OFFICE OF THE
COUNTY ADMINISTRATOR

Robert S. LaSala
County Administrator

July 10, 2012

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

In accordance with my statutory responsibilities, I present the **Proposed Fiscal Year 2013 Annual Operating and Capital Budget** for your consideration.

I appreciate your guidance and support as we developed the budget in this period of unprecedented fiscal stress. The Board's leadership in working with the other Constitutional Officers and your commitment to establishing a strategic direction has been particularly crucial in this process. 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 transform the organization to deal with the new budget realities.

The last several years have been very hard. The perfect storm of legislative mandates, a constitutional amendment and the "Great Recession" have come together to create significant financial challenges.

In 2007, the Florida Legislature required counties to roll back the property tax rates, reducing property tax revenues for Fiscal Year 2008 by $20 million. The following year, the voters approved Amendment One to the state constitution, which doubled the homestead exemption and further reduced property tax revenues by $35 million. At the same time, we were beginning to experience the first impacts from the Great Recession as the economy started to soften and property values began to decline. By 2009, the recession was in full swing. Revenues dropped across the board with property values taking a pummeling. In the years since, property values have continued to decline, further hurting the County's budget. In total, property tax revenues have dropped by $145 million since 2007. The clock has been turned back 10 years as FY2003 was the last time property tax revenues were at this level. The "Great Recession" has certainly created a "lost decade" as characterized by some economists.

The impact to the organization and the public we serve from substantially reduced revenue has been great. Since 2007, the County's general fund budget has been reduced by an average of 35 percent. Various programs have been eliminated and

service levels decreased. Some departments, like Parks and Conservation Resources, have experienced deeper cuts of nearly 50 percent. The number of positions under the County Administrator has been reduced by nearly 1,000 positions. This level of staffing was last seen in 1985. Those dedicated to public service that remain try to do more with less. The reality is that we must do less with less.

Yet despite all of these challenges, I remain proud of the employees of the County. They have adapted, innovated and worked tirelessly to provide quality services to our citizens and visitors. I applaud their efforts. The Board has also shown leadership through these difficult times. Its commitment to a strategic approach has enabled the County to maintain core services while building a savings account called the service level stabilization account. Our strategy from the beginning has been to use the savings over the next two years as a bridge to an economic recovery. The Board has relied upon a 10-year financial forecast to guide its prudent decisions.

Every organization has a tipping point: a point beyond which the organization is irreparably damaged. I believe we are at that point. While we have been able to absorb the reductions of the last five years, our capacity has been significantly reduced. Reductions in Parks and Conservation Resources, Health and Human Services, Economic Development, and Transportation, just to name a few, have compromised the quality of life in Pinellas County. Reductions in other areas, notably public safety, have diminished our capacity to respond to emergency events and quickly recover post disaster. We are at this organization's tipping point. To absorb further cuts will snuff out the remaining resiliency of the organization, impede our ability to attract and retain the best talent, and render the County a less desirable place to live, work and play.

The County continues to face serious challenges. Public revenue streams remain weak as the costs of maintaining the capacity to deliver basic services and maintain public infrastructure continue to rise. The recession has provoked many "negative feedback loops," adversely affecting demands on core public functions performed by Pinellas County Government. The Healthy Communities initiatives recently affirmed by the Board reflect egregious trends bearing down on the County's distressed communities. Other challenges include: surface water quality and drainage; supply and demand for water and wastewater services; a structural imbalance in the County's Transportation Trust Fund; continued pressures on demands for health and human services; rising costs of criminal justice and public safety; and escalating concerns about employee morale, recruitment and retention.

We now face a new challenge. That challenge comes in the form of a State requirement that the County fund additional Medicaid payments. The State is trying to solve its budget problem by laying the bill at the County's feet and forcing us to pay it. This unplanned expense could not be built in to our budget planning. The amount of the unplanned and unwanted bill from the state is $68.9 million over the next 10 years. For the upcoming fiscal year, it is $12.2 million. The impact in FY2014 will be similar. In fact, the State has already started to bill the County for this unwanted expense in the current budget year. This month, the State started to bill the county for additional Medicaid costs that will total $4.8 million by October. This has a direct and negative impact on our current budget.

Despite our best planning, we do not have the capability to fund this unwanted bill and continue to serve the core functions of County government. Therefore, the proposed budget includes a one-quarter of a mill increase in the countywide millage rate. This is the first millage increase in 11 years. The amount of the proposed increase directly offsets the Medicaid bill from the State.

There are alternatives to this increase. However, I do not believe they are in the best interest of the citizens nor the organization. For example, further reductions could be made to county departments. However, in light of the reductions that have already been made over the course of the last five years, further cuts would cripple this organization and seriously compromise the services provided to the public. They would take us beyond the tipping point. The Medicaid bill is quite literally the “straw that broke the camel’s back.”

To place the use of further reductions into perspective, we would need to eliminate the entire indigent health care program in order to offset the impact of the Medicaid bill from the State. Alternatively, reductions could be made within the Sheriff’s budget, potentially compromising public safety. Within the Real Estate Management department, should we allow our facilities to fall into disrepair, not make our lease payments and not pay our electric and other utility bills? Of course not. Further reductions could be made within Parks and Conservation Resources. However, in order to match the magnitude of the Medicaid bill, these reductions would entail closing parks and not maintaining our stewardship over environmentally endangered lands. Beyond the Sheriff, Health and Human Services, Real Estate Management, and Parks and Conservation Resources, there are no other viable opportunities for savings as these functions represent the largest portion of the General Fund.

Another option would entail using a portion of our savings account, the service level stabilization account, to cover the Medicaid bill. But our strategy was to use these monies in FY2013 and FY2014 as a bridge to an economic recovery. To use these funds to offset the Medicaid bill would apply one-time funds to a recurring need. This would be in opposition to the Board’s budget policy of using recurring revenues to match recurring expenditures. Further, to use this savings account now would require a property tax rate increase of more than one-half mill in FY2014. This is an instance where I believe it is better to meet the challenge head-on and address it rather than kicking the can down the road. Raiding our savings account would simply magnify the needed property tax increase and be more impactful.

Not included within the Proposed Budget are a number of service level enhancements and other requests that fell outside of the Forecast targets previously provided to the Board. These items are captured within the Budget Message along with potential funding scenarios. They will be subject to subsequent Board discussion.

The $1,695,633,630 balanced budget continues the County's tradition of providing high quality services to the public while prudently managing the public’s funds. The total FY2013 Budget is $37.4 million or 2.3 percent, more than the total FY2012 Revised Budget, which reflects a net increase in operating, capital, reserves and enterprise functions. This is due to non-recurring capital expenditures reflected in the budget.

The General Fund is the primary operating fund of the County and is heavily dependent on property taxes, which represent nearly two-thirds of its revenue. Due mainly to the continued deterioration in the real estate market during calendar year 2011, the FY2013 General Fund budget decreased by $24.9 million or 4.3 percent from the FY2012 Revised Budget. The General Fund countywide millage rate reflects the 0.25 mill increase at 5.0608 mills to offset the impact of Medicaid. The unincorporated area (MSTU) millage rate is unchanged at 2.0857 mills.

The millage rates for other property tax supported budgets remain the same except for the EMS fund, the Palm Harbor Recreation & Library special district and several fire districts. EMS reflects a 0.1849 mill or 21.7 percent increase to 1.0355 mills. The EMS budget maintains the status quo with respect level of service and the delivery model. The proposed millage increase is required to fund the system and maintain the fund's reserve at 25 percent pursuant to Board policy. Without this increase, a higher property tax increase would be needed in FY2014 to maintain the current system status quo. The following Fire District millages have been increased due to legal requirements: Clearwater, Dunedin, Largo, Safety Harbor, Tierra Verde and South Pasadena. 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.

As your County Administrator, I am honored to have worked with you in the development of the Proposed FY2013 Budget. The recommendation to raise the millage rate does not reflect a "tax and spend" mentality. Our record of spending reduction recommendations and the avoidance of tax increases during the "Great Recession" attests to this fact. Rather, the recommendation is based upon a strong belief that the Board has established a responsible direction deserving of the public trust. This course should be maintained through transformational leadership at the County level of government even as the state level shirks its responsibilities and the federal level struggles with its own distinctive problems. Leadership that transforms the roles, strategic and policy direction, and the management arrangements of public organizations requires vision and courage. County government shows both of these as virtues in its track record of responding to the challenges of the economic downturn, but much more remains to be done. This Proposed FY2013 Budget is transmitted to the Board recognizing that we must stay the course, adapting smartly to unexpected challenges.

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.

The Proposed Budget represents a transitional document as we continue our work to fully implement a program budget using the new Hyperion software that is part of the OPUS financial suite. The Adopted Budget document will feature the new programs and associated performance metrics not found in the Proposed Budget.

More than ever, developing the 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 proposed budget.

Respectfully submitted,

Robert S. LaSala
County Administrator

Pinellas County

FY2013 BUDGET MESSAGE TABLE OF CONTENTS

Pinellas County

OVERVIEW OF THE FY2013 BUDGET PROCESS

The *Overview of the FY2013 Budget Process* portion of the FY2013 Budget Message provides an overview of the budget process including:

- FY2013-2022 Forecast
- Balancing the FY2013 Budget
- Citizen Engagement
- Additional Funding Requests
- Future Fiscal Issues

Stay the Course

The overall strategy employed in building the FY2013 Proposed Budget is to provide a balanced budget that is consistent with the Board's strategic direction and to "stay the course" with our multi-year budget plan that is intended to maintain a consistent, reliable set of sustainable services. The Board has engaged the citizens through a diverse set of tools and used this input during vigorous strategic planning sessions and "deep dive" discussions with individual departments and agencies throughout the winter and spring (see Management Initiatives section). The strategic direction focuses on the core services identified by the Board and services valued by the citizens (based on statistically valid surveys and other inputs) and maintaining a vibrant community that will be resilient as the economy slowly recovers.

A multi-year budget strategy has been developed based on the 10-year budget forecast and that strategy recognized and reconciled the new reality that Pinellas County government faces as a result of the real estate market correction, Great Recession, voter initiatives, and state legislative actions that have reduced revenue streams in the short term and will limit revenue growth in the long term. As a result of these factors, Board departments have reduced staffing levels by 35% (nearly 1,000 positions) since FY2007. This represents the lowest position count since FY1985. Property tax revenue, which represents approximately 2/3 of the General Fund budget, has dropped 35% or $151M since FY2007 and is below FY2003 level.

Through these reductions, the County continues to make decisions with a focus on the services that can be provided consistently and reliably in the long term. This has required significant shifts in approach, such as revamping the indigent healthcare services model to be proactive rather than reactive. This new approach is not sustainable if subjected to further reductions and a return to the previous model may yield short-term savings, but has already been proven to cost significantly more in the long term.

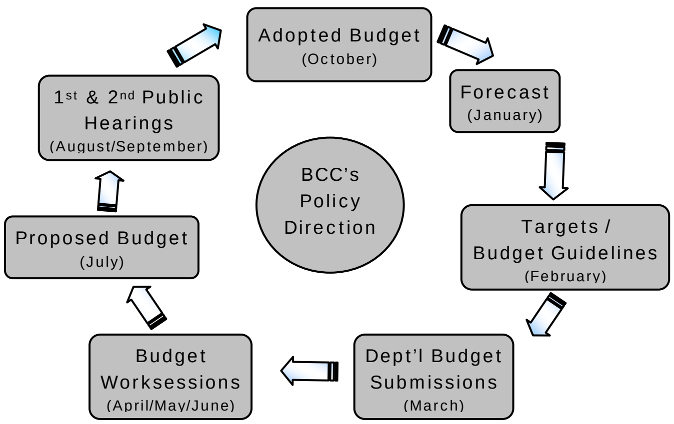
The ability to sustain the services provided by the County and deliver them in a consistent, reliable manner that is consistent with the Board's strategic direction is dependent upon stability in resources. Therefore, the FY2013 Proposed Budget does not include service level reductions. Any savings represented in the balanced budget are the direct result of efficiencies and business process improvements.

OVERVIEW OF THE FY2013 BUDGET PROCESS

FY2013-2022 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 FY2013 budget process.



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, Capital Projects 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 FY2011 with actual revenue and expenditure information following the year-end closeout of the fiscal year as of September 30, 2011. At the same time, the current FY2012 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 FY2013 budget year forecast is based on available information and forms the underlying basis for developing the strategy to balance the budget. In addition to focusing on the upcoming fiscal year, the Forecast's ten-year horizon helps determine the long-term financial position of the County's funds as well as the impact of today's budget decisions on the future. The out years through FY2022 are forecasted using various projection methods such as trend analysis, linear regression, and moving averages.

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 sustain-ability of the County's Funds and (2) under-standing the impact of today's decisions on the future.

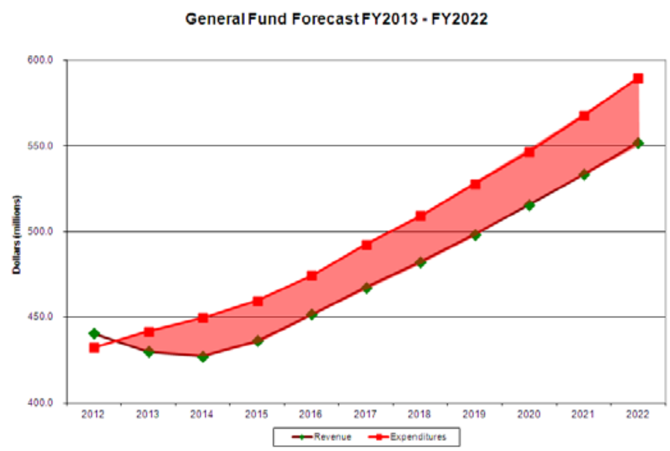
Long-Term Fiscal Sustainability

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 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 bolster reserves.

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 capacity. If the Board is considering funding a new or enhancing an existing program, 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.

Results of the FY2013-22 Forecast
The ten-year forecast for the General Fund presented in February showed a structural imbalance (where projected recurring expenditures exceed recurring revenues) of $11.9 million in FY2013 and an additional $22.6 million shortfall projected in FY2014.



Based on this forecast, individual expenditure targets were identified for each fund. There was no formal expenditure target set for the current fiscal year since budgets have been tightened significantly over the last several years. 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 or to increase reserves. Although no formal target was set, departments and agencies were encouraged to spend less wherever possible.

Balancing the FY2013 Budget

Balancing Strategy

As the County sustained reductions over the past several years as a result of the Great Recession and state-mandated revenue caps, the Forecast has been utilized to predict when a recovery in revenues would be realized. The Board set a strategy to stabilize the services provided by the County until the time at which growth in revenues and expenditures are aligned.

One of the key financial strategies employed over the past three years has been the creation of a Service Level Stabilization Account (SLSA) in the General Fund. The SLSA represents non-recurring funds generated by taking reductions in FY2010, 2011, and 2012 over and above what was necessary to balance the budget. The current balance in the SLSA is $28.6M and none of the SLSA has been reallocated by the Board of County Commissioners to be expended. The SLSA is intended to bridge the gap between the final years of reductions and the recovery, thereby providing the organization with a "glide path for a soft landing." For example, the SLSA will allow us to avoid making reductions all the way down to the point where revenues bottom out and will help serve as a bridge to a more financially stable time. By utilizing this funding instead of sustaining additional reductions, the community should experience the benefits of achieving organizational stability and service level sustainability.

Based on the imbalance identified in the initial forecast and the anticipated beginning of the recovery in FY2015, the SLSA would be utilized to completely cover the shortfall in FY2013 and partially cover the shortfall in FY2014. As a result, County government would remain stable for three years or more (FY2012 through FY2014) provided that the shortfall not covered by the SLSA in FY2014 can be mitigated without reductions in services.

General Fund Budget Targets

The Forecast included key assumptions related to inflation of expenditures, including employee benefits, commodities, fuel, and utilities. Therefore, departments under the County Administrator were instructed to submit FY2013 budgets that were consistent with FY2012 recurring budget appropriations. This translated into no net changes in staffing levels and a 1.7% increase in non-personal services expenditures. This increase is consistent with the forecast revenues and reserve target and accommodates the forecast inflation.

Constitutional officers and independent agencies dependent upon General Fund appropriations were also provided budget targets reflecting a 1.7% increase in appropriation request, to include adjustments for changes in revenues generated by each.

All departments and agencies met the defined targets.

Forecast Updates

In balancing the FY2013 Proposed Budget, the forecast has been updated to reflect new and updated information. The significant changes are summarized below and detailed in the "General Fund Forecast" section of the Budget Message.

Taxable Values

Per statutory guidelines, the Property Appraiser releases certified taxable values for all taxing authorities no later than July 1 each year. The General Fund county-wide taxable values for 2012 are utilized to determine the tax bill that provides revenue to support FY2013 General Fund expenditures. While the forecast released in February predicted a 4.0% decrease in taxable values from 2011 to 2012, the Property Appraiser certified taxable values reflected a 1.8% decrease. This yielded a net gain in General Fund revenues of $5.6M. In consideration of the risks to the forecast (see "General Fund Review" section of the Budget Message), the predicted change in taxable values for each year from FY2014-22 has not been revised for purposes of preparing the balanced FY2013 Proposed Budget.

Juvenile Detention Costs

Under Chapter 985.686 of Florida Statutes, counties and the State have a shared responsibility for funding juvenile detention. Counties are mandated to pay for pre-dispositional youth detention days and the state is responsible for paying for post-dispositional youth detention days. The funding is charged monthly with funding deposited in the Juvenile Detention Trust Fund. Often times, Pinellas has seen reimbursements from billing disputes and reconciliation. Under the current model, a county's cost can vary with adjustments shifted back and forth between jurisdictions.

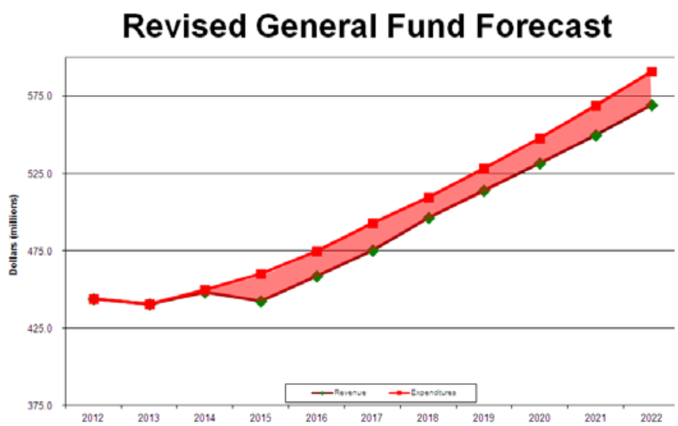
Currently, based upon an overall reduction in the Florida Department of Juvenile Justice budget allocation, counties are expected to see a reduction in the annual costs. Of the $30 million in budget reductions, $20 million has been adjusted out of the annual trust fund allocation. This reduction, at the current bed usage, is expected to provide a savings of $800K for Pinellas County in FY2013, decreasing the budget from $5.5M to $4.7M. This savings is anticipated to be recurring, but is contingent on current usage rates and state rules that must be managed and maintained for continued savings. This savings demonstrates progress in juvenile justice reform, however further reform and billing model correction is needed to ensure long term fiscal stability for this budget item.

