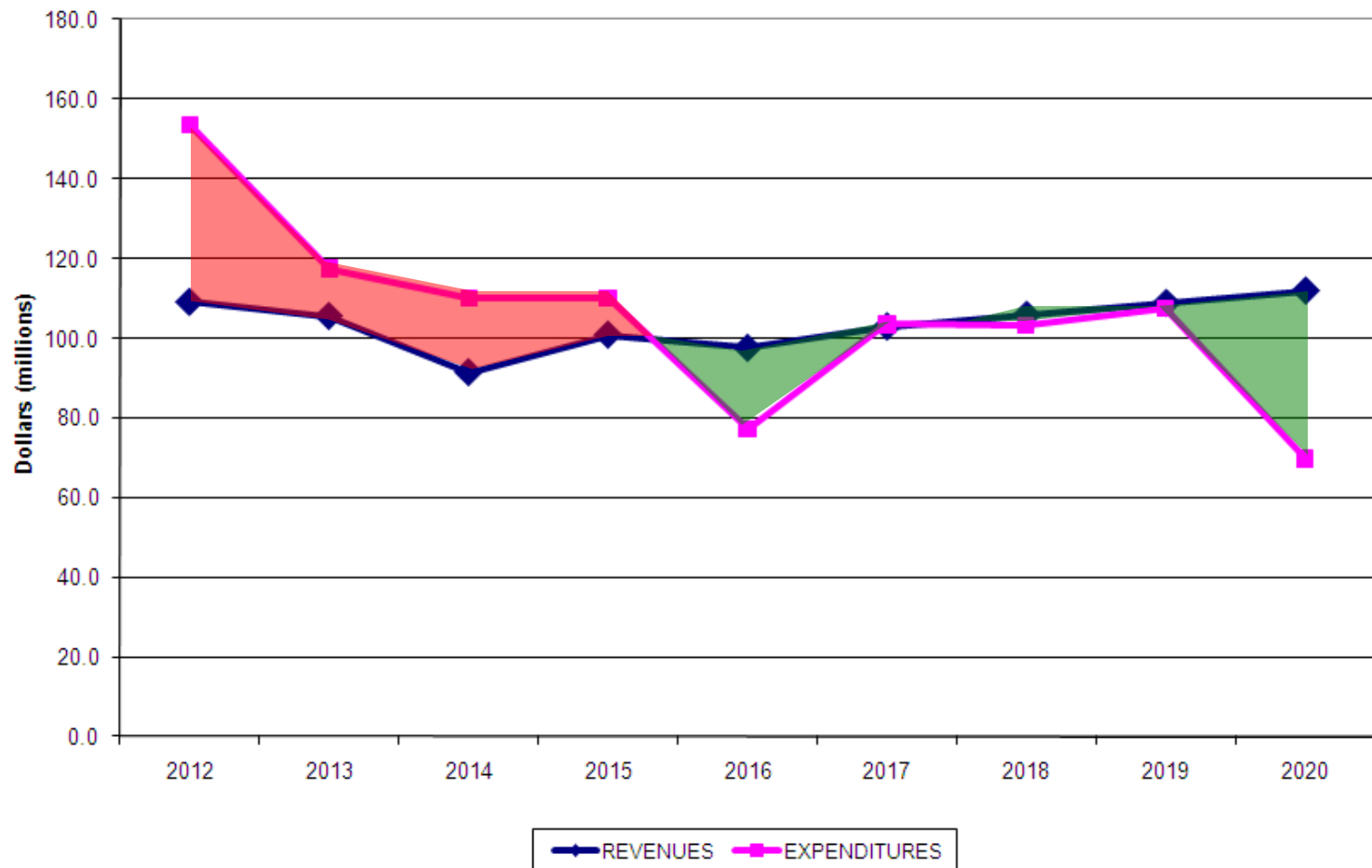


Capital Projects Fund Forecast

- Fund is not in balance due to changes in the current Penny Program from FY2010
 - Ten-year shortfall of **\$13.5M** due to:
 - Funding restoration of \$8.75M to the Gulf Boulevard Improvements project to original allocation of \$35M
 - Addition of \$4.5M for the Friendship Trail Bridge Demolition project
 - Cash flow issue beginning in FY2012 due to the front-loading of key projects in the ten-year program (ex. Public Safety Campus & Consolidated Communications Center project \$81M)
- Balancing strategies
 - Identify \$13.5M in project reductions to current Penny Program
 - Smooth out project expenditures as much as possible to minimize the amount of interfund loan necessary to maintain adequate cash flow (authorized up to \$85M from Solid Waste R&R Fund)
 - Penny Program originally anticipated \$150M bond issue for cash flow purposes