House Bill 5301 – Medicaid

On March 29, the Governor signed House Bill 5301. This bill shifts additional Medicaid costs to Florida counties. As a result, the forecast was updated in May to reflect this unexpected bill from the State. The revised forecast showed a structural imbalance of $21.4M in FY13 (increase of $12.2M) and $33.1M in FY14 (increase of $10.5M). The overall projected adverse impact to the Forecast is $68.9M over the ten-year period.

The additional burden of $22.7M over the next two fiscal years seriously disrupts the budget, obliterates the budget balancing strategy described above, and virtually wipes out all of the $28.6M in the SLSA, that had been set aside to bridge the organization into the recovery.

The Proposed Budget has been balanced using a 0.25 mill increase to offset the Medicaid bill. This approach maintains integrity of the multi-year balancing plan and stays the course by continuing to execute the adopted budget strategy.



Please see the "Medicaid" section of the Budget Message for additional details regarding background, strategic options, and impacts.

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 property tax (ad valorem) supported funds and the Water and Sewer funds.

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 projected 4% decrease in property tax revenue in FY2013. Deviations for each entity between the forecast change and the actual change based on the certified taxable values provided by the Property Appraiser are noted in the Independent Agencies section below.

In Utilities, the Water and Sewer systems were directed to meet expenditure targets that were consistent with the four-year rate plan approved by the Board in September, 2011.

Citizen Engagement

Community Input

The County incorporates considerable public and employee input into each year's budget process. Vehicles for input include community meetings, e-Town Hall, a statistically valid

citizens values survey, citizen suggestions through the County's website, and employee suggestions through the Better Way website.

Community Forum – April 10, 2012 @ St. Petersburg College, Seminole Campus

For the first time, the Pinellas County Community Forum fused traditional and virtual outreach in an open house and eTownHall format for the convenience of all citizens. Presented in partnership with the Seminole campus of St. Petersburg College, the overall event afforded the commissioners the opportunity to personally connect and interact with residents and hear the concerns and ideas they have for the budget. Residents could learn about the budget via a video that was simultaneously broadcast during the open house on two monitors in the reception area, on the digitorium presentation screen, on the eTownHall webpage and on PCC-TV channels. The open house preceded the eTownHall.

During the eTownHall event, the Board of County Commissioners and the County Administrator answered selected citizen questions from the audience, telephone participants, online blog and Twitter. Moderator Dick Crippen posed questions to the panel and guided the conversation.

Questions posed by the moderator were received via various avenues of communication, including live audience, website blog, telephone, and Twitter. The online engagement vehicles generated over 1,000 contacts. The telephone interaction started with the County calling nearly 60,000 residents and resulted in over 8,000 contacts.

Budget Information Sessions

In addition to three Budget Information Sessions held in the Board's regular meeting room in downtown Clearwater, the Board held two remote Budget Information Sessions to accommodate residents who might not be able to travel to Clearwater but might want to participate in the budget process. In addition to providing an opportunity for feedback on the budget, the meetings were promoted as a vehicle for sharing the views, values and vision of the community. Since the meetings were noticed and conducted as
County Commission Budget Information Sessions, a board reporter was present to record the proceedings and citizens' comments were accepted.

The first remote budget information session was held on May 10 at Safety Harbor City Hall. The agenda was comprised of three parts:

- Fiscal Year 2013-2022 Financial Forecast Summary
- Citizen Preference Survey Results
- Public Input

The second meeting was held on May 15 at St. Petersburg City Hall. The agenda included four parts:

- Fiscal Year 2013-2022 Financial Forecast Summary
- Citizen Preference Survey Results
- 2013 Sheriff Budget Proposal
- Public Input

Telephone Citizen Values Survey

Based on the value gained during last year's budget process, the County once again engaged an independent consultant to conduct a telephone survey from March 23 to April 4. The survey was designed to ensure representation from various age groups, genders, unincorporated residents, and other demographic factors in four distinct geographic areas (north, mid and south County and beaches). The statistically valid survey (4% margin of error) reached 800 county residents using a random digit dial telephonic process to understand what is important to residents, what they value about the county and if they think that current initiatives are aligned. The information gathered will help market Pinellas County effectively and is being used in setting budget and strategic planning priorities. The survey results are available on the County website at:
http://www.pinellascounty.org/bcc_work/2012_05_15/02-pm.pdf

On-line Survey of Citizen Values

Another input mechanism enabled citizens to participate in an on-line version of the citizen values survey. Launched at the close of the telephonic survey, the online survey was made available to residents on the County website at www.pinellascounty.org.

Residents learned about the survey via Facebook and Twitter postings, website story, and coverage by print and TV media. Over 1,500 respondents participated and while the online survey was closed to non-residents, business owners and other shareholders were directed to a submittal form so that they could offer input. To promote diversity of results, participation was limited to one submittal per computer (tracked by IP address; County-owned computers excluded). The survey results are available on the County's website at:

http://www.pinellascounty.org/budget/13budget/presentations/Online_Citizen_Values_Survey.pdf

Citizen Suggestions

We have also received citizen 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 one dozen suggestions to date. Since January 2009, over 1,700 people have signed up to receive budget

news via email. And since January, there have been over 39,000 aggregate hits on the Citizen's Guide to the Budget Website.

Employee Input

In 2009, the County created an internal website called **"A Better Way"** to communicate with employees regarding the budget process and set up a suggestion box to tap the wisdom of our employees. Since then, over 1,000 cost-saving and revenue ideas have been submitted, leading to many initiatives to generate savings, optimize business processes, and identify new or enhanced revenues. 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-Saving Ideas

Starting with the FY2012 budget development process, staff has been working hard to address high priority cost saving ideas identified through citizen and employee suggestions. Below is a list of ideas in progress.

- Centralized Chiller Facility: This cost saving idea will construct a chilled water facility that will 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. This project is estimated to result in $507K of recurring savings, $3.8 million of cost avoidance, and potential revenue opportunities of $300 to $400K per year.

- 911 Consolidation: Currently, the Public Safety Services Emergency Communications Center answers all 911 calls in Pinellas County, performs Emergency Medical Dispatch (EMD) and dispatches all EMS and Fire agencies. Law enforcement calls are transferred to the appropriate law enforcement agency.

  Consolidating certain 911 functions has been discussed extensively as part of the Commission's Strategic Long Term Planning process. Following discussions with County Administration and the Sheriff's Department, a committee has been formed to begin the process of consolidating the call-taking function for the County's 911 Center and the Sheriff's Communications Center. While a complete timeline has not yet been developed, the agreed upon goal is to have all call-taking for both agencies consolidated at the opening of the new Public Safety Complex in 2014. County Administration and the Sheriff have tentatively endorsed a functional consolidation and an organizational structure with the Director coming from County Public Safety Services and the Assistant Director coming from the Sheriff's Office.

  Initially, the committee consists of staff members from the Department of Public Safety Services and the Sheriff's Office. As the planning phase progresses, this committee will be expanded to include representatives from fire and municipal law enforcement agencies.

Outreach to other stakeholders has already begun. The committee will review various areas such as structure, management, standard operating procedures, Computer Aided Dispatch Systems (CAD), shift schedules, training and the overall implementation plans.

- Merger of Public Works and Utilities: A cost saving idea that had been submitted several times is the merger of the Public Works and Utilities departments into the new Department of Environment & Infrastructure (DEI). The combined department represents nearly half of the total staff under the County Administrator. Work teams have been established within DEI to identify opportunities for business process improvements and efficiencies.

- Reorganization of Fleet into Real Estate Management: Fleet Management was reorganized from a stand-alone department to a division of the Real Estate Management Department. Efficiencies have been gained related to common administrative functions. Additional opportunities for synergy continue to be sought.

- Creation of Enterprise GIS Bureau: An Enterprise GIS Bureau was created in early 2011 as the departments under the Board of County Commissioners partnered closely with the Property Appraiser's Office, Business Technology Services, and other GIS stakeholders to create an enterprise-wide GIS Bureau. This Bureau provides countywide GIS support and will result in cost savings, enhanced services, and data quality improvements. The bureau is embarking on a project to enhance their essential software platform. Such external entities as municipalities will be able to leverage the software, thereby providing additional sharing of GIS data among interested parties.

- Potential Consolidation and/or Sharing of Governmental Services: We continue to receive citizen and employee suggestions regarding the potential consolidation and/or sharing of governmental services between the County, cities, and other entities. In 2011, the County and Sheriff fleet management functions established a partnership whereby County provides fuel and light and heavy duty vehicle repair and maintenance and the Sheriff provides passenger vehicle repair and maintenance. County staff continues to engage other entities to identify potential areas of consolidation or sharing of services.

Revenue Ideas

Several revenue ideas were included in the FY2012 Proposed Budget. Please see the "Management Initiatives" section of the FY2012 Budget Message for more information on each of these items.

- Parking Fees at Fort De Soto Park and Howard Park Beach & Causeway: The new parking fees at Fort De Soto Park and Howard Park Beach & Causeway had been submitted as revenue ideas through citizen and employee suggestions for the last several years. These two parks had over 4.4 million visitors last year. Charging parking fees brought these two parks in-line with the County's other beach access parks and preserved maintenance standards throughout the parks system while also enhancing visitor services at Fort De Soto and Fred Howard Parks. The new parking fee is consistent with the results of the statistically valid Citizens' Preference Survey performed last year, which showed that two-

thirds of total respondents were in support of a parking fee at Fort De Soto Park. The new parking fees were enacted in early January 2012. Through mid-June, total revenues were $975K, including $144K in annual parking passes, which is consistent with forecasted annual gross revenues of $2.2 million.

- Fees Analysis for Building, Development, and Review Services (BDRS): The FY2012 Budget Message indicated one of the Better Way revenue ideas was to review BDRS fees to ensure that they represent an optimal level of cost recovery. The BDRS Cost Recovery Study prepared by KPMG, October 14, 2011, stated that the County fully recovers operating costs for Building Services and collects 41 cents on the dollar for DRS (see footnote below). This compares to peer averages of $0.86 for Building and $0.16 for DRS. Peer agencies included in the study were Seminole and Brevard Counties, and Clearwater, Largo, Orlando, Pinellas Park and St. Petersburg. The study further states that there are opportunities to drive further efficiencies for Building Services and DRS, including new fees, fee adjustments, recovery of "in-kind" and inter-departmental fees, and other suggestions not related to fees.
  For FY2013, BDRS proposed changes to its fee structure to realign current fees to the cost of providing services and to adjust current fees. BDRS broke out specific inspections or review types from currently collected fees for a better correlation between fees and costs. This results in a permit/service fee decrease. Development Review Division proposed a major restructuring of its Habitat Management fees to simplify the current fee structure. In addition, several new fees have been introduced and are expected to increase revenues by $49,890. Of that increase, $45,000 is derived by requiring contractors to update their information in Permit Plus biennially and charging a $15 fee.
  BDRS will be working on a plan in the coming year to further increase DRS cost recovery.
  NOTE: These are "normalized" rates that have been adjusted to be comparable with the other organizations surveyed in the study. The actual recovery rate was 99 cents on the dollar for Building Services and 30 cents on the dollar for DRS.

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

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 FY2013 budget as expenditures will be covered by fee revenue.

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 FY2013, the taxable value of the district decreased by 1.0% resulting in a $1K reduction in ad valorem revenue. The FSCSD will continue to support necessary ongoing operational requirements totaling $170K by drawing down reserves ($48K) 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.

At the Board budget information session on May 24, the FSCSD requested a millage increase to support future funding of planned capital improvements. The Board provided direction to maintain the current millage rate and requested that the FSCSD deliver a multi-year capital improvement plan to justify the requested increase as part of their FY2014 budget submission.

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 FY2013, the taxable value of the district decreased by 1.8% resulting in a $60K decrease in ad valorem revenue. The Health Department plans to adjust its State budget to accommodate the reduction in County funding.

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 met the budget request target provided.

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 met the budget request target.

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 met the budget request target.

The **Palm Harbor Recreation and Library District** is a special taxing district within unincorporated Pinellas County. This special taxing district, formed by the residents of Palm Harbor, was established for the purpose of providing recreation facilities and library facilities and services to the residents of Palm Harbor. The activities of this district are supported by ad valorem taxes and subject to a 0.5 mill cap. In FY2013, the taxable value of the district decreased by 2.6% resulting in a $36K decrease in ad valorem revenue.

The Proposed Budget includes a millage rate increase to the full 0.5 mill (from current rate of 0.4378) for the district based upon the request from the Palm Harbor Community Services Agency and Board direction at the May 8 budget information session. The additional revenue will be used to mitigate additional service reductions in FY2013 and to partially restore services reduced over the last several years. The increased millage for FY2013 would generate an additional $189K in ad valorem revenues.

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 3.6% in the collections of FY2013 MSTU ad valorem revenues. While this would result in decreased revenue support for East Lake Community Library, the Board approved a request last year from the Palm Harbor Community Services Agency to provide additional funding of $50,000 a year in FY2012 and FY2013 to adequately meet the East Lake Community Library's operating budget and to fully participate with the Pinellas Public Library Cooperative. As a result, the Proposed Budget reflects a total appropriation of $243K in FY2013. This matches the FY2012 funding. Going forward, the funding for the East Lake Community Library will be addressed as part of the Pinellas Public Library Cooperative interlocal agreement currently being negotiated.

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 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 FY2013, the taxable value for the PPC millage decreased by 1.8% resulting in a $12K decrease in ad valorem revenue. The PPC continues to draw down reserves to fund ongoing operations and is anticipated to have $120K at the end of FY2013. This is the fourth year of the multi-year plan for drawing down PPC reserves approved during the FY2010 budget process. The budget for the PPC is summarized in Exhibit G of the Budget Message.

The **Pinellas Public Library Cooperative (PPLC)** serves eligible residents of Pinellas County and its member public libraries. The Cooperative serves these groups through the management of county, state, and federal funds for library development and by 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 FY2013, the taxable value for the PPC millage decreased by 3.6% resulting in a $169K decrease in ad valorem revenue. Due to this reduction in revenue, the PPLC has reduced its budget for funding available to membership libraries and increased fees associated with services.

At the Board budget information session on May 24, the PPLC requested a millage increase to mitigate additional support reductions in FY2013 and to partially restore support and service reductions over the last several years. The Board provided direction to maintain the current millage rate, in part due to the ongoing negotiations on the Cooperative's funding agreement with partner municipalities.

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 met the budget request target that was applied to its enterprise-wide services. The agency presented several new funding requests on behalf of its customers and those are detailed in the "Additional Funding Requests" section of this budget message.

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. The Clerk met the budget request target. A new funding request for $149K detailed in the "Additional Funding Requests" section of this budget message was also presented.

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 Property Appraiser met the budget request target for the portion of the budget that is funded by the General Fund.

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 agency 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 met the budget request target.
The Sheriff has appropriated $1.6M of the agency's funding to operate Pinellas Safe Harbor, a jail diversion program located on 49th Street in the former Pinellas County Jail Annex II. This location was re-configured in 2010 to serve as a 400-bed shelter for homeless persons who

otherwise would be involved in the criminal justice system. At a housing cost of approximately $13 per day per person, Pinellas Safe Harbor is a cost-effective alternative to the more than $106 per day per person cost for incarceration in the Pinellas County jail. The Sheriff's office estimates savings exceeding $2.9M in FY2013. The Sheriff continues to seek funding support from municipalities and the private sector.

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 met the budget request target.

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 Tax Collector met the budget request target for the portion of the budget that is funded by the General Fund.

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. The Judiciary's budget submission met the budget request target.

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 Public Defender met the budget request target.

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. The State Attorney met the budget request target.

Additional Funding Requests

While departments and agencies were provided budget targets to maintain consistency with the Forecast and facilitate the presentation of a balanced budget, several requests have been presented for additional funding. These requests are detailed in the "Additional Funding Requests" section of the Budget Message to provide the Board with decision points.

Future Fiscal Issues

The County employs a multi-year strategy to align the Board's strategic direction with available resources. This multi-year approach is dependent upon the 10-year forecast. In building the forecast, several factors have been identified as potential risks that may yield future fiscal issues to the Board's strategic direction. These threats are discussed in the "General Fund Review" section of the Budget Message.

MEDICAID

The *Medicaid* portion of the FY2013 Budget Message provides background and impacts associated with Medicaid costs. The options for addressing the unanticipated increase in Medicaid costs are discussed in the "General Fund Alternatives" section of this Budget Message.

Background

Medicaid is a health program for certain people and families with low incomes and resources. It is a means-tested program jointly funded by the state and federal governments, and is administered by the states. In Florida, Medicaid is administered by the Agency for Health Care Administration (AHCA). A portion of Florida's share of Medicaid costs is covered by the counties. Counties are responsible only for services provided to residents of that particular county. A county's share of cost is currently limited to a portion of inpatient hospital costs and nursing home costs. Inpatient hospital costs are defined in terms of days and nursing home payments are defined in terms of months. A county's responsibility for inpatient hospital days is 35% of the cost paid by the State starting with day 11 and ending with day 45. Inpatient hospital costs are further defined in terms of rate as individual hospitals have different per diem rates which are set by AHCA and adjusted annually. A county's responsibility for nursing home rates is currently capped at $55 per month per person. Counties are billed on a monthly basis.

In 2008, the AHCA launched a new computer system which caused a significant increase in the number of billing errors in the state's data. Since 2008, we have experienced billing errors such as incorrect address information, duplicative charges, and incorrect rates which lead to a number of denied bills, later explained in the retrospective section. Errors in the system include:

- Any individual for whom an address was unknown automatically got billed to Alachua County because they are the first county when sorting alphabetically;
- Counties are charged based on residency, yet counties were only able to view a mailing address rather than a living address in the system;
- Counties are unable to view addresses and address history in the Florida system, meaning there is no way for a county to verify an address, forcing them to use outside resources to verify addresses;
- The Florida system does not recognize that a zip code may cover more than one county;
- Counties continue to receive duplicate bills that are sent due to hospital rate adjustments. While AHCA contends many of these are simply adjusted and not duplicate, none of the backup materials are available for counties to view and verify.

In 2009, 45% of the invoices received by Pinellas County were erroneous. In both 2010 and 2011, just over 20% were erroneous (percentages reflect erroneous claims in dollars). These billing errors resulted in a "backlog" of denied payments, and therefore a deficit which inspired legislative action and intervention.

MEDICAID

Medicaid Legislation of 2012

During the 2012 Legislative Session, House Bill 5301, sponsored by Representative Matt Hudson (R) of Naples, passed out of the Legislature despite the advocacy efforts of the Board of County Commissioners, legislative coordination team, and Health & Human Services Department. The law requires counties to pay bills dating from 2001 through March 2012, which the State says are still owed, and to pay up-front for future bills. The law permits the State to deduct funds for current invoices directly from counties' revenue sharing half-cent sales tax before the County has a chance to audit the invoice. The law also shifts the burden of proof of residency to the County from the State. The bill was signed into law by Governor Rick Scott on March 29, 2012. There are three major aspects to Medicaid billing in the new law: retrospective, prospective, and proof of residency.

Retrospective (November 2001 through March 31, 2012)

The retrospective aspect of the billing changes relates to invoices that were previously denied payment by counties for various reasons. Many of the denied payments were a result of AHCA's erroneous billing system, as explained above. This backlog is to be reviewed by the State and the portion of the backlog that is considered payable by counties will be deducted from the counties' state revenue sharing over five years beginning with FY13. Counties have the option of paying 85% of whatever the backlog figure is determined to be or 100% of the amount and reserve the right to challenge the amount with the Department of Administrative Hearings (DOAH). The county is then responsible for the amount determined by DOAH which could be more or less than the original 85% option given by the AHCA.