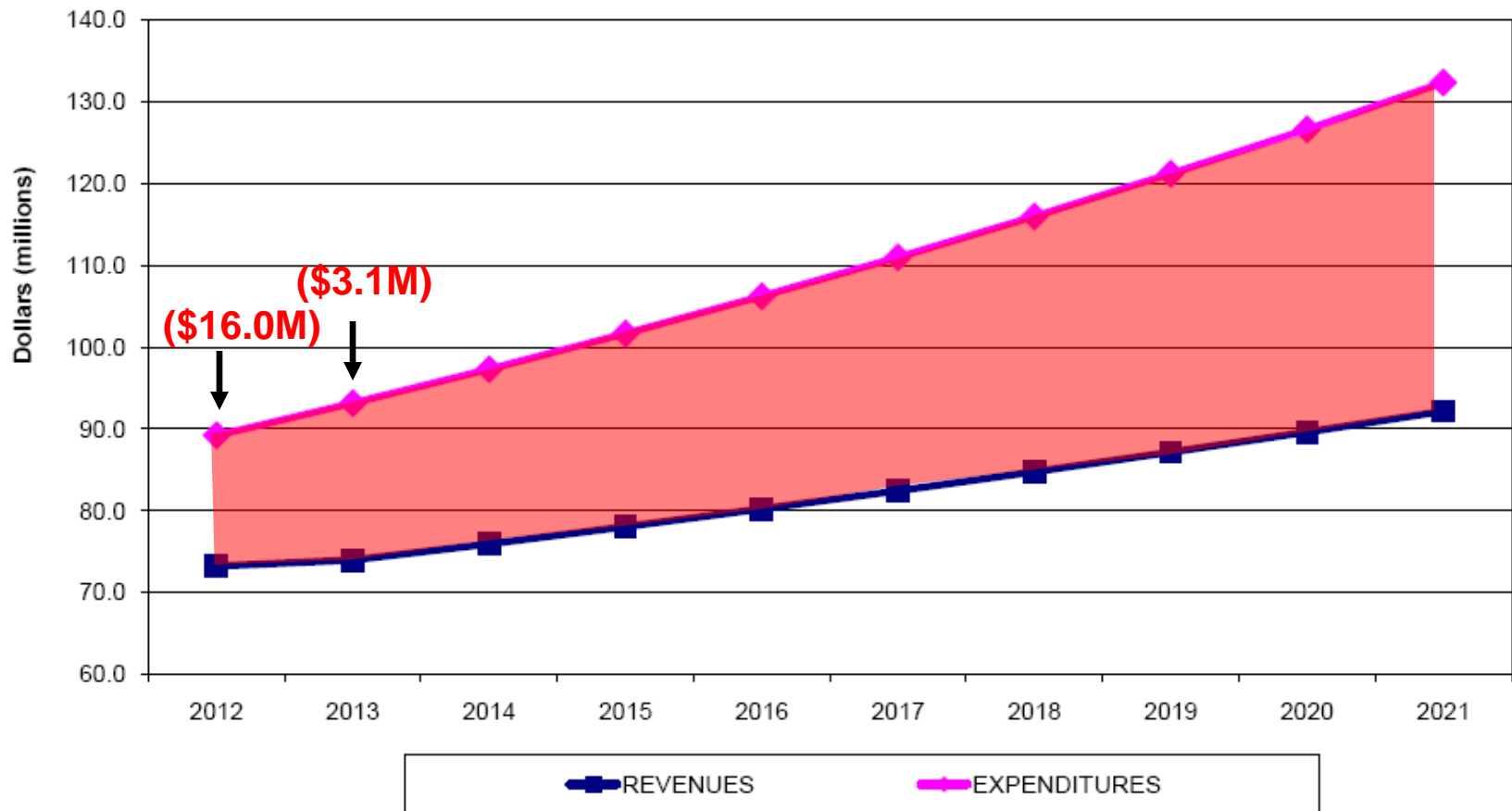
Capital Projects Fund Forecast



EMS Fund Forecast

- Fund is currently not in balance resulting in a depletion of fund balance by FY2013
 - Project shortfalls of **\$16.0M** in FY2012 and **\$3.1M** in FY2013 due to reduced property tax revenue collections
- Balancing strategies
 - Increase in countywide EMS millage rate
 - Reduction in funding for first responder contracts
 - Increase ambulance user fee revenues
 - Reduction in funding for ambulance contract

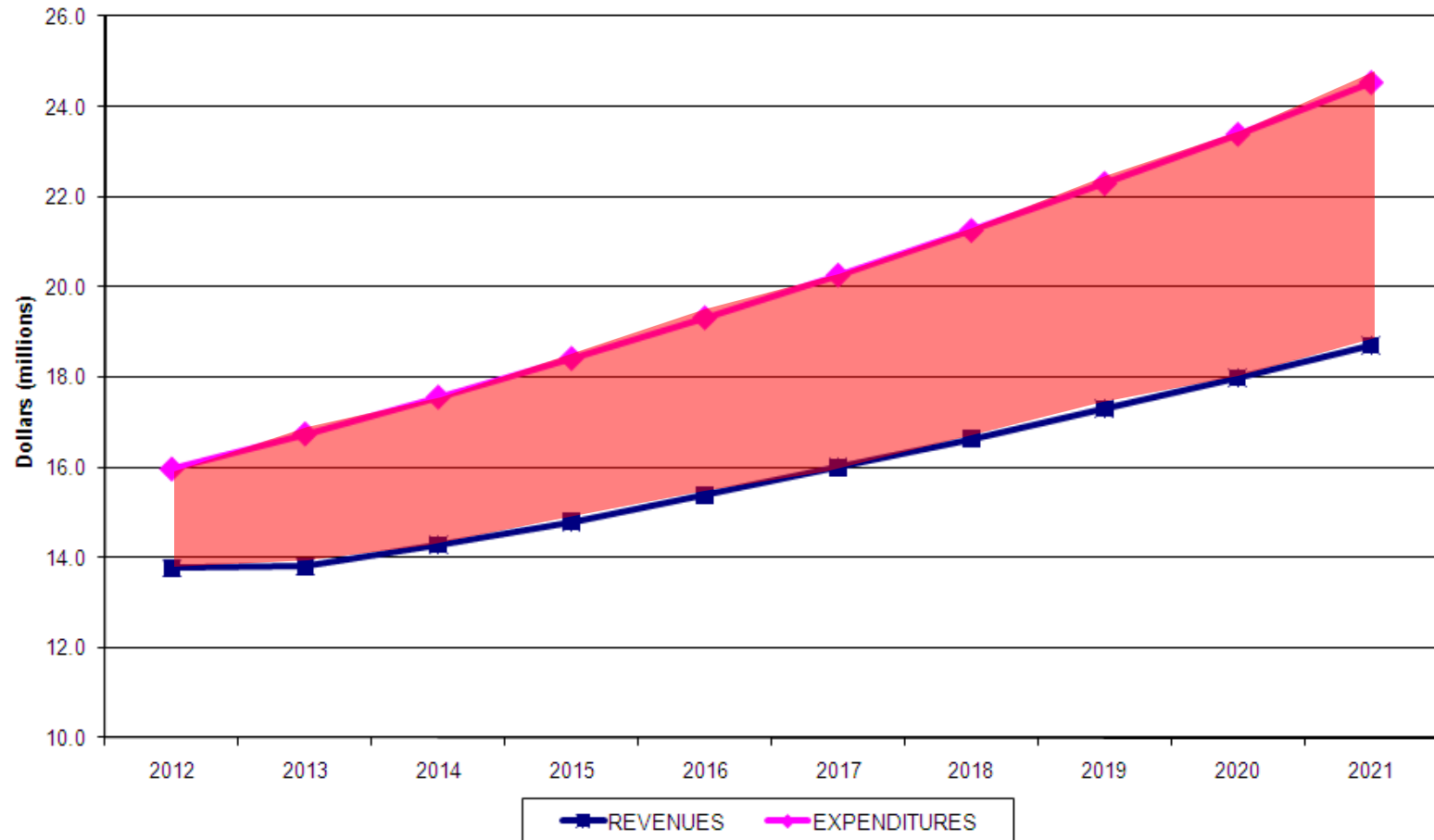
EMS Fund Forecast



Fire Districts Fund Forecast

- Fund is not in balance through the forecast period beginning in FY2012 due to reductions in property tax revenue collections
 - Fund information presented in a consolidated manner to provide a high level perspective
 - Budgetarily, each fire district is balanced separately
- Balancing strategies
 - Additional increases to millage rates for the individual fire districts will likely be necessary
 - Potential millage rate increases will need to take into account the individual millage caps in each district

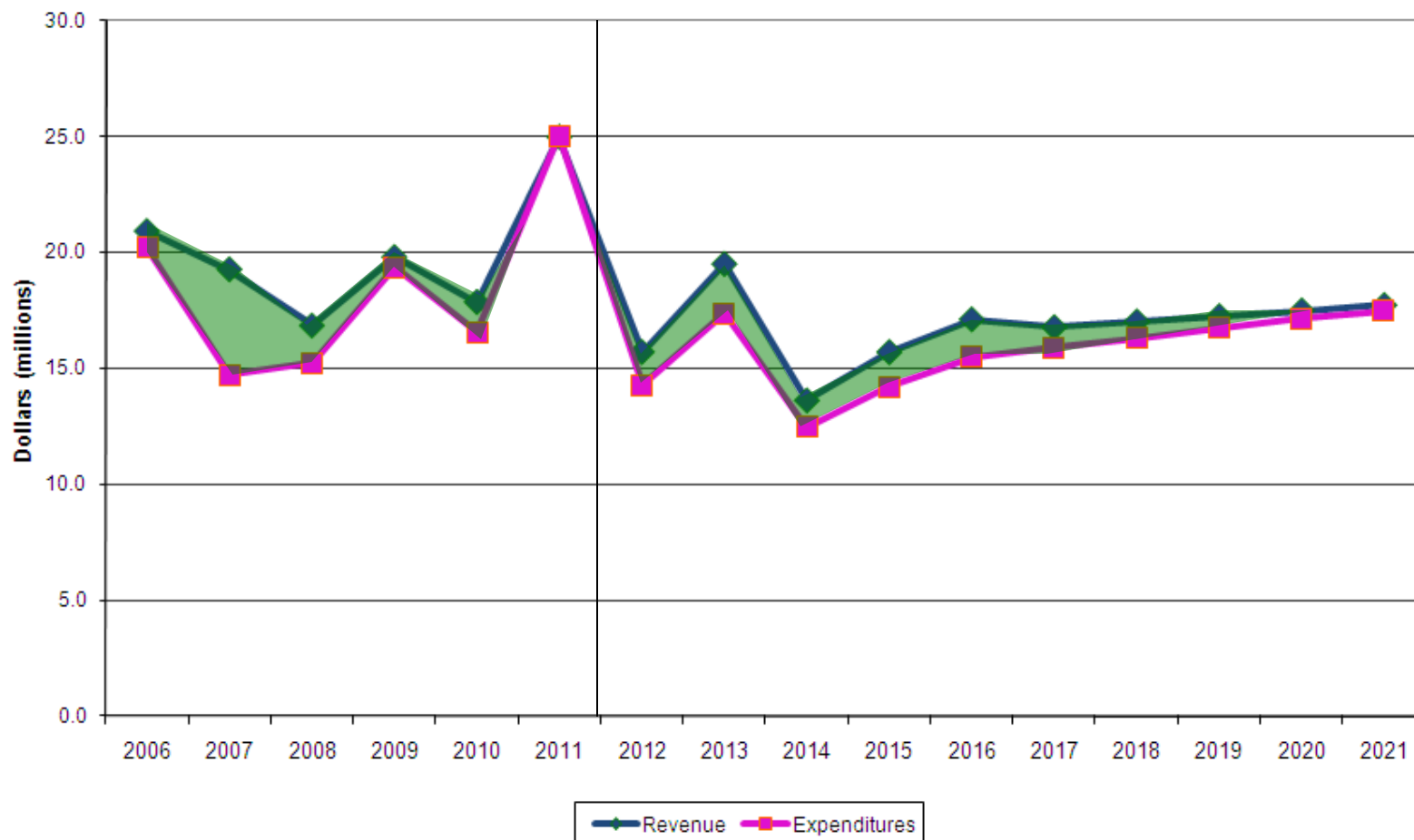
Fire Districts Fund Forecast



Airport Fund Forecast

- **Fund is balanced through the forecast period**
 - Revenues are conservative due to economic conditions
 - Fluctuations in revenues and expenditures are caused by the timing of capital projects
 - Balanced based on the following assumptions:
 - Capital projects budget will be adjusted to reflect the timing and amounts of any grants revenue
 - Airport's operating budget would be adjusted to match revenues
- **Balancing strategies**
 - Continue to adjust operating and capital expenditures to match revenues