Prospective

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Original	$13.0M	$13.9M	$14.9M	$16.0M	$17.2M	$18.5M	$19.9M	$21.4M	$23.0M	$24.7M
Revised	$25.2M	$24.4M	$25.1M	$25.9M	$26.9M	$22.6M	$23.6M	$24.7M	$25.9M	$27.1M
Difference	**($12.2M)**	**($10.5M)**	**($10.2M)**	**($9.9M)**	**($9.7M)**	**($4.1M)**	**($3.7M)**	**($3.3M)**	**($2.9M)**	**($2.4M)**

The prospective aspect of the billing changes relates to the monthly invoices starting with April 2012. The State will deduct the invoice amount from county revenue sharing and then allow counties to contest any portion of the invoice considered by a county to be billed in error after the fact. If the state agrees with a county, the contested portion will be allowed as a credit against a future invoice.

Proof of Residency

The law shifts the burden of proof of residency from the State to the counties, requiring a county to demonstrate that a claimant is not a county resident in order to dispute an amount on a bill. This is a virtually impossible standard to achieve as it requires proving a negative. Further, the reduced time-frame required by the new law is inadequate to conduct a thorough review of the claims to determine residency. Verifying residency will require the implementation of a rigorous auditing process if a county intends to be reimbursed for such payments.

Financial Impact on Pinellas County

As shown in the chart below, the County was already responsible for escalating Medicaid costs ranging from $13.0M in FY2013 to $24.7M in FY2022. At this time, an additional cost totaling

$68.9 million over the ten-year forecast period is projected as a result of the new legislation. The backlog of outstanding billings is front-loaded in the first five years (FY2013-17) with this period reflecting the greatest adverse impact on the Forecast. An impact of $12.2 million and $10.5 million is expected in FY2013 and FY2014, respectively. It is important to note, that in addition to the impact on future budgets, there is also a negative $4.8 million impact to the current FY2012 budget because deductions from the Half Cent Sales Tax revenue will begin as of May, 2012.

Note that the numbers used in this analysis assume that Pinellas County will petition the State for a review of the charges. If the County does not exercise this option, the State will reduce the backlog amount to 85% of the total backlog amount. This would result in the Medicaid impact over the forecast period to be $4.2 million less than shown above.

The additional burden of $22.7 million over the next two fiscal years is substantial. It seriously disrupts the budget and cannot be absorbed without draconian service level reductions, increased revenues, or both. The scale of the unfunded mandate obliterates the budget strategy to use funds accumulated in the Service Level Stabilization Account to cover gaps in the forecast in FY2013 and FY2014. The strategy was to cover these gaps until a projected recovery in FY15. The additional Medicaid billing virtually wipes out all of the $28.6 million set aside in the account.

Lawsuit & AHCA Hearings

Currently 54 counties, including Pinellas, have joined with the Florida Association of Counties to file a legal challenge to the constitutionality of HB 5301. However, the timing and outcome of litigation is uncertain. The challenges to the new Medicaid law are:

- The law will improperly reduce the percentage of state tax shared with the counties;
- The law is an illegal, unfunded mandate;
- Recovery of funds allegedly due the state is time barred as it is beyond the statute of limitations which requires challenges by allegedly injured parties to be made with four (4) years of the injury.

Although the new law sets forth many guidelines, rules are established to work out the detail and intricacies of the new law. The new law explicitly states the AHCA is to consult the Department of Revenue and Florida Association of Counties to develop a process for refund requests. Accordingly, AHCA held a rule-making workshop in Tallahassee on June 1, 2012. The purpose of the workshop was to hear public comment from counties regarding definition of county residency and Medicaid county billing. Four representatives from AHCA, including Karen Zeiler, Chief of Staff, and Tonya Kidd, Deputy Secretary, were present as well as representatives from the Department of Children and Families and the Department of Revenue. Eleven counties gave public testimony: Alachua, Brevard, Broward, Hillsborough, Manatee, Orange, Pinellas, Sarasota, St. Johns, St. Lucie, and Wakulla. After the counties gave testimony, AHCA adjourned the workshop without asking questions or engaging in a conversation with stakeholders. There is expected to be one more workshop before the rules are adopted in August 2012.

Where Does That Leave Us?

The Board must consider strategic options to address this unfunded mandate from the State. None of the choices are optimal as service levels and budgets across General Fund departments have been slashed about 35% since 2007, limiting options for further reductions. Four options were presented for consideration at the Board's meeting on May 8: revenue option; an expenditure option; an alternative expenditure option; and a legislative intervention option. An analysis of each option is presented in the "General Fund Alternatives" section of this Budget Message.

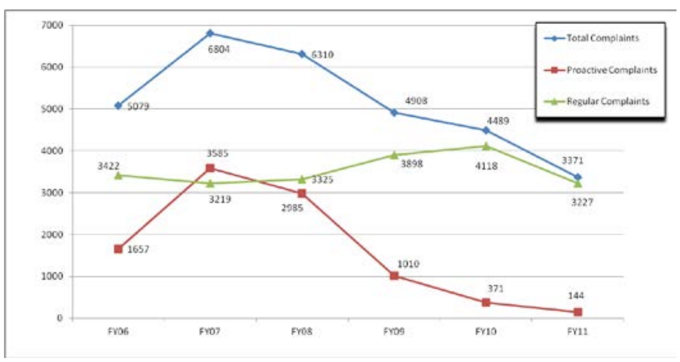
ADDITIONAL FUNDING REQUESTS

The *Additional Funding Requests* portion of the FY2013 Budget Message provides an overview of potential expenditure options which have been presented to the Board but are not included in the Proposed Budget. Some of these issues are one-time expenditures; others involve recurring expenses. This section discusses the options grouped by Fund.

Requests Impacting the General Fund

Building & Development Review Services

- Code Enforcement ($555K recurring; $100K one-time): Based on Board direction resulting from workshops in January and February, this request augments code enforcement staff by seven positions (five officers; two support). Since FY2007, code enforcement staff has been reduced from 33 to 14 positions, resulting in a backlog of violations, impaired response time for complaints, and inability to proactively investigate foreclosures and distressed properties. See below chart for the complaint trends from FY2006-11. The impact forecast by the division is reducing response time from 7 days to 1.5 days, clearing the backlog of violations, and performing proactive enforcement activities. An estimated 85% of officer costs may be offset by fee collections. Recurring costs of $555K fund the positions and associated operating expenses. One-time costs of $100K fund the initial outlay for equipment to support the positions. Recurring funding equates to an increase in MSTU millage of 0.0420.



Department of Environment & Infrastructure

- Watershed Management ($153K recurring): Augment staff by two positions to establish a freshwater biological monitoring program to comply with new standards adopted by the Florida Legislature in 2012. Funding equates to an increase in General Fund county-wide millage of 0.0030.

Health & Human Services

- Homeless Initiatives ($840K recurring): Continuation of support for homeless initiatives. This request has been presented in each of the past three years and supported on a one-time basis. The appropriation totaled $1.0M in FY2010 and FY2011 and was reduced to $840K in FY2012. The funding supports Pinellas Hope ($500K), homeless street outreach activities ($300K) in the south, mid, and north regions of the County, and Turning Point ($40K). Funding equates to an increase in General Fund county-wide millage of 0.0162.

ADDITIONAL FUNDING REQUESTS

Clerk of the Circuit Court

- Finance Division ($149K recurring): Augment staff by three positions due to centralization of business processes from individual departments to Finance as part of Oracle Project Unified Solution (OPUS) project implementation. Positions support such core functions as processing vendor payments in accordance with statutory timelines within the Clerk's Accounts Payable system. Funding equates to an increase in General Fund county-wide millage of 0.0029.

Business Technology Services

- WiFi Connectivity Project ($360K one-time; $110K recurring increase starting in FY14): Per customer requests to meet demand related to increasing wireless connectivity capacity, proposed funding will replace and expand the wi-fi infrastructure to provide wireless capacity in County offices. Current infrastructure has reached capacity and requests for increases are being held. Recurring maintenance of $140K would commence in FY14, representing a net increase of $110K versus current recurring maintenance. Initial request of $750K reduced by re-prioritizing BTS capital improvement plan, refining estimated vendor costs, and deducting annual maintenance related to current infrastructure.
- Oracle Project Unified Solution (OPUS) Support ($250K recurring): Augment staff by two positions to support Hyperion and Business Intelligence applications. The proposed addition of these positions is consistent with the business case presented to Board to support approval of the project. Hyperion applications are utilized for production of the annual budget and performance measurement. Business Intelligence applications are used for reporting and analysis from Oracle, Hyperion, and other applications. Funding equates to an increase in General Fund county-wide millage of 0.0048.
- Wide Area Network Redundancy ($78K recurring): Establish redundancy for enterprise network connections between sites that are not part of the County's internal fiber network. By introducing redundancy, if the carrier providing network connectivity experiences an outage, a backup carrier will prevent impact to County operations. Redundancy costs are estimated at $6K for each site. Proposed sites include such 24/7 operations as Emergency Medical Services and DEI-Utilities operations. Additional sites include constitutional officer locations in north and south County. Funding equates to an increase in General Fund county-wide millage of 0.0015.

Funding Options

Options for funding one or more of these requests include:

1. For recurring requests, increase millage commensurate with increased appropriation requested.
2. For non-recurring requests, identify and allocate non-recurring funds to support the request. Revenues exceeding forecast and/or expenditures falling below forecast would yield unanticipated fund balance. In past years, these one-time increases in fund balance have been allocated to non-recurring requests such as the OPUS project and increasing reserves including the Service Level Stabilization Account (SLSA).
3. Identify reductions in other services.

ADDITIONAL FUNDING REQUESTS

Impact of Potential General Fund Issues

The total cost of approving the recurring issues would be $1,470,390 for countywide services. As these are recurring costs, the increased revenue required to support all of the issues would equate to a 0.0284 mill increase in the General Fund county-wide millage rate. For the MSTU, the one issue totals $555,120 in recurring costs, equating to a 0.0420 mill increase. This issue also includes $100,000 in non-recurring costs. Another alternative would be to require an equivalent reduction in other General Fund department or agency budgets.

Requests Not Impacting the General Fund

Department of Environment & Infrastructure

- Environmental Support Services ($85K recurring): Re-establish one position to act as project manager to oversee County environmental service consultant contracts. In 2010, the Environmental Support Services program was eliminated along with three positions and produced $313K in recurring annual savings. Services are now provided via consultant contracts, but the program requires a dedicated project manager to oversee and manage the contracts and facilitate interactions with departments. The position may be capitalized such that costs are charged to the Capital Improvement Program.
- Advanced Traffic Management System/Intelligent Transportation System (ATMS/ITS) ($40K recurring savings): Augment staff by four positions to operate and maintain ATMS/ITS. Due to the planned expansion of the system throughout the implementation phase that will continue through 2020, additional positions are necessary to operate and maintain the system at the level of service intended. This is consistent with the multi-year implementation plan. One additional position to perform construction activities, previously planned to be contracted, will supplement existing and above-requested staffing and will yield recurring savings. The total cost of the five requested positions is $302K and savings are estimated at $342K based on the findings from a consultant study. This yields net recurring savings of $40K. Funding source is the ITS program dedicated Ninth Cent Gas Tax in the Transportation Trust Fund.

Business Technology Services

- Computer Aided Drafting & Design (CADD) Support ($160K recurring): Augment staff by two positions to support CADD software and technical support. Two temporary contract positions were approved by BCC Technology Steering Committee and are being funded in FY12 from BCC Strategic Project Funds (non-recurring funding). CADD software is a tool utilized by County engineering staff in the Department of Environment & Infrastructure and Real Estate Management. The positions may be capitalized such that costs are charged to the Capital Improvement Program.

Pinellas County

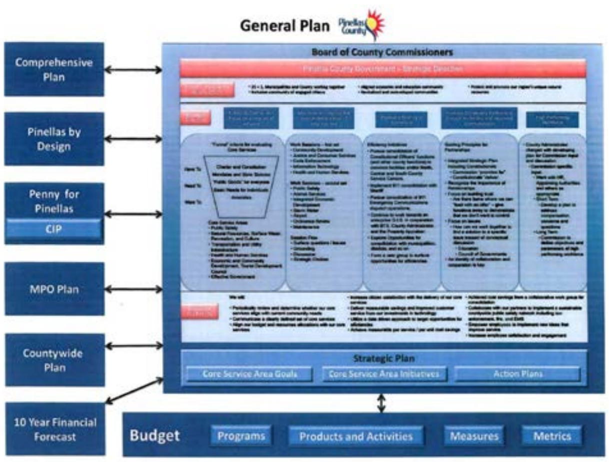
MANAGEMENT INITIATIVES

The *Management Initiatives* portion of the FY2013 Budget Message provides an overview of various management initiatives that the County has implemented over the last several years. These initiatives are intended to facilitate efficiency, effectiveness, stability and reliability in the provision of services while Pinellas County continues to adapt to a new normal in terms of revenues to support services. This section discusses the following initiatives:

- Strategic Planning
- Multi-Year Forecasting
- Program-Based Budgeting
- High Performing Workforce
- Volunteerism

Strategic Planning

To help chart the organization's course into FY2013 and beyond in this state of new fiscal reality—otherwise known as the "new normal"—the Pinellas County Board of County Commissioners is engaged with County Administration and its staff in a process to produce on-going policy and strategic direction in a visionary and innovative manner. The BCC envisions a General Plan that integrates the County's major planning and policy-making efforts, as depicted in the chart below.



Work on the General Plan began in 2011. The BCC established concepts for an over-arching vision of Pinellas County, set strategic direction, and outlined desired outcomes and results. The BCC also decided to pursue during early 2012 a series of "deep dives" into several areas of strategic interest in preparation for budget decision-making later in the year. The following functions involving one of the BCC's Core Service Areas (CSA) are the subject of these deep dives:

- Health and Human Services
- Community Development
- Justice and Consumer Services
- Code Enforcement

Separate presentation workshops centered on these functions were conducted during January and February. An additional "deep dive workshop" took place in May for the purpose of considering, in an integrated manner, the goals and strategies encompassing policies, programs, and projects (strategic initiatives) within the CSA. In order for the county to see a reduction in service costs associated with at-risk communities, departments must re-align their core services and work collectively rather than

independently. This holistic approach is taken because the combined initiatives are designed to serve a similar overall visionary purpose: to help foster Healthy Communities.

Healthy Communities
To keep its competitive edge, Pinellas County must simultaneously address three aspects of urban regeneration and redevelopment:

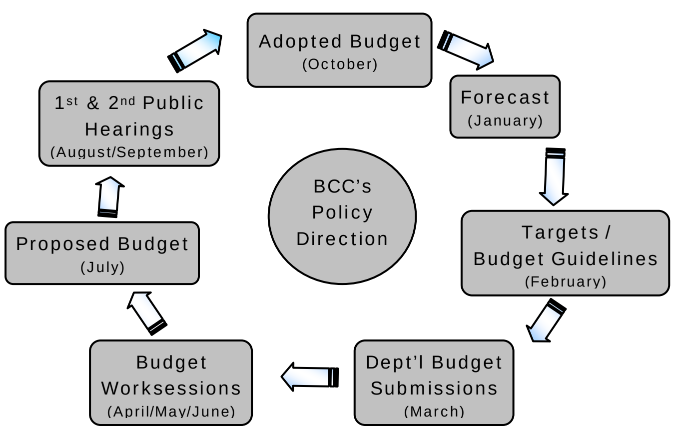
1. Economic development and opportunity;
2. Social cohesion and stability; and
3. Condition of the natural and built environment.

If the components are understood holistically and are in reasonable harmony, communities and the individuals that inhabit them are able to stay healthy and self-sufficient; and are empowered to meet the needs of the present without compromising the future.

There is no single cause and no simple solution to the challenges facing distressed communities and individuals. Furthermore, disadvantaged citizens are mired in vicious feedback loops that drive them into a quality of life below the standards of healthy vitality necessary to be productive and self-sufficient. Healthy Communities is embodied in the Board's vision and values, its strategic direction, and its leadership philosophy. Healthy Communities is the first initiative toward a transformation from a government-centric to a community-centric model recognizing that while county government has an important role to play; it must play it within the context of a broader network of collaborative partners.

Multi-Year Forecasting

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 upcoming 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.

Developing the Forecast
The Forecast is developed by the Office of Management & Budget (OMB) during November and December for presentation to the Board in January. 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, Capital Projects Fund, Emergency Medical Services Fund, Fire Districts Fund, Airport Fund, and Utilities Water, Sewer, and Solid Waste Funds.

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 or enhancing an existing program, 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.

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. 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. A revised Forecast is included in the County Administrator's Budget Message in both the Proposed and Adopted Budget documents.

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 five years, each department has stratified its budget by program.

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.

Transition

For the first time, the FY2013 Proposed Budget is presented from a programmatic perspective within each department. This differs from the prior presentation that was based on line-item detail within each department's functional units.

The Proposed Budget also represents a transition as departments and agencies under the Board will be amending their programs with a renewed focus on presenting programs that are aligned with strategic priorities and services that are understood by citizens. As a result, while the FY2013 Adopted Budget will represent the same total budget within each fund and department, the programs defined for each may be significantly different. The program-based budgets within each department will also be enhanced for the Adopted Budget by including performance measures. This addition will provide additional context to each program's budget by linking resources and service levels. One of the impacts will be that year-to-year comparisons at a program level may not yield valuable information.

This transition is a result of the Oracle Project Unified Solution (OPUS) project, 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). The project replaced legacy software and integrated the County's financial, purchasing, human resources, and budget systems, thereby facilitating program and performance-based budgeting.

High Performing Workforce

The County is working toward creating a culture of high performance within our workforce. A High Performance Organization constantly assesses challenges and problems; designs and implements responses; monitors, measures, and evaluates performance; and makes adjustments as more is learned. A High Performance Organization will contribute optimally to Healthy Communities, advance the Board's broad vision, serve its strategic direction, and successfully deploy strategic initiates though time. The two main training initiatives are: High-Performance Organization (HPO) and Achieve Global.

High Performance Organization

The purpose of HPO training is to understand and begin to implement six change levers: leadership, vision, values, strategy, structure, and systems and processes within the organization. We are in the process of answering the following high level questions:

1. What is high performance for us?
2. How would we know if we were high performing?
3. According to whom are we high performing?
4. Why do we need to be high performing?
5. Are we doing the "right" what?
6. How good are we at it?
7. How are we going to treat each other, our partners, our customers, and our other stakeholders?

As of May 2012, 176 employees have participated in HPO training.

Achieve Global

Whereas HPO is conceptual, Achieve Global deals with the day-to-day aspects of working with others and both tools are complementary. Achieve Global is organized into four competency topics:

- Problem-Solving Results: Solutions, Improvements, and Innovations;
- Coaching Others for Top Performance;
- Reaching for Stellar Service; and
- Accelerating Team Productivity.

As of May 2012, 239 employees have participated in Achieve Global training.

Volunteerism

Since FY2007, fiscal challenges have resulted in the elimination of many full-time positions for the BCC departments; we are currently at 1984 staffing levels. To help offset a portion of this impact to levels of service experienced by the public, the County continues an initiative to better leverage volunteers. This initiative is underway and significant progress has taken place. Approximately 4,000 volunteers are currently contributing and over 100 new volunteers are added each month. Additionally, volunteer hours worked increased by 76% and 34% over the first and second quarters of the calendar year, respectively. The value of volunteer hours worked in the second quarter is $1.09 million (based on $21.36 an hour as determined by Independent Sector), reflecting an increase of $278K over the first quarter. As our volunteer initiative continues to progress, we expect the community to see even more value added.

ECONOMIC OVERVIEW & BUDGET BACKGROUND

The *Economic Overview & Budget Background* portion of the FY2013 Budget Message provides important context for the FY2013 Budget and includes the following sections:

- The National Economy
    - Background
    - National Outlook
- The State Economy
    - Background
    - Florida Outlook
- The Local Economy
    - Background
    - Local Outlook

The National Economy

BACKGROUND

Avoiding a Double-Dip Recession

Since the end of the recession in June 2009, there have been fears that the fragile economic recovery was in danger of falling back into a recession. A double-dip recession is defined as a period during which a recovery is interrupted by economic contraction, usually in the form of negative GDP growth. There has only been one double-dip recession in the post-World War II era, the recession of 1980-1982. Some of the issues driving the fears of a double-dip recession revolve around: high unemployment; low consumer spending; impacts from the European debt crisis; and the looming threat of 'Taxmageddon' on December 31, 2012, when several tax cuts are scheduled to expire, including the George W. Bush-era income tax cuts and the two-percentage point reduction in the Social Security payroll tax.

Debt Ceiling Crisis

Under the United States Constitution, Congress has the authority to appropriate funds for numerous activities, including national defense, education and payment of the nation's debt obligations. When annual revenues fall short of the level required to pay for these activities, the Government must then borrow money through the issuance of debt instruments, such as short-term bills and notes and long-term bonds. In an effort to provide flexibility while still maintaining some control, Congress imposed the first debt ceiling in 1917, limiting the amount of debt the federal government can legally borrow to $11.5 billion. Previously, Congress had to sign off each time the Department of the Treasury issued debt. To meet the growing obligations of the federal government, Congress must approve a new debt ceiling level before the accrued debt meets the imposed cap. This has been done more than 70 times since 1962, with the current debt limit exceeding $14 trillion. Increasing the debt ceiling does not authorize new spending, but allows the government to raise the necessary funds to pay for previously incurred obligations.

During the Spring and Summer of 2011, President Obama and leaders of both the House and Senate faced the need for another increase in the debt ceiling. What is usually a routine vote

turned into a policy showdown between congressional Republicans and Democrats over how to reduce federal spending and long-term debt. After several months of negotiations, the House and Senate passed the Budget Control Act of 2011, which was signed into law by President Obama on August 2, 2011, the day the Treasury Department said the United States would begin to default on their obligations without further action.

Budget Control Act of 2011

The Act established a procedure for increasing the debt limit by $400 billion initially and an additional $500 billion after September 2011. The Act also mandated at least $2.1 trillion in spending cuts, with immediate caps on domestic and defense spending resulting in over $900 billion deficit reduction over ten years. To determine the remaining $1.2 trillion in cuts, the Congressional Joint Select Committee on Deficit Reduction (the "Super Committee") was established. The Super Committee consisted of 12 members of Congress, with six coming from the House and six from the Senate, split evenly between Democrats and Republicans. The committee was charged with issuing recommendations by November 23, 2011 for at least $1.5 trillion in deficit reductions over ten years, which could include both revenue increases and spending cuts.

Downgrade of Federal Government Credit Rating

Despite averting default, Standard & Poor's (S&P) downgraded the government's credit rating one notch from AAA (highest) to AA+. Citing "political brinksmanship", S&P determined the U.S. government's ability to manage its financial house is "less stable, less effective, and less predictable", and the *Budget Control Act of 2011* "fell short" of what was needed to bring the nation's debt under control over time. S&P also did not feel the political leaders would be able to achieve the mandated savings in the future.

Failure of the Super Committee

After several months of hard work and intense deliberations, the Super Committee was unable to reach agreement. The failure of the Super Committee to forge a deficit reduction deal triggers $1.2 trillion in automatic across-the-board spending cuts starting in 2013, evenly divided between military and non-military spending. While most government programs are subject to the automatic cuts, programs that assist low-income Americans will be exempt, including Social Security, Medicaid, veterans' benefits and food stamps.

European Sovereign Debt Crisis

Since late 2009, fear of a European sovereign debt crisis has continued to rattle investors around the world. In 2009, the newly-elected government of Greece revealed that the previous government had hidden an enormous amount of debt, immediately calling into question the County's ability to repay their outstanding debt and their credit-worthiness. Concerns intensified in early 2010 and Greece was unable to borrow on the open market at an affordable rate, pushing the county to the brink of default. To try to prevent this from happening, and the possibility of the crisis spreading throughout rest of Europe and around the world, the European Union, International Monetary Fund and the European Central Bank, known as the troika, provided Greece with a bailout package worth €110 billion. As a condition of the bailout, Greece was required to dramatically slash public spending and raise taxes to gain control of their deficits.

In May of 2010, European leaders approved a contingency fund of €500 billion for the union as a whole.

In November 2010, Ireland, still suffering from the collapse of the housing bubble, received a €67 billion bailout, while Portugal received their own bailout of €78 billion in May 2011. The bailouts were politically unpopular and the governments of both countries were soon replaced.

By the end of summer 2011, both Italy and Spain were on the brink of needing bailouts or risking default. Italy was dealing with debt incurred prior to its joining the euro and Spain's unemployment rate had jumped to over 20% with the collapse of their housing market. European leaders struggled to increase the size of the available bailout fund, with German Chancellor Angela Merkel pushing for more austerity in exchange for access to the bailout funds. However, before the crisis hit the tipping-point, the European Central Bank flooded the market with cheap loans than many countries used to prop up their governments.

As the economic recovery stalls in Europe, the continent is approaching a second recession, with countries like Greece and Spain still experiencing soaring unemployment and large budget deficits. In March 2012, Greece received a second bailout package of €130 billion, and the troika managed an orderly default on most of Greece's private debt in exchange for more cost-cutting and privatization of public assets. By June 2012, Spain became the fourth country in Europe to receive assistance from the bailout fund. European finance leaders provided an aid package of €125 billion to help bailout the cash-starved Spanish banks.

As of this writing, the situation in Europe is far from resolved. The biggest fear in Europe is the financial panic spreading far beyond Greece. On June 17, 2012, voters in Greece narrowly elected the conservative party which supported the bailout packages and the drastic cuts needed to fulfill the obligations of those packages. Should Greece's economy continue to decline, they may be forced to leave euro, threatening the structural integrity of the common-currency zone and the strength of the worldwide recovery.

'Taxmageddon' and Mandatory Spending Cuts

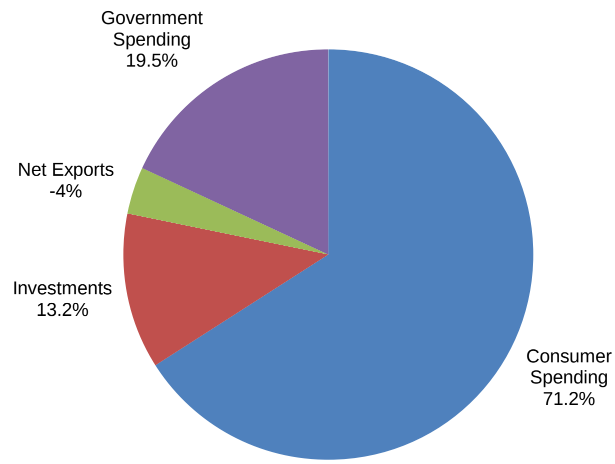
In December 2010, President Obama signed an extension of the Bush-era tax cuts. The legislation extended the current income, dividend, and capital gains tax rates through December 31, 2012. The legislation also included a 13-month extension of unemployment benefits and a decrease in Social Security payroll taxes from 6.2% to 4.2% for 2011, which was later extended through 2012. The bill also provided a two-year patch to the Alternative Minimum Tax and offers extensions of the Child Tax Credit, the Earned Income Tax Credit, the American Opportunity Tax Credit for college tuition, the Research and Experimentation Credit, and a host of other items.

With the scheduled expiration of these tax cuts, and several more, in addition to the new Medicare taxes enacted as part of President Obama's Affordable Care Act, an estimated $500 billion could be taken out of the economy in 2013. Add this to the mandated cuts in defense and non-defense spending by the *Budget Control Act of 2011*, an already fragile U.S. economy may be pushed back into recession. Many economists and political experts expect negotiations to avert this scenario to begin in earnest after the presidential election in November.

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 national GDP (First Quarter 2012) are shown in the pie chart below.

Components of U.S. GDP - 2011

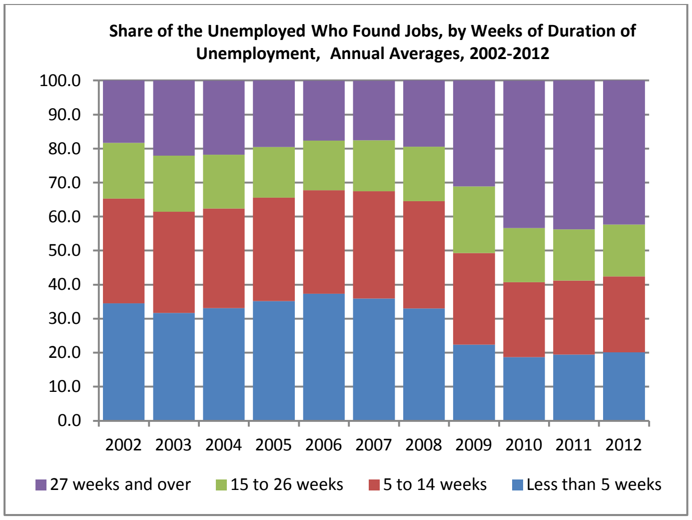


Source: U.S. Bureau of Economic Analysis

Consumer Spending

At 71.2%, consumer spending easily represents the largest portion of GDP. Unfortunately, most economists expect 1% to 2% growth in consumption over the next couple of years. This expectation is based on relatively high levels of unemployment, financial market volatility, government debt ceiling and debt downgrade, an increase in household savings, a restrictive supply of credit, increases in food and energy prices, and potential tax increases.

The recent recession has had a profound effect on the length of unemployment. The chart below shows that prior to the recent recession, more than 35% of the unemployed found work in less than five weeks, with almost 70% finding work in less than 15 weeks. By 2009, it took an unemployed person more than 14 weeks over 50% of the time. Since 2010, 43% of the unemployed took more than 26 weeks to find employment.



Source: US Bureau of Labor Statistics

The May 2012 unemployment rate is currently at 8.2%, up slightly from April 2012, but down from a high last summer of 9.1%. Job growth, which showed signs of strength in the first quarter of 2012, has slowed over the last two months. Through May of this year, the economy has added an average of 165,000 jobs per month.

Seasonally Adjusted Unemployment Rate 2001-2012

Source: U.S. Bureau of Labor Statistics

High unemployment continues to characterize the weakest post-recession job recovery on record. Hindering job growth is a structural challenge in the labor market. There is a disconnect between skills that are in demand and the skills available in the current labor market. The chart below shows that the Congressional Budget Office forecasts that unemployment will remain high until at least 2015. High unemployment will likely continue to restrain consumer spending for the next few years.

Year	Unemployment %
2011	8.9%
2012	8.7% (8.2% YTD)
2013	8.7%
2014	7.9%
2015	6.1%
2016	5.4%
2017-2021	5.2%

Source: Congressional Budget Office, Budget & Economic Outlook
August, 2011

According to the U.S. Department of Commerce, retail sales for 2011 were higher in many key categories over the previous year as shown in the chart below. Although these increases were driven by discounts and promotions, these figures do seem to indicate a positive trend in consumer spending. November/December holiday sales were up 4.1%.

Category	December 2011	December 2010	% Growth
Retail & Food Services	$400.6B	$376.2B	6.5%
Retail	$358.0B	$336.9B	6.3%
Automobiles	$71.9B	$66.0B	8.8%
Gas Stations	$44.8B	$41.1B	8.9%
Clothing	$19.2B	$18.1B	6.0%

Source: U.S. Department of Commerce

Inflation also plays a role impacting the outlook for consumer spending. The Consumer Price Index, the generally accepted measure of overall inflation, has risen 2.7% over the first four months of 2012, lower than the 3.2% rise for all of 2011. In addition, the Federal Reserve has continued to maintain record low levels on short-term interest rates, and are expected to keep them close to zero at least through 2014, which is about a year and a half longer than originally indicated.

The twin effects of the bursting of the housing bubble and the financial crisis resulted in a massive decline in household wealth nationwide, which has been further exacerbated by high unemployment. Since 2007, the average American family's net worth dropped almost 40%, dropping them to 1992 levels. This decline has induced households to reduce their consumption and increase their savings in order to rebuild wealth. Since the end of the recession in 2009, consumer spending growth has been positive, but that growth has been and will likely continue to be gradual. Average annual consumption growth from 2012 through 2015 is anticipated to be just 2.1%. To put this in perspective, the average annual growth in consumption from 2003 to 2007 was 2.9%.

Year	% Change in Consumption Growth
2003	2.8%
2004	3.3%
2005	3.4%
2006	2.9%
2007	2.3%
2008	-0.6%
2009	-1.9%
2010	2.0%
2011	2.2%

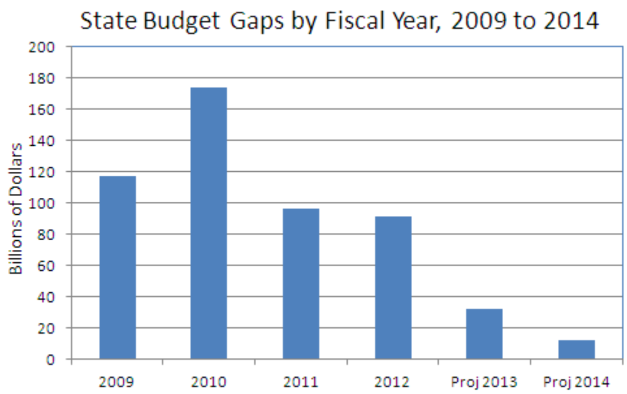
2012 (Est.)	2.0%
2013 (Est.)	2.2%
2014 (Est.)	2.2%
2015 (Est.)	2.2%

Source: UCF Institute for Economic Competitiveness
U.S. Forecast, March, 2012

Government Spending

The second largest component of GDP is Government Spending at 19.5%. The government sector will likely remain a drag on economic growth. The state and local government sector represents approximately 60% of total government spending.

State government budgets have been challenged over the last several years. As shown in the chart below, state budget deficits peaked in FY2010 at $174.1 billion and have decreased since then. Although some states are forecasting budget gaps over the next two years, the number of states and the size of the gaps are projected to decline.



Source: National Conference of State Legislatures, Summer 2011

Local government budgets are heavily dependent on property tax revenues. Residential construction continues to struggle across much of the country due to a glut of excess single-family homes and condominiums. The National Association of Realtors estimates the inventory of existing homes at approximately 2.86 million units and estimates the shadow inventory made up of homes in the foreclosure process at an additional 2.0 million units. Areas where the real estate market is showing improvement includes the Northeast, the Washington D.C. region, Texas, and California. A sustainable recovery will not truly occur until the backlog of distressed properties is cleared. Until real estate markets recover, local government spending will likely lag. Overall, the state and local government sector is anticipated to decrease slightly or be flat over the next few years.

The federal government sector represents 40% of total government spending. Federal spending is anticipated to decrease over the next few years as the stimulus winds down and spending reductions take place from the Budget Control Act passed in 2011. The Act specified automatic procedures for reducing spending by as much as $1.2 trillion if legislation is not approved for reducing spending by that amount. These cuts would be spread out over the ten years and contribute to more restrained federal spending than in years past and detract from economic growth. Federal government spending is anticipated to decrease by 2-3% over the next four years.

Investment

The third largest component of GDP is Investment at 13.2%. This component is made up of Non-Residential Fixed Investment and Residential Fixed Investment.

Non-Residential Fixed Investment is fairly strong as businesses have large amounts of cash and take advantage of low interest rates. In 2010 and 2011, investments increased significantly in Transportation Equipment, Computers & Peripherals, Equipment & Software, and Industrial Equipment. The composition of business fixed investment is expected to shift toward Structures as the commercial real estate market stabilizes.

Residential fixed investment growth has been negative since 2006, but should finally see positive growth beginning in 2012. Housing starts bottomed out in 2009 and are expected to accelerate in the near term.

Net Exports

The definition of net exports is exports minus imports. Current net exports make up -4.0% of GDP. A key factor driving net exports is the value of the dollar. The value of the dollar has gradually weakened and depreciated through much of 2011 due to the Federal Reserve's policy of quantitative easing which helped decrease the dollar exchange rate against other currencies. A depreciated dollar helps increase exports by making the costs of U.S. goods more competitive in the global marketplace and reduces the negative net exports calculation. The weakening of the dollar was interrupted by the European Debt Crisis, but is anticipated to continue for several years.

The pace of export growth is expected to decrease slightly as a result of the anticipated modest recession in Europe. However, exports to emerging markets should continue to help domestic global producers. Import growth will likely be constrained by the slow pace of consumer spending.

Summary of National Outlook

Most economists agree that the national economy hit bottom in 2009 and that we are on track for a sustainable recovery. 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 recovery will be in the 3% range due to lingering high levels of unemployment, the bottoming out of the housing market, the continued decline of commercial real estate market, decreases in both federal and state & local government spending, and uneasiness about Europe.

Gross Domestic Product (GDP)	GDP Growth
2003	2.5%
2004	3.5%
2005	3.1%
2006	2.7%
2007	1.9%
2008	-0.3%
2009	-3.5%
2010	3.0%
2011	1.7%
2012 (Est.)	2.3%

2013 (Est.)	2.7%
2014 (Est.)	3.1%
2015 (Est.)	3.4%

Source: Federal Reserve Bank of Philadelphia
Survey of Professional Forecasters, May 11, 2012

While the national economy appears to have stabilized, the lack of job-growth and continued high unemployment, in addition to the on-going financial crisis across much of Europe, still poses a significant threat to the recovery, both nationally and globally.

The State Economy

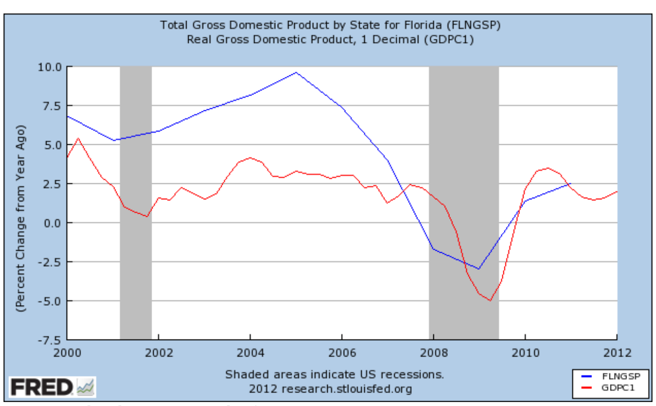
<u>BACKGROUND</u>

The background information below for the State's economy is derived primarily from the Florida Economic Estimating Conference which met in December 2011 and January 2012 to revise the forecast for the State's economy.

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 outperformed the nation as a whole in seven 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), 2008 (3.3% U.S. versus 0.3% FL), and 2009 (-1.3% U.S. versus -1.7% FL). Florida's nominal GDP in 2009 was just over $737 billion.