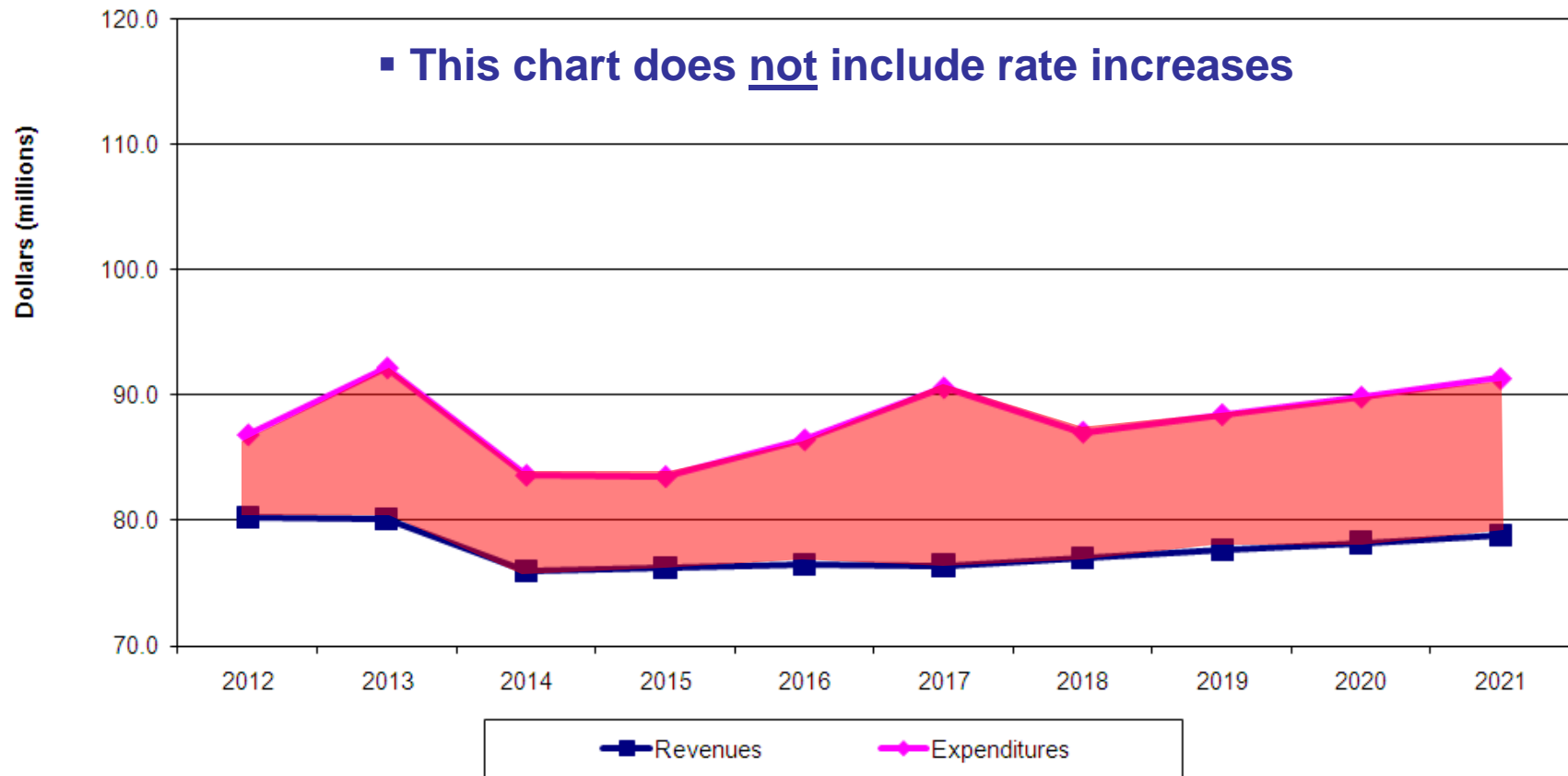
Airport Fund Forecast



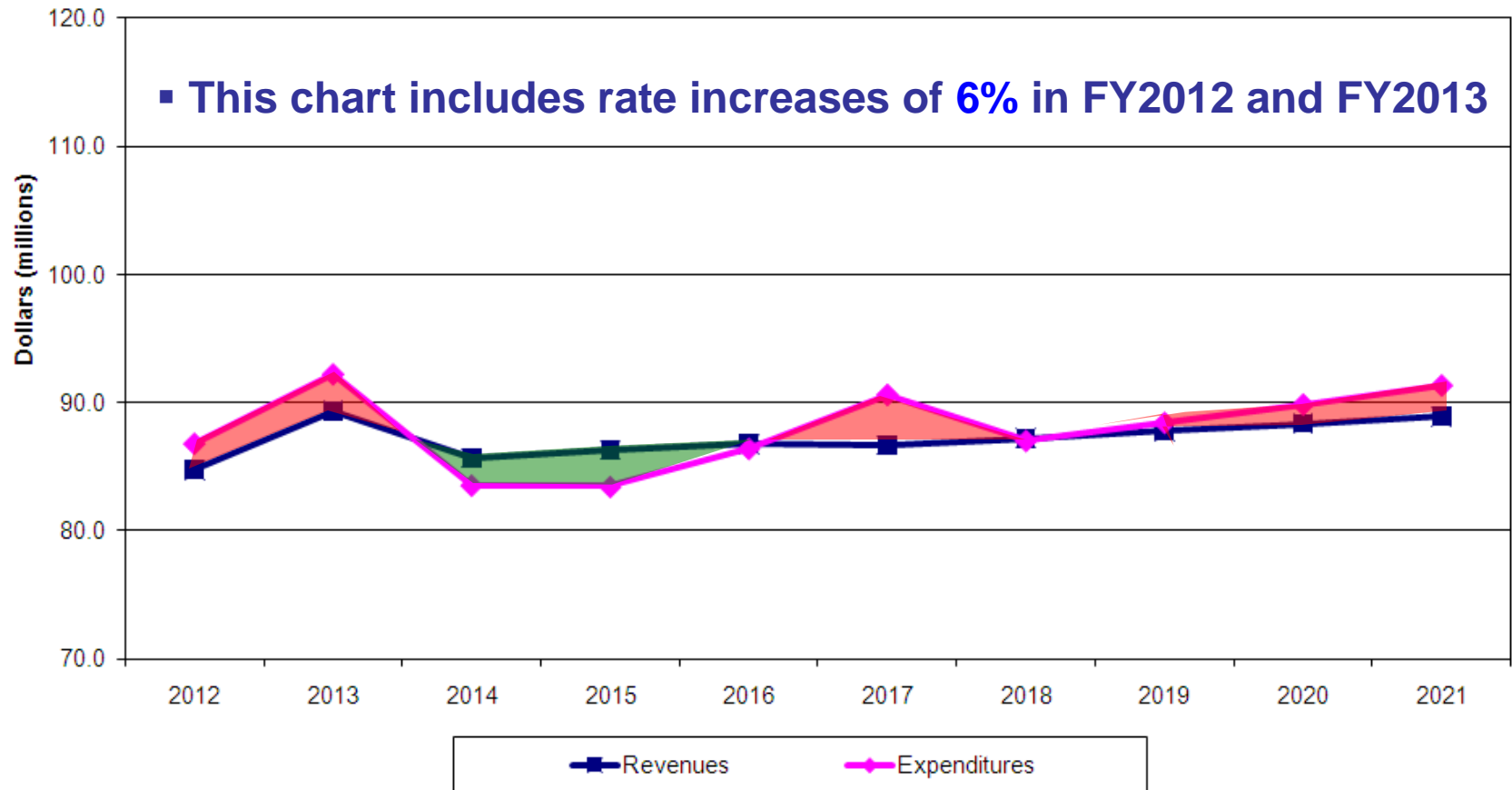
Utilities-Water Funds Forecast

- Fund is not balanced through forecast period resulting in a depletion of fund balance by FY2016
 - Water system and wholesale water sales revenues have declined due to the recession
 - Consumption has decreased 19% from FY2006 to FY2010
- Balancing strategies
 - Rate increases of 6% in FY2012 and FY2013

Utilities-Water Funds Forecast



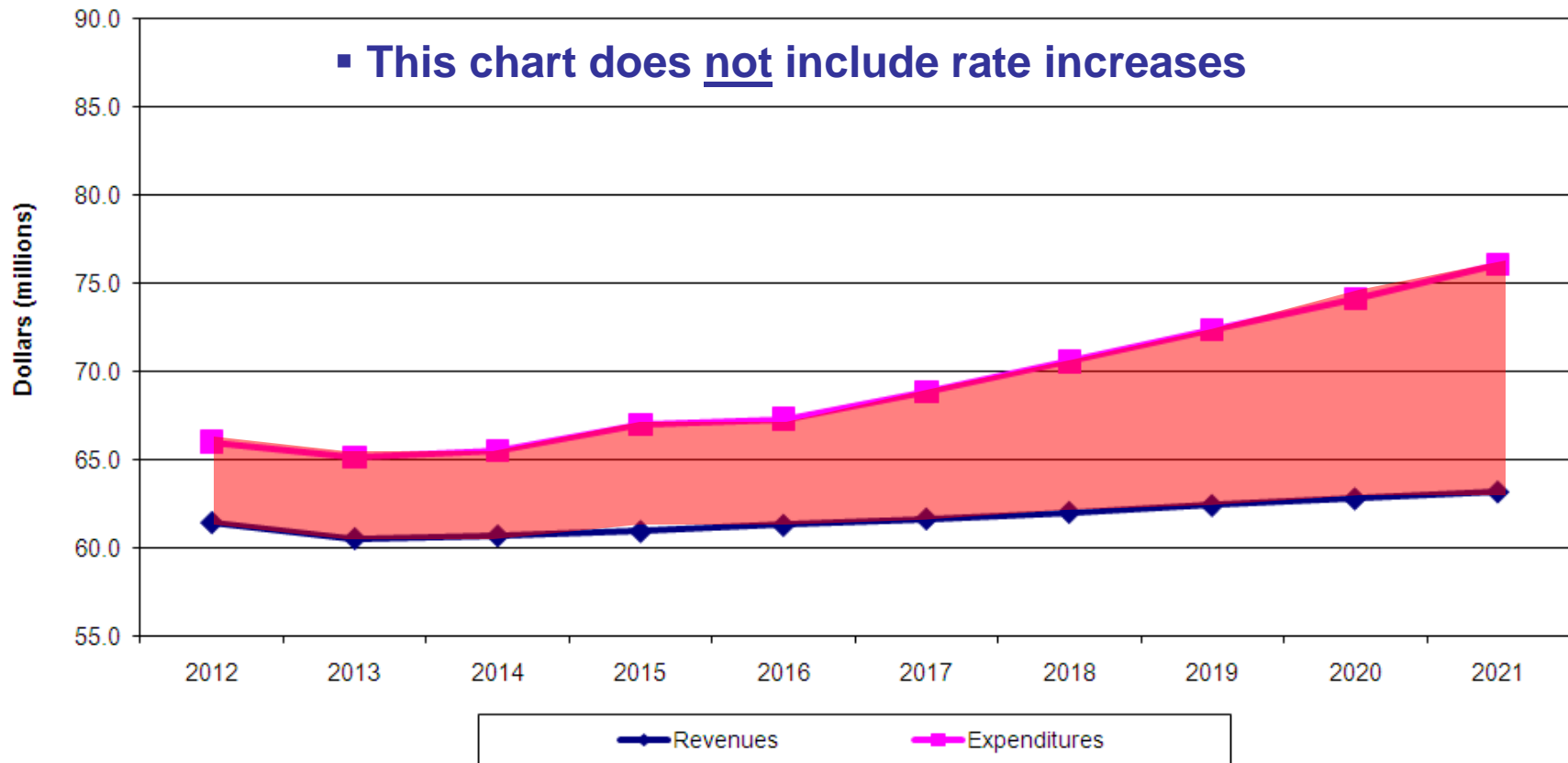
Utilities-Water Funds Forecast



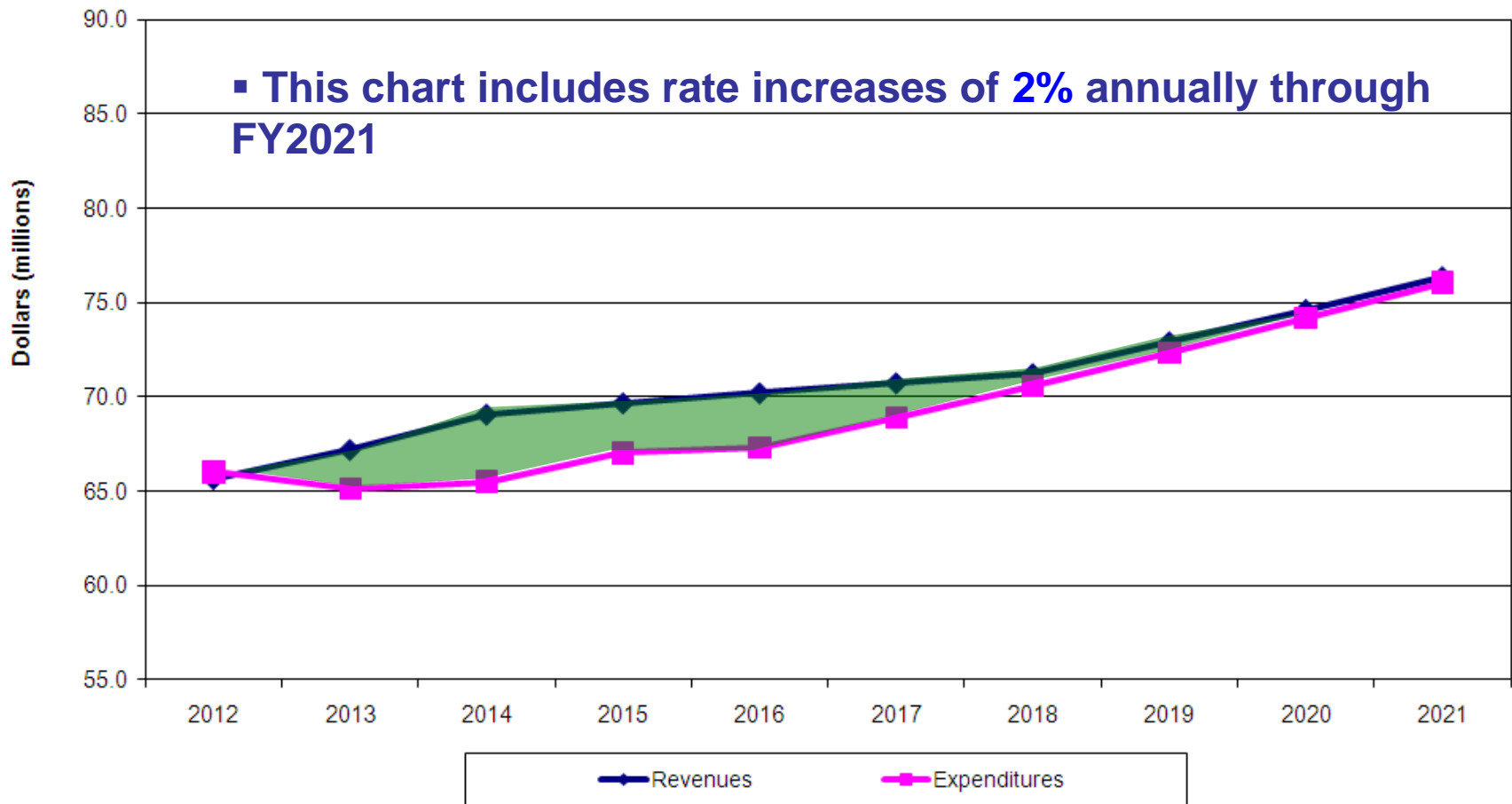
Utilities-Sewer Funds Forecast

- Fund is not balanced through forecast period resulting in a depletion of fund balance by FY2014
 - Sewer system and wholesale revenues have declined due to the recession
 - Volume of waste processed has declined 7.5% from FY2006 to FY2010
 - Insufficient funds to maintain required debt service coverage and reserves
- Balancing strategies
 - Rate increases of **2%** annually through FY2021

Utilities-Sewer Funds Forecast



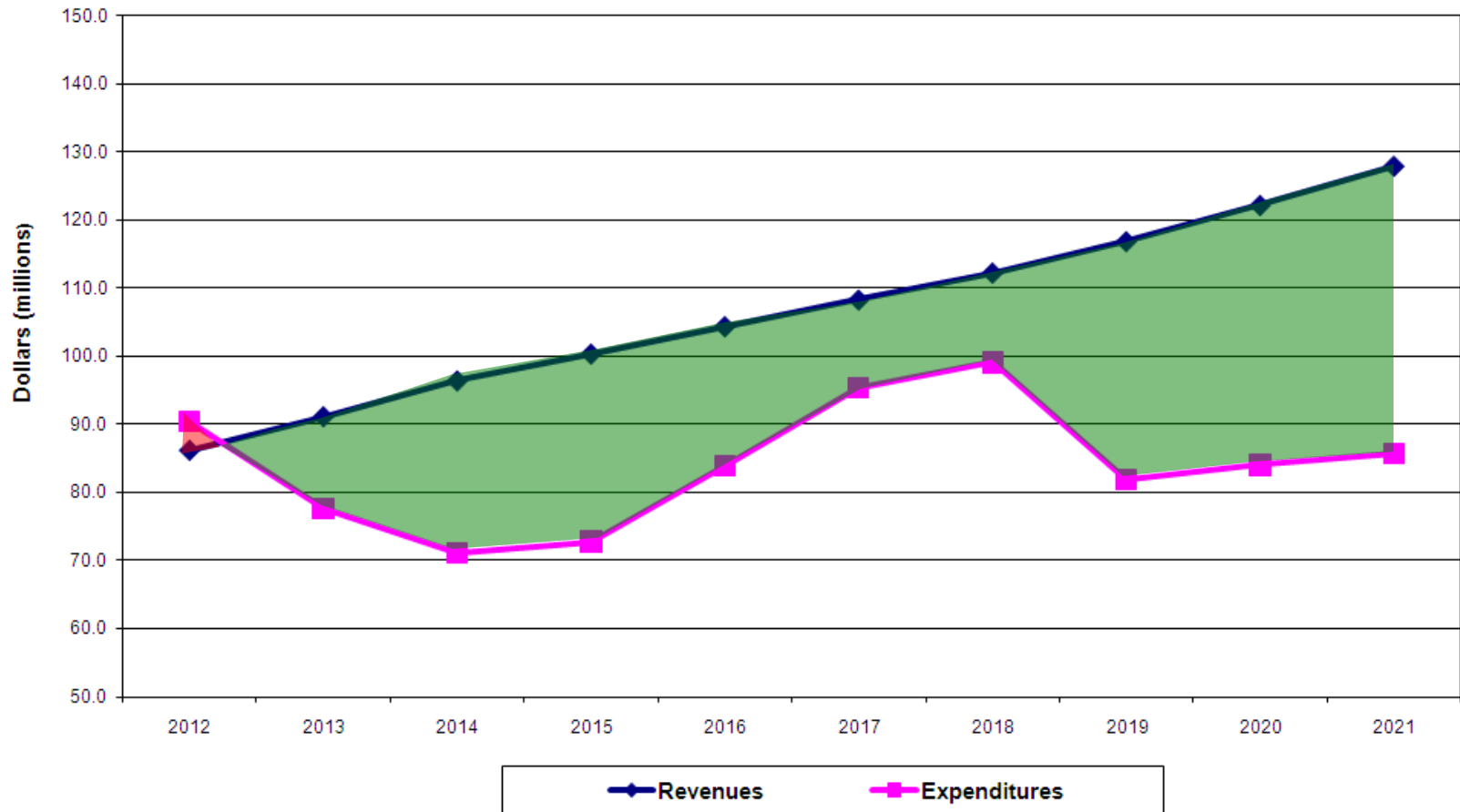
Utilities-Sewer Funds Forecast



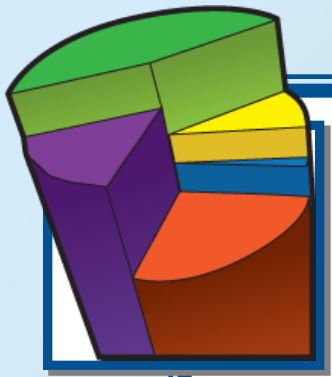
Utilities-Solid Waste Funds Forecast

- **Fund is balanced through forecast period**
 - Solid Waste tipping fees and electricity sales have declined with the recession, but remain sufficient to fund operations and reserves through FY2021
 - Reserves are being accumulated for future capital replacement needs consistent with the 25 year capital plan
- **Balancing strategies**
 - Continue to adjust operating and capital expenditures to match revenues