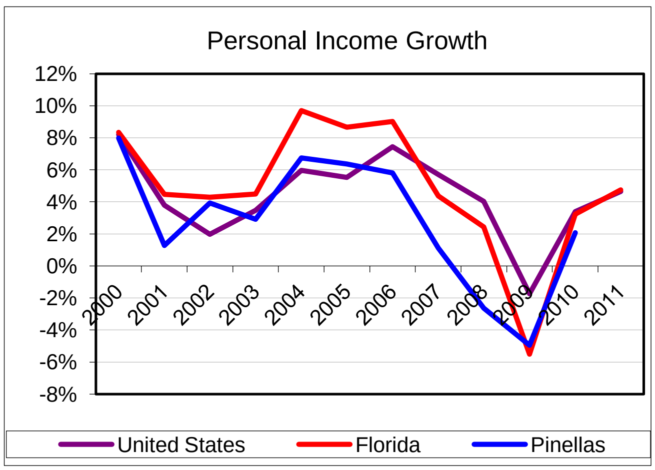
Source: Federal Reserve Bank of St. Louis

After adjusting for inflation, Florida's real growth in GDP ranked it tied for 39th in the nation in 2011 with a gain of 2.5%. By way of comparison, Florida was ranked 50th in 2008 and 4th 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.

According to The Florida Legislature Office of Economic and Demographic Research, Florida's per capita personal income grew 3.5% in 2011 compared to 2010, ranking the state 45th in growth. Nationally, average growth was 4.3%.

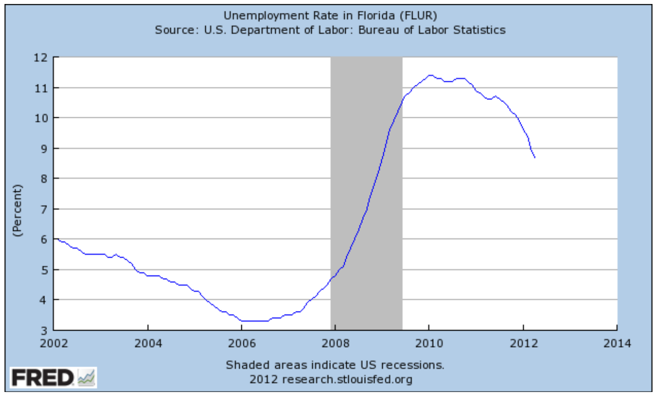


Note: 2011 data not available for Pinellas County
Source: U.S. Bureau of Economic Analysis

Job Growth and Unemployment

In the years leading up to the recent recession, unemployment in Florida started increasing from the very low rates of 3.3% in early 2006 to 4.5% in November 2007. As the economic slow-down turned into a recession in December 2007, Florida's unemployment rate rose from 4.7% in December 2007 to a high of 11.4% in February 2010, eight months after the official end of the recession. Since that time, the rate has fallen to 8.6% in May 2012. This rate places Florida at 41st in the country. At 8.6%, approximately 804,000 residents are unemployed.

Since the State's peak in employment, more than 749,000 jobs have been lost. To recover from this loss, and to accommodate for the additions made to the work force, more than 1,000,000 jobs will need to be created to return Florida to its peak level.



Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis

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.

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 66.3% to a high of over 72%. Essentially, easy, cheap and innovative credit arrangements enabled people to buy homes that previously would have been denied.

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.

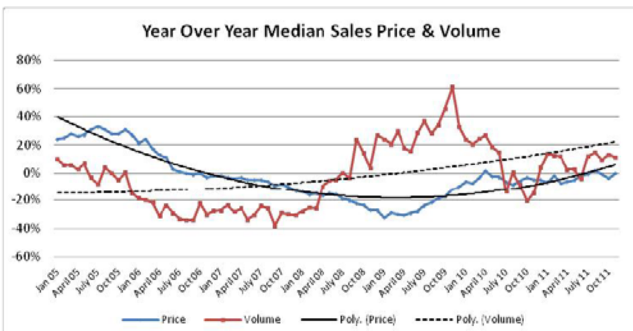
By the summer of 2006, existing home prices began to fall, and owners started to experience negative wealth effects from the deceleration and losses in property value. Mortgage delinquencies and foreclosures became commonplace as property prices further tanked in 2007, and the unemployment rate began to climb as part of a slow slide into a national recession that began 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.

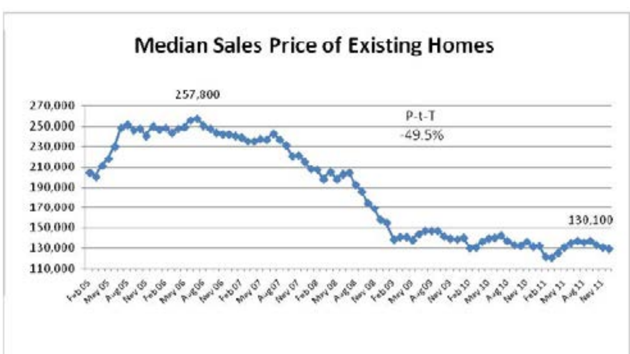
Forecasts were dampened through the end of the fiscal year, and then again as the excess inventory of unsold homes was further swollen by foreclosures and slowing population growth arising from the national economic contraction.

While small improvements were seen in late 2009 and early 2010 on the state and national fronts, they seemed to sputter as the recovery struggled to take hold. Largely, these changes were related to Florida's ongoing housing market woes and the gloomy national and global outlooks that plagued most of the year. The growing inventory of unsold houses coupled with the sluggish credit crisis dampened residential construction activity throughout the entire year. During FY2010, there were 36,000 private housing starts for the year statewide, but this was just 13.3% of the FY2006 level. Single family starts managed to post a positive gain, but multi-family starts worsened the percentage drop they made in FY2009 over FY2008. In yet another manifestation of the significant housing market adjustment still facing Florida, existing single family home sales ended FY2010 nearly 30% below the peak volume of the 2005 banner year.

During 2011, the volume of sales edged up slightly, to a level about 25% lower than the peak volume year.



As of November 2011, median sales prices for existing homes had been essentially flat since January 2009 - 34 months - with a slight downward drift.



This was the situation in the key residential housing sector as calendar year 2012 began.

FLORIDA OUTLOOK

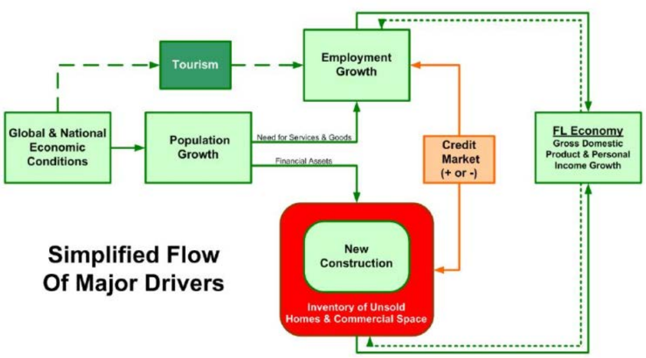
The forecast information below for the State's economy is derived primarily from the Florida Economic Estimating Conference which met in December 2011 and January 2012 to revise the forecast for the State's economy.

The outlook for Florida's economy is for sluggish growth through mid-2012. Absent any U.S. or global economic shocks, economic growth should then moderately increase through mid-2013. Solid growth is expected thereafter.

From Wells Fargo's May 2012 Florida Economic Outlook: Florida's economic recovery gained considerable momentum during 2011, and all indications point to stronger gains this year. Hiring has picked up across the state, in-migration from other states has increased and more businesses are expanding their operations or relocating facilities to the state. Progress is also being made at addressing some of the more pressing challenges ahead for the real estate market. The shadow inventory of homes is gradually being whittled away, and prices for non-distressed properties have firmed up a bit. While Florida will still need a few more years to fully recover all of the jobs lost during the 2007-2009 recession, a change in direction is clearly evident across much of the state. Instead of wondering when and how Florida's economy will recover, the debate is shifting to which areas will lead the state's economic revival and which will lag behind.

Major Economic Drivers

In addition to global and national economic conditions, there are several major drivers that are key to the performance of Florida's economy. Those drivers include population growth, tourism, employment growth, and new construction.



Source: Florida Legislature Office of Economic and Demographic Research

Population Growth

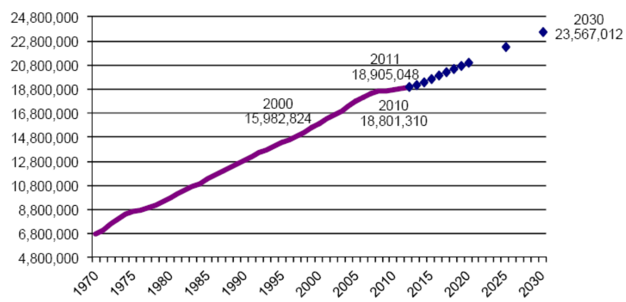
Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth, and impacting the amount of new construction activity. The national economic contraction significantly slowed Florida's population gains, but this was not unexpected. Over 80% of 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 – first, because of the inability to sell their homes, and second, because of the difficulty in finding new jobs. Florida's strong international migration, which had been a bulwark, was also affected by the global economic slowing.

Florida's long-term population growth rate between 1970 and 1995 was over 3%. The annual growth rate hovered between 2.0% and 2.6% from the mid 1990's to 2006, then began slowing to less than 0.5% in 2009 and 0.6% in 2010.

In the near term, population growth is forecast to remain relatively flat, averaging 0.85% between 2011 and 2014. However, over the forecast horizon, population growth will improve – averaging 1.1% between 2015 and 2030 with 86% of the growth coming from net migration. While this is still significant growth, before the recession Florida was adding a city roughly the size of Miami every year; in the future, it will be a city more like St. Petersburg. Despite this lower growth rate, Florida is still on track to break the 20 million mark in 2016, becoming the third most populous state sometime before then, surpassing New York.

Florida Population History and Projection



Source: Florida Legislature Office of Economic and Demographic Research

Tourism

The tourism industry is another key driver of Florida employment growth and economic strength. Like other sectors of the economy, tourism was hit hard by the recession as job losses and uncertainty coupled with other stresses caused potential visitors to be more conservative in their spending and cut back on their travel plans. The industry also had to deal with the negative publicity that resulted from the 2010 Deepwater Horizon oil spill in the Gulf of Mexico (although actual beach damage in Florida was limited to the Panhandle area). During 2011, the impact of these factors declined. Tourism growth now appears to be on a steady upward trajectory.

Florida Total Visitors (Seasonally Adjusted)

Source: Florida Legislature Office of Economic and Demographic Research

Note: In these charts from the Economic Estimating Conference, the solid red line represents the estimates as of August 2011 (the previous conference) and the dashed blue line represents the revised estimates as of the December, 2011 conference.

Employment Growth and the Labor Market

The outlook for total Florida nonfarm employment for State FY2012 is 7.26 million jobs. This represents a net increase of 64,000 jobs or 0.9% over the prior fiscal year.

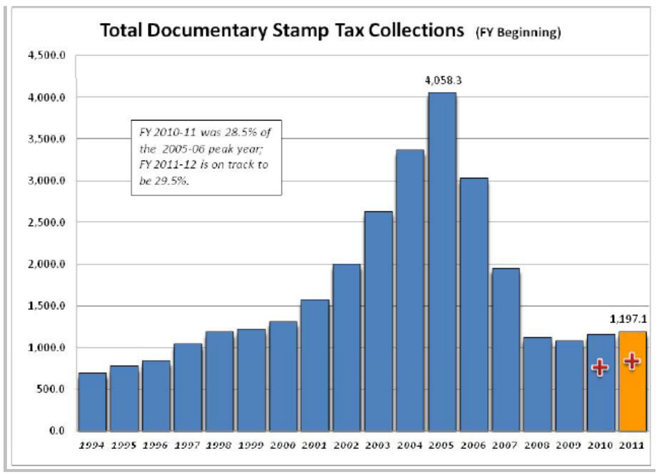
Florida's current unemployment numbers represent a loss of 749,500 jobs from the peak with the state's negative over-the-year growth rate actually beginning in March 2007. While the state's job losses began with the construction downturn, almost all of the major industries were ultimately affected. Overall employment is projected to gain 0.9% in State FY2012 and then increase by 1.3% in FY2013, 1.9% in FY2014, and 2.1% in FY2015. Job restoration in the construction and information technology sectors will lag behind the other areas and are not anticipated to experience positive annual growth until FY2013 and FY2014 respectively.

Personal Income growth averaged about 3.8% from 1991-2008. Total Florida personal income in FY2012 is estimated at $763.3 billion, a 3.3% increase over the prior fiscal year. Personal income growth for FY2013 through FY2021 is expected to range between 3.3% and 6.0% per year.

For wages and salaries, Florida's long-term growth prospects essentially match the national forecast. However, Florida's average annual wages largely fall below the nation as a whole. In 2009, the state's average annual wage for all industries was only 89.9% of the national average.

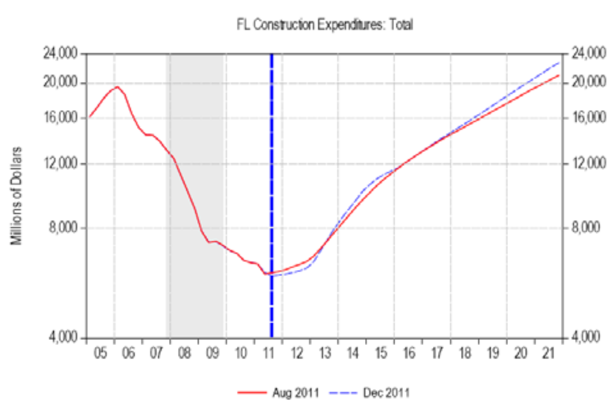
New Construction and Housing

Florida's housing markets are generally improving. Sales volume of existing homes and building permits are both back in positive territory, showing year-over-year growth. The number of documentary stamp tax collections reflects this trend.



Source: Florida Legislature Office of Economic and Demographic Research

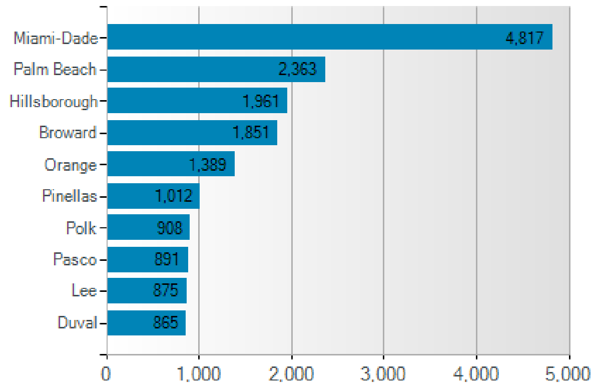
Recent building permit activity has come in better than expected. The forecast of private residential construction expenditures for State FY2012 is $9.6 billion, a 16.9% increase over FY2011. Similar growth is anticipated for FY2013, followed by significant increases in this category beginning in FY2014.



Foreclosures have further swelled Florida's unsold inventory of homes. Originally related to mortgage interest rate resets and changes in financing terms that placed owners in default, activity was also affected by the continuing high level of unemployment. In CY2011, Florida had the second highest number of foreclosure filings and the sixth highest foreclosure rate. At 806 days, Florida has the third longest foreclosure process in the United States. These two factors, along with the struggling economy, suggest that the foreclosure crisis will remain with Florida

for several more years as the existing, and inventory soon to be added, slowly makes its way through the process.

Foreclosure Activity April 2012
Top 10 Florida Counties



Source: RealtyTrac.com

A related problem is the “shadow inventory” of homes that are not on the market but are at risk of foreclosure. About half of all residential loans in Florida are for homes that are “underwater”, that is, have mortgage debt higher than the value of the house. There is also a significant percentage of homeowners who are not current with their mortgage payments.

	Delinquent	Foreclosed	Non-Current
National	7.1%	4.1%	11.3%
Florida	7.4%	13.9%	21.3%

Source: Florida Legislature Office of Economic and Demographic Research

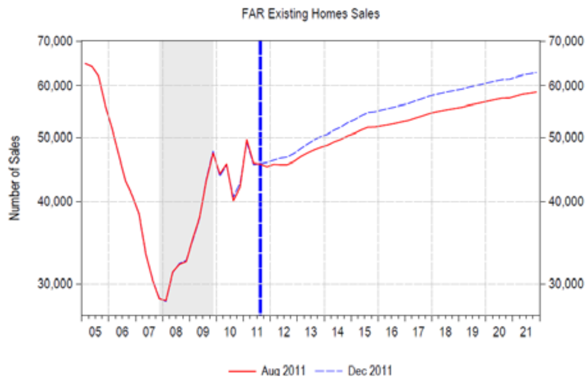
The credit market impacts both employment growth and new construction. Although interest rates continue to remain at record low levels, credit conditions for those seeking to buy a home or homeowners seeking to refinance remain tight.

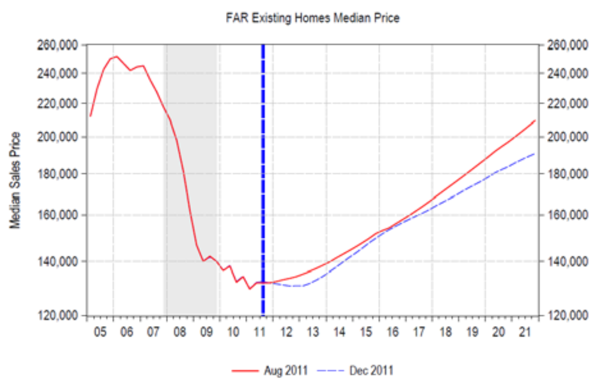
Question to Senior Loan Officers:
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

	All Respondents							
	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	5.6	0.0	4.2	5.7	3.8	3.7	13.0	3.6
Remained basically unchanged	**90.7**	**94.3**	**91.7**	**86.8**	**92.5**	**94.4**	**83.3**	**87.3**
Eased somewhat	3.7	5.7	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

April 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

The end result of these factors is that in the existing home market, sales volume is expected to increase as prices continue to fall over the next eighteen months.





Source: Florida Association of Realtors and Florida Legislature Office of Economic and Demographic Research

State Budget

The State of Florida's budget is highly dependent on sales tax revenue, accounting for more than 70% of revenues. In times of economic distress, consumers tend to cut back on discretionary spending, which in a state dependent on sales tax, will have an immediate effect on revenue. Unlike many other states, Florida does not have a state personal income tax, which are a more stable source of revenue because wages tend to fall at a slower rate than consumption. As a result, the recession caused major State budget shortfalls and the effects are still being felt in this year's process. In recent years, the State made heavy use of one-time fixes such as diverting revenue from trust funds ($4.1 billion over 10 years) and using Federal stimulus funds to avoid larger cuts in education and other programs. On the expenditure side, the single largest driver in State obligations is Medicaid, which is projected to increase at an annual rate of 7.9% over the next 10 years. This does not include the potential impact of Federal Health Care Reform.

As the 2012 Legislature began its deliberations, the projected State FY2013 gap between available revenues and the cost of critical and other high priority needs was $3.62 billion. To fill this gap, the Legislature shifted costs (mandates and funding formulas) to local governments in an effort to deal with fiscal pressures at the state level.

Summary of Florida Outlook

Florida growth rates are slowly returning to more typical levels. But drags are more persistent than past events, and it will take several years to climb completely out of the hole left by the recession. Overall, the national economy is still in recovery (albeit weak) and, more

importantly, the credit markets are still recovering stability – although they remain sluggish and difficult to access.