Utilities-Solid Waste Funds Forecast



Note: Does not include Capital Projects Fund loan activity



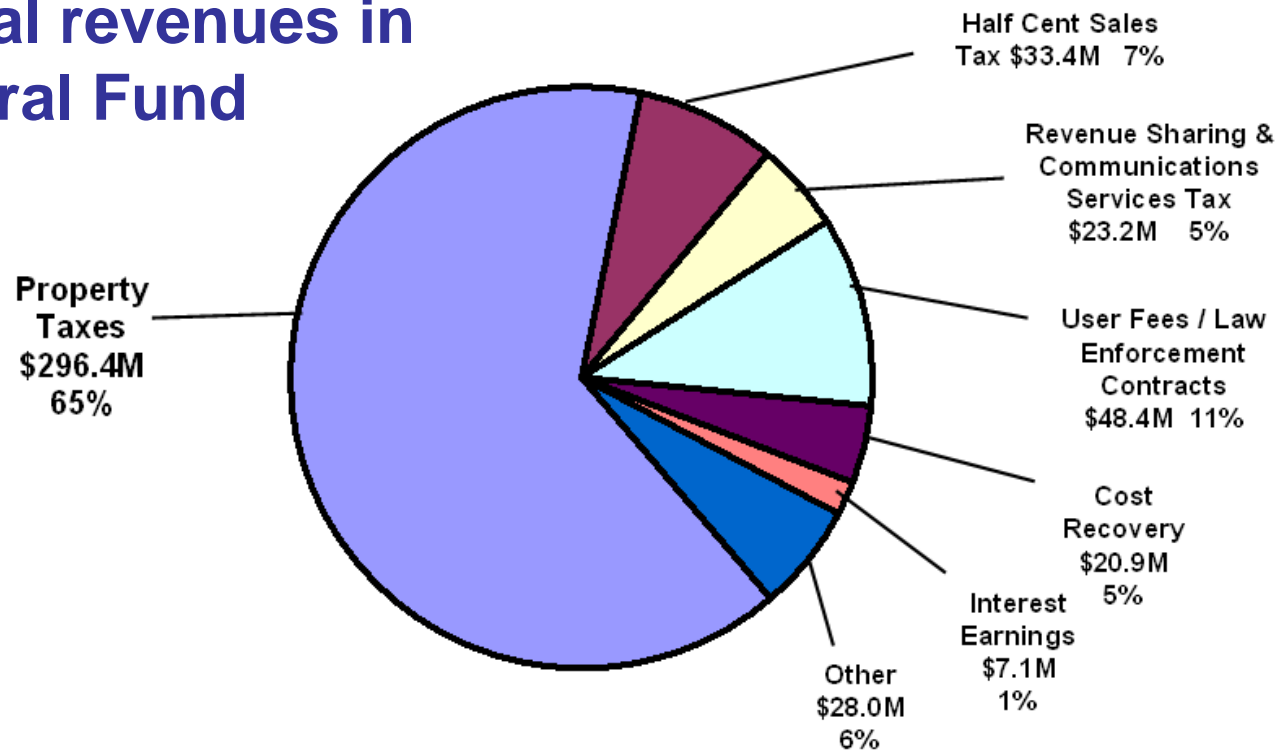
General Fund Forecast

FY2011 Beginning Fund Balance

- On a net basis, **\$4.4M** higher than projected
 - Primarily savings from FY2010 expenditure target of 97% versus 99% assumption (landed at 98%)
 - \$4.4M represents about 1% of total General Fund exp.
 - Could be allocated for non-recurring purposes, added to the Service Level Stabilization Account (currently \$19.3M), or added to Reserves
 - An estimated \$4.9M is necessary to fully fund the Justice Consolidated Case Management System project

General Fund Revenues

- Property taxes comprise 2/3 of total revenues in the General Fund



Source: FY2011 Adopted Budget

Foreclosure Filings

	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	989
Sept	324	662	1,295	1,215	1,040
Oct	403	899	1,390	1,239	658
Nov	398	894	969	1,120	383
Dec	369	773	1,198	1,487	438
TOTAL	3,698	7,538	13,315	15,453	10,946

- Foreclosure filings appear to be decreasing

Source: Pinellas County Clerk of the Circuit Court

Taxable Values by Property Type

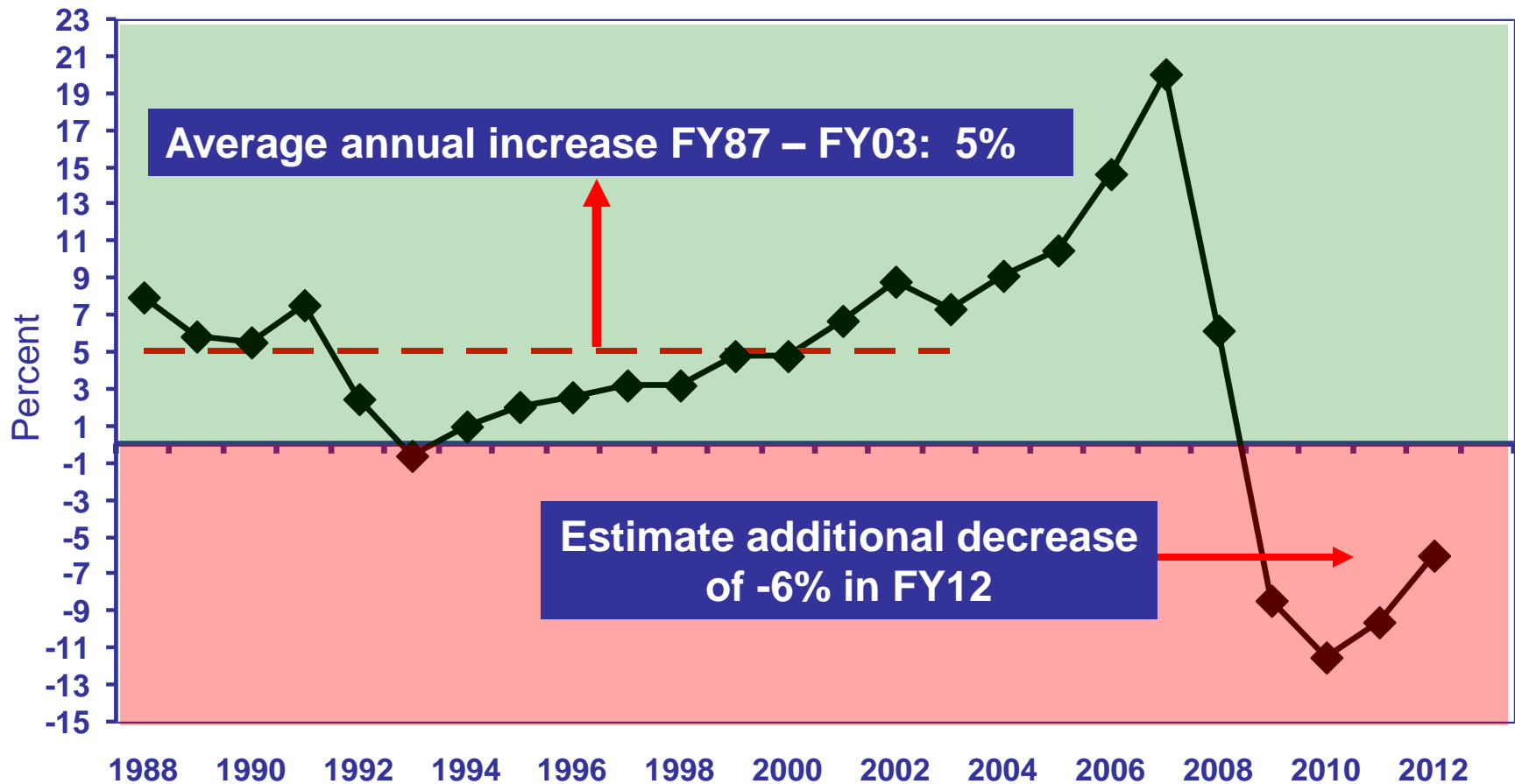
(Estimated 01/01/2011)

- Taxable values were estimated to decrease from 5 to 8%
- Forecast assumes property tax revenues to decrease by 6%

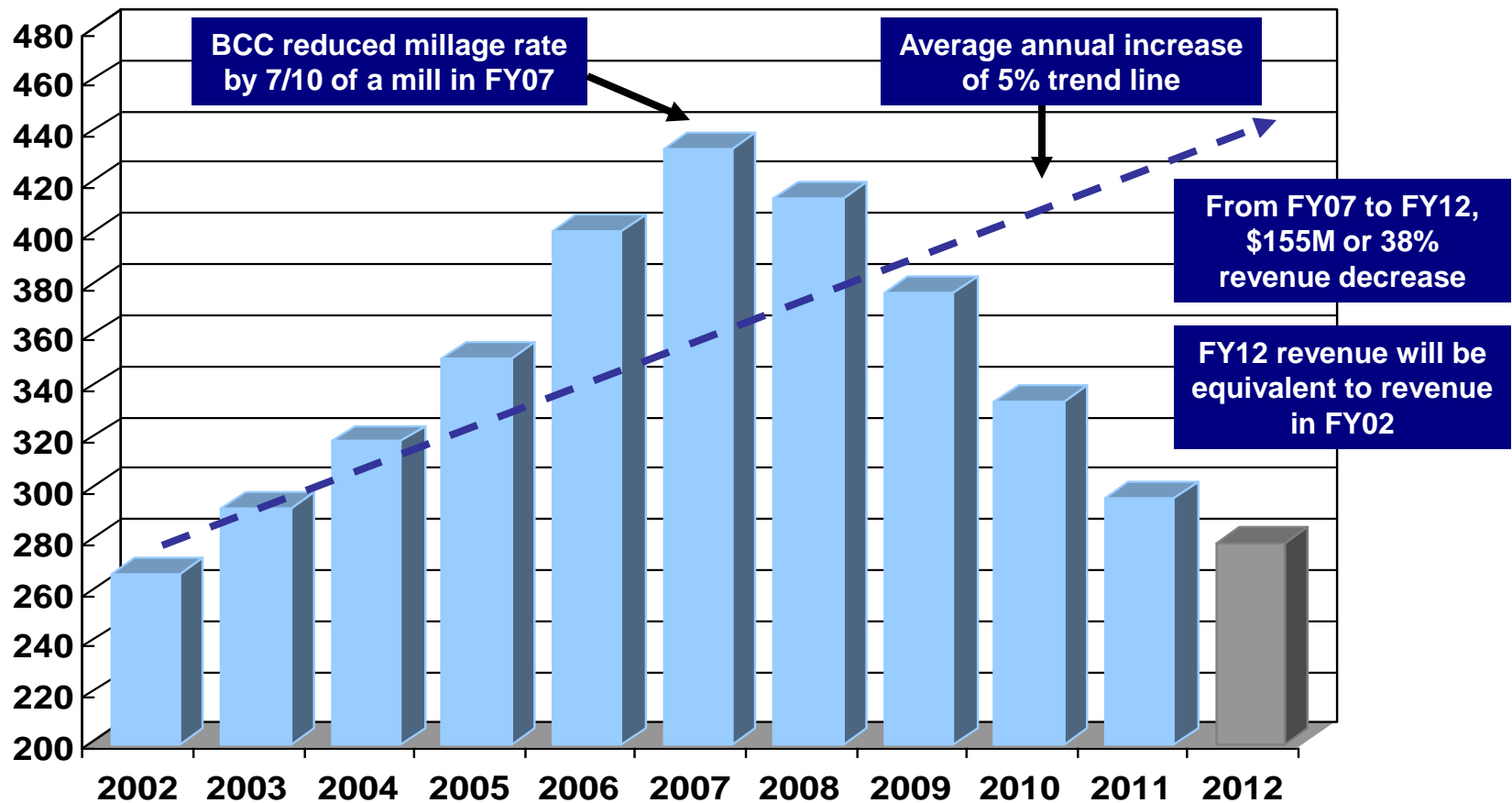
	% Change in Value		Est. Tax Base \$ Billion
	Just Value	Taxable Value	
<i>Single Family Residential</i>	-7.0%	-6.0%	\$ 24.3B
<i>Condominium Residential</i>	-7.0%	-7.0%	\$ 9.4B
<i>Other Residential</i>	-7.0%	-7.0%	\$ 4.5B
<i>Non-Residential</i>			
Commercial & Industrial	-8.5%	-8.5%	\$ 12.2B
Personal Property	0%	0%	\$ 4.3B
<i>New Construction</i>			\$ 0.2B
Total		-6.0%	\$ 54.9B



Countywide Taxable Values Annual Rate of Change



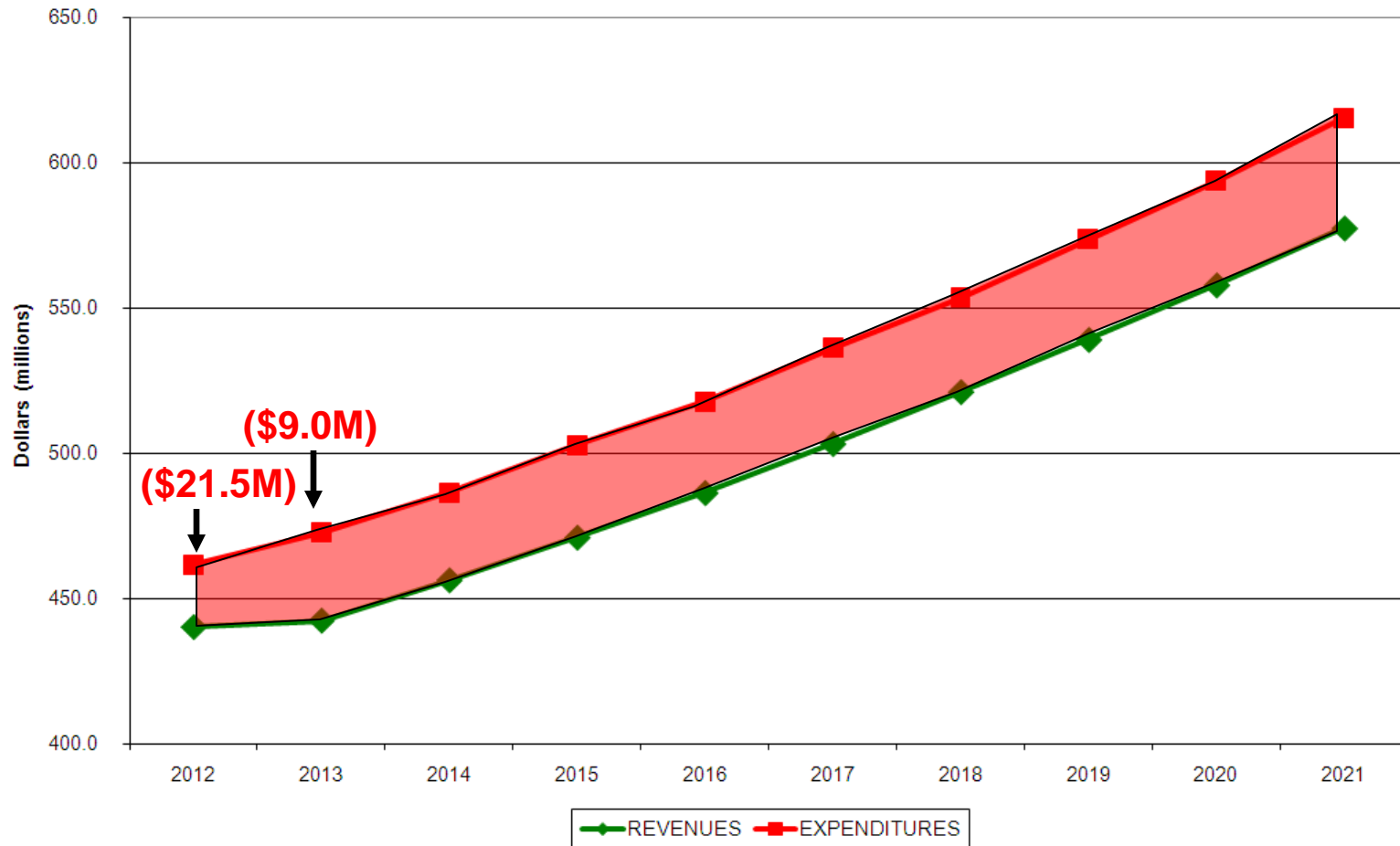
General Fund Property Tax Revenue (FY02-FY12) in millions