The subsequent turnaround in Florida housing will be led by:

- Low home prices that begin to attract buyers and clear the inventory.
- Long-run sustainable demand caused by continued population growth and household formation.
- Florida's unique demographics and the aging of the baby-boom generation (2011 marked the first wave of boomers hitting retirement age).

Looking ahead, the pace of the economic recovery depends heavily on how quickly the job market recovers from the Great Recession, the capacity for personal income growth to move ahead of inflation, and a substantial reduction in the supply of unsold residential properties. At this point, Florida's major headwinds match the nation as a whole: the Eurozone's ability to quickly contain and resolve their debt crisis, and Congress's ability to extend the payroll tax cut past 2012. If either event fails to materialize as assumed, Florida's economy will be negatively impacted.

The Local Economy

BACKGROUND

The context of this section is from the perspective of background impacting the Pinellas County 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 had been placed on properties that were 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 had 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. Effective FY2009, property tax revenue increases are limited to new construction plus the statewide percentage increase in per capita personal income. This percentage has averaged about 3.8% from 1991-2008. From 2009-2012, growth in personal income was 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%. Since 2009, the County-wide taxable value has decreased 8.4%, 11.4%, 9.7%, 4.5% with another 1.8% decrease in FY2013. 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.

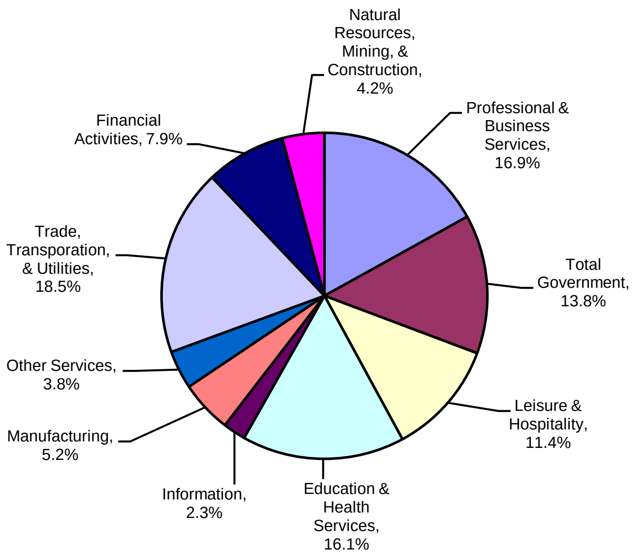
Impacts to the Pinellas County Budget

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 FY1989.

In the General Fund, the County's largest fund that funds most of its operations, property taxes (two-thirds of total revenues), have decreased 35% or $151 million from FY2007 to FY2012.

<u>LOCAL OUTLOOK</u>

Pinellas County is the 6th largest county in population (916,542) 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. Pinellas 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 for Pinellas County.



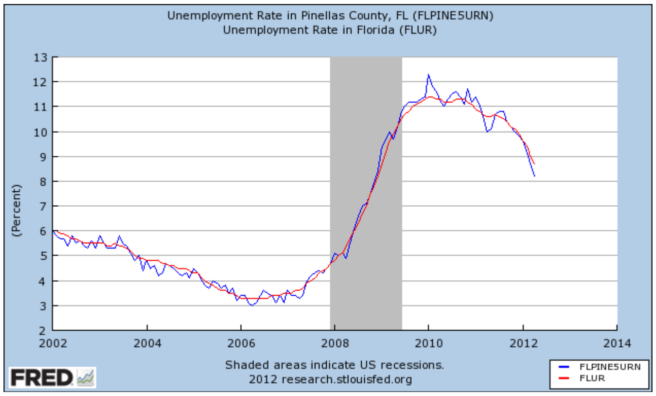
Source: Florida Labor Market Statistics

Over the last five years, several of these areas have seen substantial decreases: Natural resources, mining, and construction decreased 46%; Manufacturing decreased 26%; Information decreased 22%; Financial Activities decreased 14%; Trade, Transportation, & Utilities decreased 11%; Professional & Business Services decreased 9%; Other Services decreased 7%; and Leisure and Hospitality decreased 4%. The only areas that have shown growth since 2006 is Education & Health Services which increased 11% and Total Government which increased 4%.

From Wells Fargo's May 2012 Florida Economic Outlook: Tampa's labor market continues to post strong gains. The professional and business services sector remains the top performing sector, accounting for more than 50 percent of the jobs added since the Bay area's labor market bottomed, despite representing only 17 percent of Tampa's overall employment base. Part of that improvement reflects strong growth at employment staffing companies. The recovery has broadened across many other sectors more recently, including leisure and hospitality, financial services and trade, transportation and utilities. Construction remains an obvious impediment, however, as payrolls continue to contract and are now down nearly 53 percent from their peak in April 2006.

Unemployment

As with the State of Florida, Pinellas County's unemployment rate reached historically low levels in early 2006. In April 2006, Pinellas County recorded an unemployment rate of 3.0%. As the chart below shows, the County's unemployment rate rose to 4.7% by the time the national recession began in December 2007, reaching a high of 12.3% in January 2010, seven month after the official end of the recession. Since then, the County's unemployment rate has fallen to 8.2% (May 2012).



Source: Federal Reserve Bank of St. Louis

Tourism

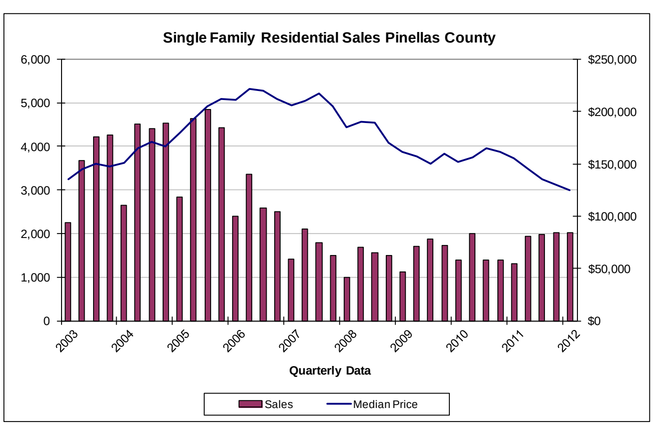
Tourism is a key economic driver of the economy in Pinellas County and contributes direct and indirect visitor expenditures of $6.3 billion annually. In FY2011, the County reported more than 5 million overnight visitors and collected $25.5 million in tourist development tax revenue, also known as the 'bed tax'. A positive sign of a recovering economy, FY2012 collections are 12% higher than the same period in FY2011, with both March and April reporting record collections of the bed tax.

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 FY2008, property assessments have fallen each year (8.4%, 11.4%, 9.7%, and 4.5%) with another 1.8% decrease expected in FY2013.

Residential Real Estate

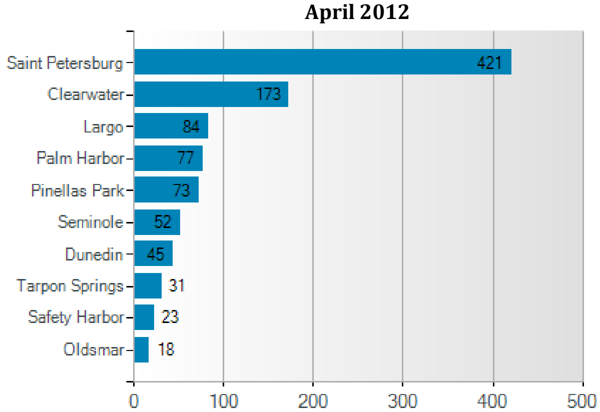
Over the last year, home sales in the Tampa Bay area have risen. However, almost half of all the sales are distressed sales involving foreclosed properties. Because distressed sales compose such a high proportion of the overall market, housing prices have decreased dramatically. The chart below shows that the median price in Pinellas County is currently at $125,000 which is 44% lower than the median price of $221,500 from 2006.



Source: Pinellas County Property Appraiser's Office

Foreclosures continue to hold down the residential real estate market. In 2007, there was an average of 512 foreclosure activities per month. As unemployment increased and the economy slipped into recession, foreclosure activity doubled in FY2008 to 1,027 per month. Activity remained extremely high through FY2009 and FY2010 before dramatically dropping off to 484 per month in FY2011. This drop-off coincided with the federal investigations of 'robo-signing' of foreclosure documents. As part of a settlement with federal regulators, banks and others involved in the foreclosure process agreed to improve their procedures. Since the settlement was signed in April 2011, foreclosure activity has begun to increase, averaging 770 per month in FY2012 through April.

Foreclosure Activity – Pinellas County
April 2012



Source: RealtyTrac.com

Commercial Real Estate

According to Cushman & Wakefield Research, the vacancy rate in Tampa Bay decreased to 19% in the region, which is a figure comparable to 2003. Normal vacancy rates hover between 10% and 20% in the bay area. The rate in downtown Tampa is 16.5% and downtown St. Petersburg's is 16.8%. The vacancy rate is an indicator of the health of the economy because vacancy rates decrease as employment improves. As job growth continues and as corporate confidence strengthens, demand is expected to continue to rise slowly in 2012 resulting in lower vacancy rates and stability in asking rental rates.

Summary of Local Outlook

While the national recession has been over for three years, the effects are still being felt in Pinellas County. Unemployment is well above pre-recession levels and foreclosures have steadily increased in the past several months. Additionally, the median sales price for single family homes is down 44% from 2006 levels, leading to five consecutive years of declining assessments in the County. However, the biggest industry in Pinellas County, tourism, has shown signs of a strong recovery. FY2011 tourist development tax revenues were 7.7% higher than FY2010, and each month in FY2012 has been higher than the same month in FY2011, with March and April at record levels.

As the national economy continues to improve, Pinellas County is poised to recover as well. However, because of the high level of unemployment and the glut of homes available on the market, the recovery is expected to be slow and long.

KEY FORECAST ASSUMPTIONS

The *Key Forecast Assumptions* portion of the FY2013 Budget Message includes a discussion of the sources of information used to develop assumptions for revenues and expenditures that drive the ten-year forecasts for ten of the County's key funds:

- Assumptions and Forecasting
- Revenue Assumptions
  - Overview
  - Key Assumptions
  - Supporting Information
- Expenditure Assumptions
  - Overview
  - Key Assumptions
  - Supporting Information

Assumptions and Forecasting

In establishing revenue and expenditure assumptions, we reviewed data and forecasts from a variety of economists, government agencies, industry associations, and other sources. In particular, we referenced the State of Florida's Revenue Estimating Conferences frequently. 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 state planning and budgeting actions. The current Conference projections end at FY2021. The projections are available online at http://edr.state.fl.us/Content/conferences/index.cfm

We also referenced federal agencies such as the Bureau of Labor Statistics, the Census Bureau, and several Federal Reserve banks; as well as private research firms and educational institutions, such as The Conference Board, Thompson Reuters, University of Central Florida, and University of Florida. The County is not required to use this data, but it provides useful background information for projecting changes in revenues and expenditures.

Revenue Assumptions

Property Taxes – General Fund,
EMS Fund, and Fire Districts Fund

Overview

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.

KEY FORECAST ASSUMPTIONS

The Florida Constitution imposes a cap of 10 mills on the total of all County-wide ad valorem rates (which includes the General Fund countywide levy plus the levies for the Health Department and for Emergency Medical Services). A 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).

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.

Key Assumptions

The assumption in the forecast is that the decline in taxable values will taper off through 2014 before returning to a slow but sustained rate of growth thereafter:

Change in Taxable Values – County-wide				
2013	**2014**	**2015**	**2016**	**2017**
-1.8%	-2.0%	2.0%	4.0%	4.0%
2018	**2019**	**2020**	**2021**	**2022**
4.0%	4.0%	4.0%	4.0%	4.0%

The County-wide taxable value is the basis for determining the County-wide revenue in the General Fund. For the purposes of this forecast, the FY2014 through FY2022 percentage change in taxable value for the Emergency Medical Service Fund and the Fire Districts Fund is assumed to be the same as the County-wide taxable value change.

Supporting Information

For FY2013, the overall taxable value decrease of 1.8% in countywide taxable values reflects differing anticipated 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).
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 that are not built-out will enjoy. For example, Orange and

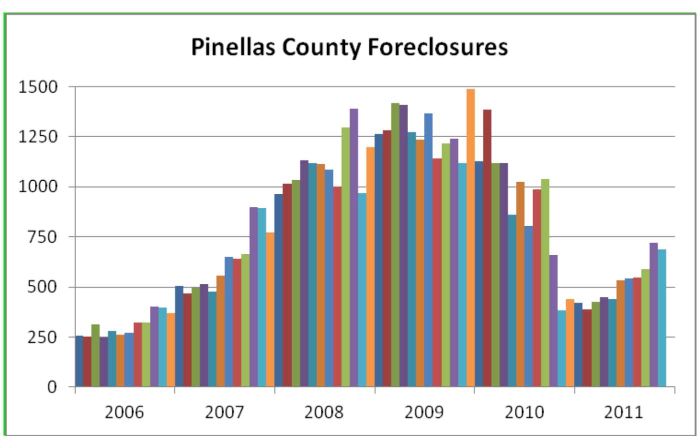
Hillsborough counties have large undeveloped areas that are available for major residential, commercial and industrial expansions. In FY2008, the new construction in Orange County essentially offset the mandated Legislative property tax rollback.

Impact of Foreclosures
In determining the values as of January 1, 2012, which serve as the basis for FY2013 calculations, the Property Appraiser factored in the impact of mortgage foreclosures. 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.

However, although foreclosures do not affect the percentage of property taxes collected during the fiscal year, they 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 and were averaging about four times higher than the historical norm before falling dramatically back to 2007 levels throughout FY2010.

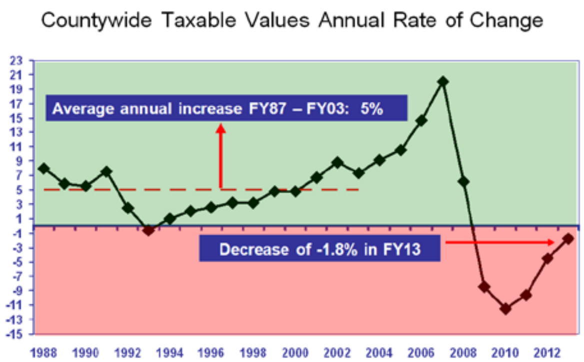
Foreclosure inventory increased again throughout 2011 and the first half of 2012. This additional inventory is the result of the resolution of chain-of-title issues and the resumption of foreclosure proceedings in the courts. As of October 1, 2011, Pinellas County still had a backlog of over 14,500 foreclosure cases; however, some portion of these will result in a mediated settlement between the note-holder and the occupant, and will therefore not translate to inventory for sale.

For the time being, demand is such that new foreclosure inventory is being absorbed fairly efficiently. A "glut" of non-mediated rulings could lead to a surge in inventory, which, given the relative normalcy of the supply-demand relationship this year, would probably reverse the current trend and place downward pressure on median sales prices, which in turn would negatively impact the tax base. The forecast assumes that the foreclosure inventory will not experience this type of surge.



Source: Clerk of the Court data

Taxable values
The taxable values for FY2013 were certified by the Property Appraiser on July 1, 2012. The county-wide value decreased by 1.8% compared to the FY2012 values. It was the fifth 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.



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				
2004	**2005**	**2006**	**2007**	**2008**
2.4%	1.9%	3.0%	3.0%	2.5%
2009	**2010**	**2011**	**2012**	**2013**
3.0%	0.1%	2.7%	1.5%	3.0%

Source: Florida Department of Revenue, U.S. Bureau of Labor Statistics

The factor used is the annual change in the CPI as of December each year. For example, the limit for FY2013 is the December, 2011 index, +3.0%, which was issued by the U.S. Bureau of Labor Statistics on January 19, 2012.

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.

Property Tax Revenue Caps
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 has some flexibility for increases in the short term because we did not levy the maximum millage in FY2009, FY2010, FY2011, or 2012.

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 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 rather than an increase due to the Save Our Homes recapture rule, some parcels previously covered by Save Our Homes will see decreases in their taxable value for FY2013.

Fund Variances
Because of differences in the composition of their tax base, individual fire districts are expected to vary significantly from the overall change. The unincorporated area (MSTU) General Fund taxable value percentage change is assumed to vary slightly from the County-wide taxable value change. Other funds not included in this forecast that are dependent on property taxes are the Palm Harbor and Feather Sound Community Service District Funds, the Pinellas Public Library Cooperative Fund, and the Health Department Fund. With the exception of the Health Department, the percentage change in taxable value will differ from the County-wide change depending on the composition of the tax roll in each area.

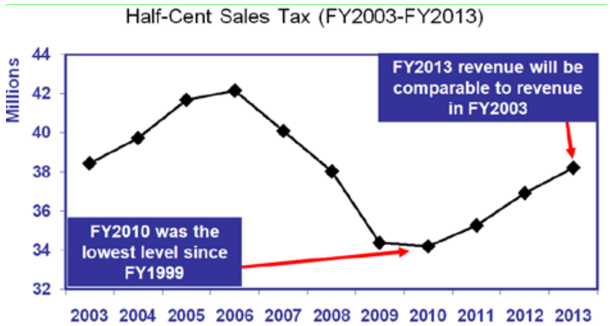
Sales Taxes – General Fund and Capital Projects Fund

Overview

Sales tax revenues are highly elastic, increasing and falling with the health of the overall economy. In addition to food and medicine, certain other purchases are exempted from sales tax by legislation. The County receives two types of sales taxes: the Half-Cent Sales Tax and the Infrastructure Sales Tax (Penny for Pinellas).

Half-Cent Sales Tax
This General Fund revenue 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.

Sales tax revenue grew by 3.2% in FY2011 - the first increase since FY2006. We believe this is indicative of a return to moderate but sustained sales tax revenue growth.



Infrastructure Sales Tax (Penny for Pinellas)
The Penny for Pinellas is a 1 percent sales tax which is dedicated to capital improvement projects in Pinellas County, such as facilities, storm water improvements, preservation land purchases, roads, bridges, public safety, parks and community centers. The Penny makes capital projects and improvements possible without having to raise property taxes. Without this funding, it is estimated that property owners would have to pay another 1.5 mills on their property taxes. With a sales tax, approximately one-third of the total Penny funds are paid for by tourists and seasonal residents.

Key Assumptions

For the State Shared Half-Cent Sales Tax, in FY2013 and later years, we anticipate growth approaching historical patterns. A 3.5% growth rate is assumed throughout the FY2013-FY2022 forecast period. In the near-term, our projection is more conservative than the State General Revenue Estimating Conference, which anticipates more robust FY2013 growth of 5.4%, followed by 6.3% and 6.6% in FY2014 and FY2015, respectively.

Change in Half-Cent Sales Tax Revenue				
2013	**2014**	**2015**	**2016**	**2017**
3.5%	3.5%	3.5%	3.5%	3.5%
2018	**2019**	**2020**	**2021**	**2022**
3.5%	3.5%	3.5%	3.5%	3.5%

The revenue assumptions for the overall Penny sales tax are consistent with the Half-Cent sales tax. However, the growth rate in the Capital Projects Fund for the Penny sales tax is less at 3% growth from FY2013 to FY2022. This is because the Courts & Jail allocation is a fixed amount that does not grow over time resulting in a slightly smaller growth rate for the County's overall share of the Penny.

Supporting Information

The statewide number from the State General Revenue Estimating Conference reflects population growth that will not be as significant a factor in Pinellas County as in other, less built-out counties. However, we are confident that a strengthening local economy and stronger tourism will result in slightly better growth than the 3.0% forecast for FY2012. Data on

potential future job creation growth (provided by Economic Development) and projected tourism growth (provided by the Convention and Visitor's Bureau) support this view.