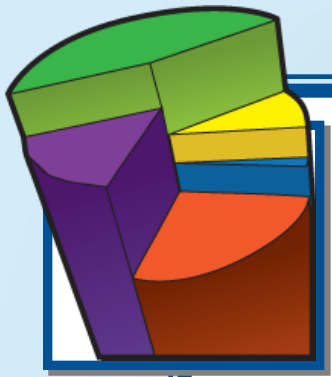


General Fund Forecast

- Fund is not balanced beginning in FY2012
 - Projected **\$21.5M** shortfall for FY2012
 - Additional **\$9M** shortfall projected for FY2013
- Balancing strategies
 - Target FY2012 budget at **6%** less than the FY2011 budget (based on adjusted base budget)
 - Rethink the services that the County provides and how we can best organize to deliver them

General Fund Forecast





FY2012 Budget Strategy

FY2012 Balancing Strategies

- General Fund

- Target FY2012 budget at 6% less than the FY2011 budget (based on adjusted base budget)
- Rethink the services that the County provides and how we can best organize to deliver them

- Tourist Development Fund

- Continue to adjust the promotional activities budget to match revenues

FY2012 Balancing Strategies

- Transportation Trust Fund

- Revenue transfer from General Fund
- Imposition of additional local option gas taxes
- Reductions in program service levels

- Capital Projects Fund

- Identify \$13.5M in project reductions to current Penny Program
- Smooth out project expenditures as much as possible to minimize the amount of interfund loan necessary to maintain adequate cash flow (authorized up to \$85M from Solid Waste R&R Fund)
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FY2012 Balancing Strategies

▪ Emergency Medical Services Fund

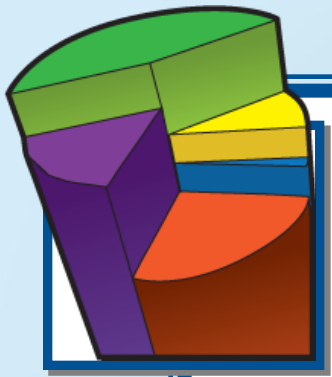
- ❑ Increase in countywide EMS millage rate
- ❑ Reduction in funding for first responder contracts
- ❑ Increase ambulance user fee revenues
- ❑ Reduction in funding for ambulance contract

▪ Fire Districts Fund

- ❑ Additional increases to millage rates for the individual fire districts will likely be necessary
- ❑ Potential millage rate increases will need to take into account the individual millage caps in each district

FY2012 Balancing Strategies

- Airport Fund
 - Continue to adjust operating and capital expenditures to match revenues
- Utilities-Water Funds
 - Rate increases of 6% in FY2012 and FY2013
- Utilities-Sewer Funds
 - Rate increases of 2% annually through FY2021
- Utilities-Solid Waste Funds
 - Continue to adjust operating and capital expenditures to match revenues



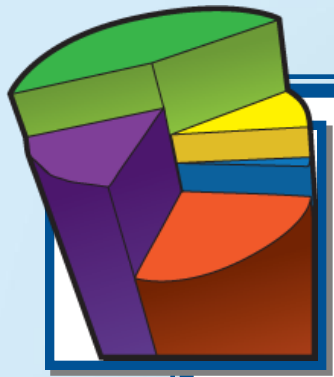
FY2012 Budget Process

FY2012 Budget Process

- Community outreach prior to budget development
- Mid-year budget presentations from each BCC department
- Focus on program-based budgeting and levels of service
- Evaluate new funding sources and cost savings
- Focus on ability to sustain programs given revenue decreases and ongoing property tax caps
- Constitutionals and Independents have individual budget work sessions with the Board

FY2012 Budget Process

- **BCC focus on policy decisions regarding:**
 - ❑ Tax policy
 - ❑ Funding for Constitutionals and Independent Agencies
 - ❑ New revenue sources
 - ❑ Increases to existing fee schedule
 - ❑ Reduction packages of BCC department programs and levels of service



Next Steps

Next Steps

- Set appropriate budget guidelines
- Kickoff the FY2012 budget process on February 17th
- Community outreach prior to budget development
- Continue to refine property tax and other revenue estimates

Budget Timetable

- **February 17**: OMB conducts FY12 Budget Kickoff meeting
- **March**: Community outreach
- **March 11**: Budget submissions for BCC departments and Independent Agencies due to OMB
- **March 31**: CIP budget submissions due
- **April 5 & 7**: Mid-year budget presentations for BCC departments
- **May 1**: Budget submissions for Constitutional Officers due to OMB

Budget Timetable

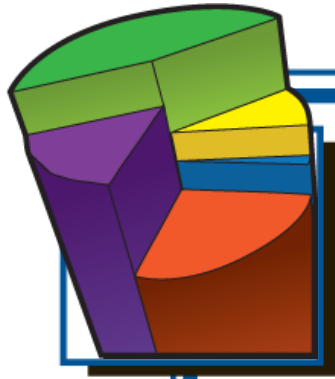
- **May 17: Budget Information Session – Independent Agencies**
- **June 1: Property Appraiser delivers preliminary Estimates of Taxable Values**
- **June 7: Budget Information Session – Constitutional Officers and Independent Agencies**
- **June 9: Budget Information Session – Capital Improvement Program (CIP)**
- **July 1: Property Appraiser certifies Estimates of Taxable Values**

Budget Timetable

- **July 12**: County Administrator presents the FY2012 Proposed Budget to the Board
- **July 28**: Budget Information Session – Finalize proposed millage rates for inclusion in the TRIM notice
- **August 4**: Property Appraiser is notified of proposed millage rates for development of TRIM notices
- **August**: Budget Information Sessions – as needed
- **August 22**: TRIM notices mailed to all property owners

Budget Timetable

- September 6: 1st Public Hearing – BCC adopts **tentative** FY2012 millage rates and budgets
- September 15: 2nd Public Hearing – BCC adopts **final** FY2012 millage rates and budgets



Citizens' Guide to the Budget

www.pinellascounty.org