Our forecast essentially reflects about 1.0% to 1.5% per year growth over the rate of price inflation. As a result, we are not anticipating a return to the FY2006 peak level of our Half-Cent Sales Tax revenues until FY2015.

Communications Services Tax –
General Fund

Overview

The Communications Services Tax (CST), 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 Communications Services Tax revenue has declined due to the recession and to technological changes in the industry that have reduced the base of taxable services; FY2011 CST revenue was 3.4% lower than in FY2010.

Key Assumptions

The forecast projection uses the percentages developed by the State Gross Receipts Tax and CST Revenue Estimating Conference. The expectation is an essentially flat year followed by a return to normal moderate growth patterns

Change in Communications Services Tax Revenue				
2013	**2014**	**2015**	**2016**	**2017**
-0.1%	0.8%	1.6%	1.8%	1.9%
2018	**2019**	**2020**	**2021**	**2022**
2.0%	2.2%	2.0%	2.0%	2.0%

Supporting Information

The CST is levied on communication services that originate *and* terminate within the state. Technological advances have allowed for increased competition from communication service

providers (particularly wireless providers) which do not meet this definition and whose services are therefore not subject to the CST.

The 2012 Legislature approved changes to the CST statutes. The negative impact of these changes on the County's revenue is undetermined at this time.

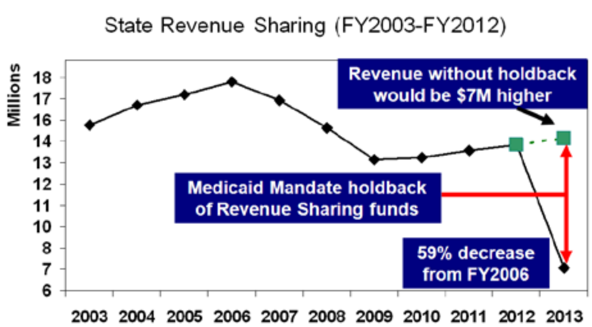
State Revenue Sharing - General Fund

Overview

State Revenue Sharing is primarily based on the State's sales tax revenue. The formula for Revenue Sharing is subject to adjustment by the Legislature.

Similar to the Half-Cent Sales Tax, Revenue Sharing revenue finally demonstrated real growth of 2.9% in FY2011 after declining or remaining essentially flat since FY06.

As discussed in detail in the "Medicaid" section of this Budget Message, the 2012 Legislature, as part of the unfunded Medicaid mandate, directed that Revenue Sharing distributions to the counties be reduced in order to cover the alleged "backlog" of Medicaid charges. This will result in Pinellas County receiving only about half of the normal Revenue Sharing allocation in FY2013.



Key Assumptions

For the underlying sources that support State Revenue Sharing, the forecast assumes a return to the pattern of moderate growth in this revenue source that predated the economy's boom and bust cycle, resulting in an annual increase of 2.5% through the forecast period. However, the actual amount the County receives will be reduced in FY2013 through FY2017.

Change in State Revenue Sharing Revenue (before Medicaid mandate reductions)				
2013	**2014**	**2015**	**2016**	**2017**
2.5%	2.5%	2.5%	2.5%	2.5%
2018	**2019**	**2020**	**2021**	**2022**
2.5%	2.5%	2.5%	2.5%	2.5%

Supporting Information

State Revenue Sharing has historically grown at a somewhat lower rate than Half-Cent Sales Taxes. In addition to differences in the distribution formulas for these two revenues, a portion of Revenue Sharing is derived from Cigarette Taxes, which have been a declining revenue source for years. These factors combine to reduce the potential for growth in Revenue Sharing.

Interest Earnings and Other Revenue – All Funds

Overview

The County earns interest on fund balances. These funds are invested by the Clerk of the Circuit Court in accordance with the Board of County Commissioners' approved Investment Policy. All investment activity is conducted in accordance with Section 218.415, Florida Statutes, and Section 2-144 of the Pinellas County Code. The primary objective of the policy is the safety of County funds. The second objective is the provision of sufficient liquidity. The third objective, subordinate to safety and liquidity, is to maximize the return on the investment portfolio while avoiding unreasonable investment risk.

Key Assumptions

Market conditions, including record low interest rates, were such that interest earnings in FY2011 once again fell below the relatively conservative projections assumed in the budgeting process. The forecast reflects this situation; the short term outlook is for continued minimal earnings, gradually increasing to earnings of approximately 3% on fund balances in the mid- to long-term.

Interest Earnings on Fund Balances				
2013	**2014**	**2015**	**2016**	**2017**
0.5%	0.7%	1.0%	2.0%	3.0%
2018	**2019**	**2020**	**2021**	**2022**
3.0%	3.0%	3.0%	3.0%	3.0%

For other revenues, the forecast assumes the same flat to moderate growth which reflects the anticipated gradual economic recovery.

Change in Other Revenue (non-specific)				
2013	**2014**	**2015**	**2016**	**2017**
2.0%	2.0%	2.0%	2.0%	2.0%
2018	**2019**	**2020**	**2021**	**2022**
2.0%	2.0%	2.0%	2.0%	2.0%

Key Assumptions for Other Fund-Specific Revenues

Tourist Development Tax- TDC Fund

Tourism is a key driver of the economy in Pinellas County. The County imposes a 5% tourist development tax (i.e. bed tax) on rents collected for temporary lodgings. The revenue, highly sensitive to general economic and other conditions, is driven by several factors, including the number of visitors, the length of stay, and the Average Daily Rate (ADR) that hotels are able to collect for rentals. Collections appear to have bottomed out at the beginning of 2010, and have been rapidly increasing again as the economy has begun to rebound. Over the past year, the rebound in tax revenue has outpaced the overall economy.

The revenue forecast for tourist development taxes assumes an increase of 3.0% throughout the forecast period, reflecting the anticipated growth in the economy.

Change in Tourist Development Tax Revenue				
2013	**2014**	**2015**	**2016**	**2017**
3.0%	3.0%	3.0%	3.0%	3.0%
2018	**2019**	**2020**	**2021**	**2022**
3.0%	3.0%	3.0%	3.0%	3.0%

Gas Taxes - Transportation Trust Fund

The County receives several types of gas tax, including State Shared Gas Taxes and Local Option Gas Taxes. These revenues are dedicated for transportation-related expenditures and are deposited in the Transportation Trust Fund. Revenue growth assumptions have been based on the State's Revenue Estimating Conference's forecast of gallons of motor fuel consumed annually in Florida. The State's annual average growth rate is 2.1%. 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 us to assume no growth in these revenues. Although the County has the potential to levy an additional 1 to 5 cents in Local Option Gas taxes, there are no tax rate increases built into the forecast.

Change in Gas Tax Revenues				
2013	**2014**	**2015**	**2016**	**2017**
0%	0%	0%	0%	0%
2018	**2019**	**2020**	**2021**	**2022**
0%	0%	0%	0%	0%

KEY FORECAST ASSUMPTIONS

Ambulance User Fee Revenue – EMS Fund

Ambulance user fee revenues are subject to a number of variables:

- Unanticipated changes in transport volume (positive or negative)
- Unanticipated Medicare audit settlements (positive or negative)
- Potential reductions to Medicare fee schedules (negative)
- Decreasing mix of private insurance payments and increasing mix of lower-reimbursement Medicare and Medicaid payments (negative)
- Increased Medical Necessity verification requirements (negative)

Ambulance user fee revenues are primarily driven by patient demand (transport volume). The average increase in transport volume in the prior 5 years is 3.4%, ranging from 1.4% to 7.4%. Revenues are estimated to increase by 2.0% during the forecast period.

Change in Ambulance User Fee Revenue				
2013	**2014**	**2015**	**2016**	**2017**
2.0%	2.0%	2.0%	2.0%	2.0%
2018	**2019**	**2020**	**2021**	**2022**
2.0%	2.0%	2.0%	2.0%	2.0%

Flight Operations Revenues – Airport Fund

Airfield/Flight Line revenue for FY2013 is based on the current level of carriers and passenger numbers. For FY2014 through FY2022, an increase of 2.0% per fiscal year is forecast. The forecast is conservative, as no new carriers or agreement renewals have been included.

Change in Airport Flight Operations Revenues				
2013	**2014**	**2015**	**2016**	**2017**
2.0%	2.0%	2.0%	2.0%	2.0%
2018	**2019**	**2020**	**2021**	**2022**
2.0%	2.0%	2.0%	2.0%	2.0%

Airport Rental Revenues – Airport Fund

Rent/Surplus/Refunds revenue for FY2013 is based on current leases/agreements through the termination of these lease agreements. Although most of the available land is leased, given commercial vacancy rates throughout the County and the fact that the leases are only subject to an annual CPI adjustment, growth of only 2.0% is projected throughout the forecast period.

KEY FORECAST ASSUMPTIONS

Change in Airport Rental Revenues				
2013	**2014**	**2015**	**2016**	**2017**
2.0%	2.0%	2.0%	2.0%	2.0%
2018	**2019**	**2020**	**2021**	**2022**
2.0%	2.0%	2.0%	2.0%	2.0%

Water Revenues – Utilities Water Funds
The volume of water purchased declined 17% from FY2007 to FY2012. The amount of water purchased is affected by economic conditions, housing and commercial vacancies, and levels of conservation.

The Water revenue forecast assumes only a 0% to 0.27% 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 70% decline in demand FY2007 through FY2016, due to the projected loss of sales to three cities (Clearwater, Tarpon Springs, and Oldsmar), as they develop their own water resources.

Sewer Revenues – Utilities Sewer Funds
The volume of waste billed has declined 11% from FY2007 to FY2012. The amount of sewage processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

The Sewer revenue forecast assumes only a 0% annual increase from FY2013 to FY2014 and a 0.07% to 0.21% annual increase from FY2017 to FY2022 in retail and wholesale sewer demand.

Solid Waste Revenues – Utilities Solid Waste Funds
Tipping fees for the Solid Waste facility are not anticipated to increase during the forecast period. Revenues are expected to grow about 0.5% annually. The contract for electricity sales to Progress Energy contains annual escalations of 6% in revenue. The contract expires in 2024.

Change in Solid Waste Tipping Fee Revenues				
2013	**2014**	**2015**	**2016**	**2017**
0.5%	0.5%	0.5%	0.5%	0.5%
2018	**2019**	**2020**	**2021**	**2022**
0.5%	0.5%	0.5%	0.5%	0.5%

Expenditure Assumptions

Personal Services – Salaries – All Funds

Overview

The cost of Personal Services (salaries and benefits) is generally the single largest category of expense. Prior to FY2009, the range of salary merit adjustments generally varied from 0 to as high as 7%. No merit pay increases have been granted to County employees in recent years.

Key Assumptions

No salary adjustments are included in the forecast for FY2013 through FY2015. County employees have not received merit pay for four years and in some cases, five years. This cost-saving measure was employed as the organization dealt with significant reductions and dramatic decreases in property tax revenue. 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)				
2013	**2014**	**2015**	**2016**	**2017**
0%	0%	0%	0%-3%	0%-3%
2018	**2019**	**2020**	**2021**	**2022**
0%-3%	0%-3%	0%-3%	0%-3%	0%-3%

Supporting Information

The short-term assumptions are based on projected budget shortfalls in FY2013 and FY2014. However, non-recurring compensation adjustments, such as one-time, flat-amount payments could be implemented without negatively impacting the forecast.

Personal Services – Employee Benefits – All Funds

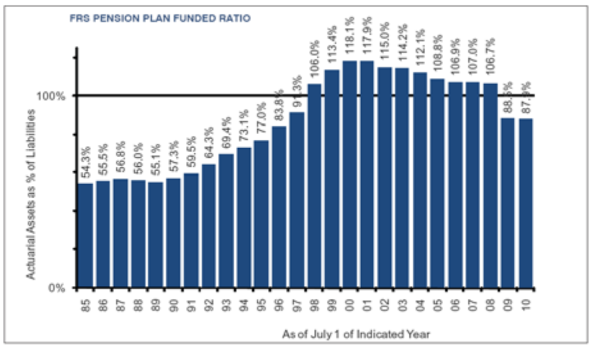
Overview

The County is responsible for employer contributions to Social Security (FICA), the Florida Retirement System (FRS) State pension fund, and to support various other benefits such as health and life insurance, short term disability, workers compensation, and unemployment compensation. The two key drivers for employee benefits are the County's share of pensions and health insurance costs.

Florida Retirement System (FRS)

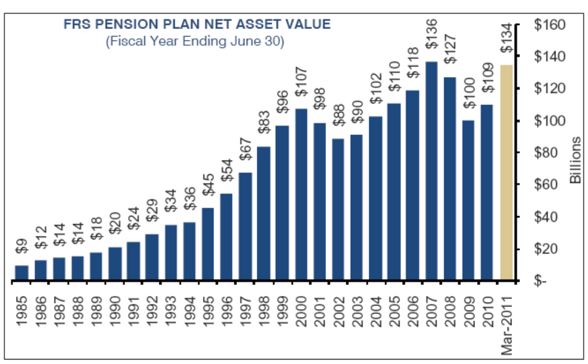
The County is required to participate in the Florida Retirement System (FRS), a State public pension plan. From 1998 to 2008, FRS had been one of the few state systems that had an actuarial surplus. This lowered the required contributions set by the Legislature that are based on an employee's salary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

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. As a result, in 2009 the FRS system had an unfunded liability and this situation continued into 2010.



Source: State Board of Administration
FRS Portfolio Review as of March 31, 2011

The FRS investment portfolio has now substantially recovered from this setback. As of March 31, 2011, the net asset value for the FRS pension plan was close to the peak value it had reached in 2007.



Source: State Board of Administration
FRS Portfolio Review as of March 31, 2011

However, the 2011 session of the Legislature determined that significant changes were needed in the FRS system. These changes are summarized in the following table.

2011 Legislative Changes to FRS

	Before	After
Employee contribution	0%	3%
Avg. final compensation	Highest 5 years	Highest 8 years
Vesting period	6 years	8 years
Normal retirement date for regular class, senior members, elected officers	62 with 6 yrs. of svc. or 30 years of service	65 with 8 yrs. of svc. or 33 years of service
Normal retirement date for special risk	55 with 6 yrs. of svc. or 25 years of service	60 with 8 yrs. of svc. or 30 years of service
DROP interest rate	6.5%	1.3%

Applies to new hires after 7/1/11

These changes affected the future retirement benefits for County employees on the payroll prior to July 1, 2011, as well as those hired after that date when these provisions took effect. The major impact on the County's expenditures results from changing FRS from a non-contributory to a contributory structure. This allowed the Legislature to significantly reduce the employer contribution rates for FRS, and not coincidentally balance the State budget.

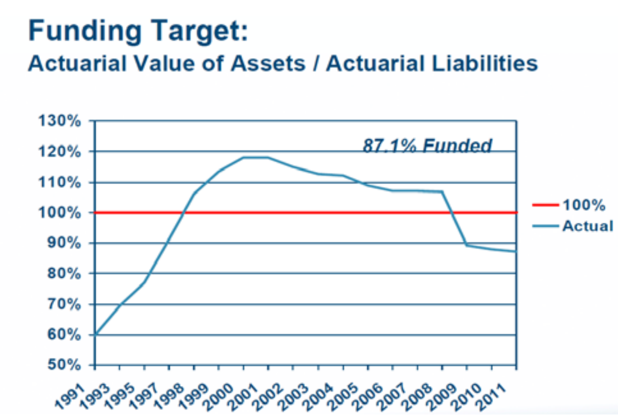
The rate reductions also resulted in substantial FY2012 cost savings for the County, amounting to $13M in the General Fund alone as compared to earlier projections. The 2012 Legislature approved rates for the State's 2013 fiscal year (June 2012 to July 2013) that were essentially the same as the previous year. Looking ahead, employer rates are scheduled to increase in July, 2013 under current legislation, and the future direction of legislative action cannot be predicted. Also, the restructuring of the FRS system is being challenged by a class action lawsuit, which if successful could reverse the employer contribution rate decreases.

Health Insurance

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.

Key Assumptions

As of June 30, 2011, the FRS system was still only 87.1% funded:



Source: Milliman presentation to FRS Actuarial Assumptions Estimating Conference, September 27, 2011

KEY FORECAST ASSUMPTIONS

Due to the reduced value of the State's pension fund investments, we are assuming increases in the FRS contribution requirements. The forecast assumes that the State will increase rates to address the unfunded liability over the next two years, as contemplated in the 2012 legislation, after which the rates should stabilize.

Change in FRS Pension Contribution Rates*				
2013	**2014**	**2015**	**2016**	**2017**
6.0%	3.0%	0.0%	0.0%	0.0%
2018	**2019**	**2020**	**2021**	**2022**
0.0%	0.0%	0.0%	0.0%	0.0%
* From 2015-2022, rates are assumed to stay constant, but dollar contributions rise at the same rate as salary growth.				

The forecast assumes that the County's aggressive health insurance cost containment measures will continue, but that the near-to-mid-term need to supplement required self-insurance reserves, as well as longer-term cost increases and employee / retiree mix changes, will still result in expenditure growth well in excess of CPI throughout the forecast period.

The Affordable Health Care Act passed in 2010 on the national level to restructure and contain health insurance costs could have a significant impact, but the forecast does not assume any changes in the current situation.

Change in Health Insurance Contributions				
2013	**2014**	**2015**	**2016**	**2017**
10.0%	10.0%	10.0%	10.0%	10.0%
2018	**2019**	**2020**	**2021**	**2022**
10.0%	10.0%	10.0%	10.0%	10.0%

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)				
2013	**2014**	**2015**	**2016**	**2017**
2.5%	2.1%	2.1%	3.8%	3.8%
2018	**2019**	**2020**	**2021**	**2022**
3.8%	3.8%	3.8%	3.8%	3.8%

Supporting Information

The percentages in the General Fund differ slightly from other funds due to projected Unemployment Compensation costs, which peaked at $1.2M in FY2010 due to Reductions in Force (RIFs) and are expected to decline over the next several years. Unemployment Compensation for all County operations other than the Sheriff is billed by the State to the General Fund.

Change in Personal Services Expenditures (Net Total Salary and Benefit Changes) General Fund				
2013	**2014**	**2015**	**2016**	**2017**
1.7%	1.8%	2.1%	3.8%	3.8%
2018	**2019**	**2020**	**2021**	**2022**
3.8%	3.8%	3.8%	3.8%	3.8%

Health insurance costs are affected by changes in the workforce. As the number of active employees decreases due to budget reductions, and the number of retirees in the health plan increases, costs are spread over a smaller base. In recent years the ratio of active employees to retirees has changed, from 3 actives for every retiree to 2 actives for every retiree, while costs per position have increased. The result is that County employer contributions per active position have increased at a higher rate than cost inflation. This trend is expected to continue.

Because the County is self-insured, we are required to maintain the equivalent of 2 months of medical claims as a reserve. Higher-than-average claims in recent years have led us to draw on our reserves such that they are below the required level. This is exacerbated by the employee / retiree mix changes discussed above. In the near-term, OPEB reserves are available to cover the deficit.

Note that the actual change in Personal Service costs in a department, agency, or fund may differ from these overall percentages due to reorganizations, changes in the number of positions, vacancies, and other factors specific to the entity.

Operating Expenses and Capital Outlay- All Funds

Overview

The cost of services, commodities, and equipment (Operating Expenses and Capital Outlay) are driven by inflation. Many costs will track closely with the Consumer Price Index (CPI), but items such as fuel, chemicals, and construction materials often exceed that pace.

KEY FORECAST ASSUMPTIONS

The difference between inflation as measured in the CPI and the cost pressure on local governments is illustrated by the Municipal Cost Index (MCI) developed by American City & County. The MCI draws on the CPI, the Producer Price Index (PPI), the Construction Cost Index (CCI), monthly statistical data collected by the U.S. Departments of Commerce and Labor, and independently compiled data to project a composite cost picture that more accurately reflects inflationary impacts on counties and cities.

The higher inflationary pressure on local governments is reflected in the most recent report issued by American City and County. Compared to the same period last year, the Municipal Cost Index increased 2.6%, versus the 1.7% increase in the CPI. In Pinellas County, expenses such as fuel, electricity, and state-mandated Medicaid charges reflect the MCI / CPI disparity, demonstrating historical and projected growth exceeding CPI growth.

Fuel
Fuel costs are dependent on the amount of fuel purchased as well as the price of fuel. The County has reduced the size of the fleet and increased fuel efficiency. As a result, gallons purchased had been declining (from 1.36M in FY2008 to 1.14M in FY2010), although fuel consumption rose to 1.21M in FY2011. FY2012 BOCC fuel consumption may decrease somewhat due to budget reductions, but overall consumption is expected to rise when Sheriff's Department consumption is factored in. Beginning in late FY2011, the Sheriff began purchasing fuel through the Fleet Management Fund which increased total expenditures in that fund but was offset by an equivalent amount of revenue.

Electricity
The County's office facilities are generally charged a commercial rate for electricity by Progress Energy. Historically these rates have averaged annual increases of 5%.

Medicaid
The County is billed by the State for a portion of Medicaid costs. The County pays the State for County resident in-patient hospital care for days 11 through 45. The days do not have to be consecutive. Because patient stays of less than 11 days or more than 45 days are not paid by the County, there is not a strong correlation between the County's Medicaid bill and an increase in unemployment from the recession.

In the past, the County has been able to review the bills for patients that are not County residents and reject paying bills for non-county residents. However, as discussed in the "Medicaid" section of the Budget Message, this procedure was changed by the Legislature in 2012 to shift the burden of proof for this determination to the County.

Key Assumptions

The forecast assumes that the cost of services, commodities, grants and aids, and equipment will generally track the CPI increases developed by the State in their consensus Revenue Estimating Conference.

Change in Other Non-Personnel Expenditures (CPI)				
2013	**2014**	**2015**	**2016**	**2017**
1.3%	1.9%	2.2%	2.0%	1.9%
2018	**2019**	**2020**	**2021**	**2022**
1.7%	1.8%	1.6%	1.8%	2.0%

Fuel - All Funds with Fleet Equipment
The FY2012 Budget baseline was based on a price of $3.50/gallon. The price in December, 2011 was about $3.75/gallon; the average for FY2011 was closer to $3.27.

Change in Fuel Costs				
2013	**2014**	**2015**	**2016**	**2017**
3.0%	3.0%	3.0%	3.0%	3.0%
2018	**2019**	**2020**	**2021**	**2022**
3.0%	3.0%	3.0%	3.0%	3.0%

Electricity - General Fund and Utilities Funds
The Real Estate Management and Utilities departments have both taken steps to decrease annual cost increases by implementing measures to reduce energy consumption. The forecast assumes flat percentage increases in electricity costs based on the historical averages.

Change in Electricity Costs - Commercial				
2013	**2014**	**2015**	**2016**	**2017**
5.0%	5.0%	5.0%	5.0%	5.0%
2018	**2019**	**2020**	**2021**	**2022**
5.0%	5.0%	5.0%	5.0%	5.0%

Medicaid - General Fund
The 2012 Legislature changed the State's method of billing the County for Medicaid, shifting the burden of proof to demonstrate that a claimant is not a county resident in order to dispute an amount on a bill. The State is also reducing the County's Revenue Sharing funds to cover an alleged backlog in billings dating back to 2001.

The negative impact of these changes on the forecast is discussed in detail in the_"Medicaid" section of the Budget Message.

Supporting Information

Some departments have an increase in fleet replacement costs in the FY2013 budget as units are replaced that are not currently paying into the Fleet fund due to deferral of purchases and life cycle extensions.

Future fuel efficiency gains are unlikely due to the composition of the fleet. Only 51 of 1,750 units are cars (less than 3%). The bulk of the fleet is heavy equipment. These units usually achieve only 8 to 10 miles per gallon because of idling time (for power take off units) and the gear ratio needed to haul heavy loads. There are no federally mandated fuel economy standards for heavy trucks and equipment.

National health care legislation will impact Medicaid billing beginning in 2014. Even if Florida does not participate in the Affordable Care Act's expanded Medicaid program, state estimating conferences have projected continued increases in the current Medicaid program's expenditures. It is unclear how much of this increase will be passed on to counties; HHS will continue monitoring related federal and state legislation.

Other Post Employment Benefits (OPEB) –
All Funds

Overview

During FY2010, County actuarial consultants computed the County's net Annual Required Contribution (ARC) for Other Post Employment Benefits (OPEB) consistent with Government Accounting Standards Board directives to be $25.6M for Unified Personnel System (UPS) employees and $22.8M for Sheriff's Office employees.

The FY2013 Budget includes a transfer of $2M from the General Fund to the Employee Benefits Fund for a partial contribution to the annual OPEB ARC for both UPS and Sheriff's Office employees. In previous years, the County set aside a cumulative total of $27M for OPEB. Other local governments in Florida with an OPEB liability are also partially funding those obligations as budgets allow.

Key Assumptions

The forecast assumes that OPEB funding in the General Fund will continue at the current level of $2M per year throughout the forecast period, pending the analysis of the latest OPEB valuation. OPEB contributions for Enterprise operations are contained within their respective funds.

Projected OPEB Contributions - $ millions				
2013	**2014**	**2015**	**2016**	**2017**
$2.0M	$2.0M	$2.0M	$2.0M	$2.0M
2018	**2019**	**2020**	**2021**	**2022**
$2.0M	$2.0M	$2.0M	$2.0M	$2.0M

Supporting Information

Effective January 1, 2011, new hires will not receive an explicit OPEB subsidy upon retirement and new retirees covered by Medicare must enroll in the less costly Medicare Advantage plan option. These actions will help better quantify the OPEB liability in the next OPEB valuation actuarial study.

Other Fund-Specific Expenditures

Ambulance Contract Expenditures – EMS Fund

The County contracts with Paramedics Plus for the County's SUNSTAR ambulance system. Contracts with the County's ambulance provider were renegotiated in FY2012 with an annual reduction to base service payments of $2 Million. A 6% increase was included in the forecast from FY2013 through FY2022 to account for annual CPI increases and increases to transport volume. However, once the contract is up for negotiation, expenditures may change as the economy rebounds and fuel and labor costs and other factors change.

Change in EMS Ambulance Contract Expenditures				
2013	**2014**	**2015**	**2016**	**2017**
6.0%	6.0%	6.0%	6.0%	6.0%
2018	**2019**	**2020**	**2021**	**2022**
6.0%	6.0%	6.0%	6.0%	6.0%

First Responder Expenditures – EMS Fund

The County contracts with the eighteen first responder EMS providers that respond to calls using paramedics and that utilize Advanced Life Support (ALS) or Basic Life Support (BLS) equipment and personnel. First responder contractual expenditures increased 5% from FY2012 to FY2013 and are estimated to increase at 4% through the forecast period.

Change in EMS First Responder Expenditures				
2013	**2014**	**2015**	**2016**	**2017**
4.0%	4.0%	4.0%	4.0%	4.0%
2018	**2019**	**2020**	**2021**	**2022**
4.0%	4.0%	4.0%	4.0%	4.0%

Purchase of Water - Utilities Water Funds

A major expense to the Water System is the purchase of water from Tampa Bay Water. The annual change in the cost of water reflects the combined impact of changes in Tampa Bay Water rates and/or changes in consumption including decreases in wholesale customer base. The actual cost in dollars will be dependent on the amount of water purchased.

Change in Cost of Water Purchased from Tampa Bay Water				
2013	**2014**	**2015**	**2016**	**2017**
-3.0%	-9.1%	0.5%	-9.2 %	1.1%
2018	**2019**	**2020**	**2021**	**2022**
0.5%	2.7%	2.7%	2.7%	2.7%

Chemicals - Utilities Water and Sewer Funds

The increase in the cost of chemicals for Water and Sewer operations has been historically around 7% annually. The forecast projects this trend to continue.

Change in Cost of Chemicals for Utilities				
2013	**2014**	**2015**	**2016**	**2017**
7.0%	7.0%	7.0%	7.0%	7.0%
2018	**2019**	**2020**	**2021**	**2022**
7.0%	7.0%	7.0%	7.0%	7.0%

Capital Outlay - Utilities Water and Sewer Funds

The Water and Sewer capital outlay forecasts reflect the construction and purchase needs as estimated by the Pinellas County Department of Environment and Infrastructure engineering section. The Water forecast does not include any future costs of a water blending facility.

Solid Waste Expenditures – Utilities Solid Waste Funds

Solid Waste operating expenditures are projected to generally follow overall inflationary trends. The Solid Waste capital outlay forecast reflects the construction and purchase needs as estimated by the consulting engineering services report by CDMSmith, Inc. There is a large capital need forecasted for FY2016, FY2017 and FY2018 to install additional air pollution measures, in anticipation of tighter regulatory requirements.

FUND REVIEWS

The *Fund Reviews* portion of the FY2013 Budget Message includes ten-year forecasts for ten of the County's major funds:

- General Fund
- Tourist Development Fund
- Transportation Trust Fund
- Capital Projects Fund
- Emergency Medical Services Fund
- Fire Districts Fund
- Airport Fund
- DEI - Water Funds
- DEI - Sewer Funds
- DEI - Solid Waste Funds

Sections in Each Fund Forecast

Each fund forecast includes the following sections:

- **Summary:** Provides an at-a-glance summary of the ten-year forecast.
- **Description:** Provides information concerning the fund such as: fund type, legal authority, authorized uses of proceeds, etc.
- **Revenues**: Provides a high level overview of the major revenues in the fund
- **Expenditures**: Provides a high level overview of the major expenditures in the fund
- **Ten Year Forecast**: Includes key assumptions in the forecast, a chart of the ten-year forecast, and key results interpreted from the forecast chart
- **Potential Risks:** Includes key factors that affect assumptions in the forecast over the forecast horizon
- **Balancing Strategies**: Includes potential revenue and expenditure options for balancing the funds

Additional Information

The fund reviews in this section are intended to be high level, user-friendly summaries of the results of the ten-year forecast for each fund.

For more detailed information, please see the *Key Assumptions* section and Exhibit F that contains pro-formas for each fund.

Pinellas County

FUND REVIEWS: GENERAL FUND

Summary

The General Fund encompasses the principal governmental activities of the County, that is, those that are not primarily supported by dedicated revenues or by user fees. The four main revenue sources for the General Fund are Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes.

The forecast projects that beginning in FY2013, recurring expenditures will exceed recurring revenues in the General Fund. This is primarily due to decreased taxable property values in FY2013 and FY2014, with a return to increasing property tax revenue not occurring until FY2016. There is a long-term structural imbalance of approximately $15M to $20M per year over the forecast period absent action to address this problem.

The balancing strategy for the General Fund is to completely cover the shortfall in FY2013 and partially cover the shortfall in FY2014 by utilizing the Service Level Stabilization Account (SLSA). Following FY2014, additional expenditure reductions or revenue increases may be required to address the structural imbalance. The extent of the changes will be heavily dependent on the pace of the economic recovery, particularly the real estate market.

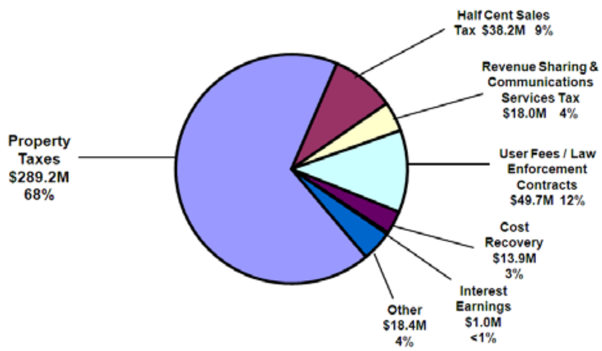
Description

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 8% of the total (net of reserves).

Revenues

Property Taxes are the single largest source of General Fund revenues, accounting for more than two-thirds of the total. The four primary funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise about 81% of the revenue. The remaining 19% is derived from a variety of resources, including User Fees, Grants, Interest, and Cost Recovery from other County funds.

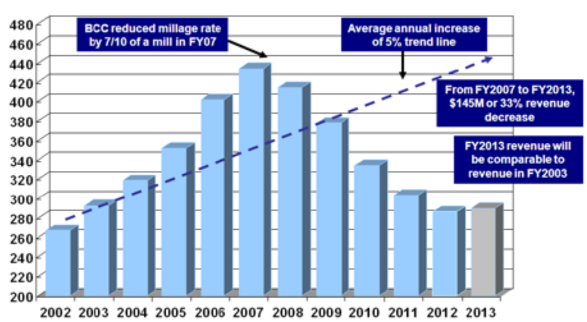
FY2013 General Fund Revenues



Property Taxes

The decline in property tax revenue from FY2008 to FY2012 exceeded the increases that occurred from FY2004 though FY2007. The FY2012 budgeted revenue is comparable to the revenue collected in FY2002. The chart below features a dotted line showing what the historical average of 5% growth in property tax revenue would look like. It shows that the above-average amounts collected in FY2004 through FY2008 have been overcome by the large gap between current property tax revenues and where they would have been if the historical 5% growth had taken place.

General Fund Property Tax Revenue (FY2002-FY2013) in millions



The State's mandated increase in the County's costs discussed in detail in the "Medicaid" section of the Budget Message adversely affected the General Fund. In order to stay the course on the established multi-year strategy for achieving financial sustainability, the proposed FY2013 budget includes an increase of 0.25 mills in the county-wide millage rate. No increase is proposed for the MSTU millage rate.

The combined General Fund property taxes for countywide and MSTU are expected to generate $289.2M in FY2013. The total property tax revenue will be comparable to FY2003, and is $145M, or 45%, less than the FY2007 peak revenue.

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 9% of total General Fund revenues. Sales Tax collections have begun to recover from the effects of the recession, but estimated revenues for FY2013 are still 9% under the peak year of FY2006. This tax is expected to generate $38.2M in FY2013.

State Revenue Sharing

The third major General Fund source, State Revenue Sharing, which is 2% of total General Fund revenues, is also primarily based on the State's sales tax revenue. This source would be expected to generate $14.4 million in FY2013. However, the State's implementation of the Medicaid mandate, which holds back funds for the alleged "backlog" of Medicaid billings, means that the County can only expect to receive $7.2 million in FY2013. This is 59% less than the FY2006 peak year revenue.

The State also plans to reduce the County's Revenue Sharing amounts for FY2014 through FY2017.

Communications Services Taxes

The fourth major revenue in the General Fund is the Communications Services Tax (CST). The CST is expected to generate $10.7M in FY2013, down from a peak of $13.8M in FY2007. Pinellas County's revenue reflects the statewide trend for this source, which has experienced continued erosion due to heightened competition in the wireless market and reduced consumer spending following the recession.

Other Revenues

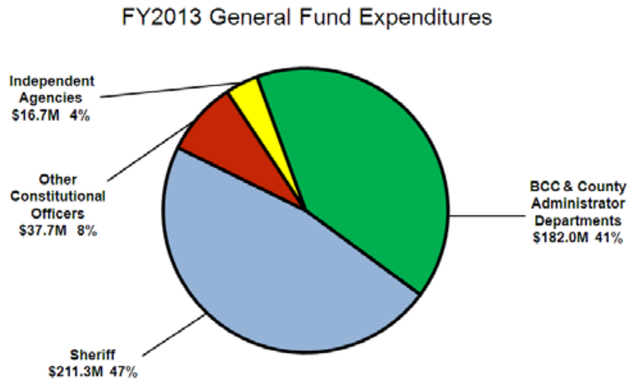
Lesser revenue sources include User Fees, Sheriff's Law Enforcement Contracts, Cost Recovery from other funds, Interest Earnings, and various other sources including Federal and State grants. In general these revenues decreased as a result of the recession, but are mostly expected to resume moderate growth in FY2013 and 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 budgeted expenditures in the General Fund total $428.4M (net of reserves and the Service Level Stabilization Account) and can be summarized in four groups: the Board of County Commissioners, the Sheriff, Other Constitutional Officers, and Independent Agencies.

FUND REVIEWS: GENERAL FUND



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 Board of County Commissioners (BCC). They are $182.0M or 41% of total FY2013 General Fund expenditures (net of reserves and Service Level Stabilization Account).

Some of the major BCC programs include: social services; matching funds for Medicaid; building operations and maintenance (including the courts, jail, and Sheriff's headquarters); parks maintenance; environmental protection; environmental 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.

Sheriff

The Sheriff is an independently elected Constitutional Officer. The Sheriff's budget is $211.3M or 47% of total FY2013 General Fund expenditures (net of reserves and Service Level Stabilization Account). 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 $37.7M or 8% of total FY2013 General Fund expenditures (net of reserves and Service Level Stabilization Account). 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 23% 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 $16.7M, or 4%, of total FY2013 General Fund expenditures (net of reserves and Service Level Stabilization Account). They include the County's support for the Judiciary, the State Attorney, the Public Defender, the Criminal Justice Information System (CJIS), the Medical Examiner, the Office of Human Rights, and Human Resources.

Court Support
Much of the County's court support is driven by statutory mandates and Article V of the State Constitution that require the County to fund certain technology expenses, programs, and facilities. Only about 12% of the Judiciary's total budget, 8% 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 over and above the mandated requirements, such as Teen Court, Drug Court, 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.

Other Agencies
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. Personal Services, Operating Expenses, and Capital Outlay in the General Fund are similar to those in other County funds. Several of the other expenditure categories merit additional discussion: Grants & Aids, Debt Service and Transfers.

Grants and Aids

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 FY2013, the County will contribute a total of $6.3M in TIF payments to the cities.

Debt Service

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 potential short term cash flow needs.

Transfers

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). FY2013 includes the first of five $1.5M transfers to the Capital Projects Fund to support the Centralized Chiller project which had been advance-funded from other sources.

Non-recurring funds may also be included in the other expenditure categories. For example, in FY2013 Operating Expenses includes $3.9M in cost allocation charges from BTS to complete funding for the Justice Consolidated Case Management System (CCMS) project.

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 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 for one-time purposes only. They should not be used to fund ongoing programs.

Ten-Year Forecast

Key Assumptions – Revenues

For the purposes of the forecast, it is assumed that the General Fund millage rates for both countywide and MSTU purposes will remain the same as the proposed rates for FY2013. The millage rates have not changed since FY2008, at which time they decreased due to action by the State Legislature. The proposed countywide millage rate is 5.0608 mills. The proposed MSTU rate is 2.0857 mills, the same as FY2012.

FUND REVIEWS: GENERAL FUND

As explained in the Key Forecast Assumptions section of this document, the forecast is that taxable values will decrease by 2% in FY2014 before returning to positive growth of 2% in FY2015. In FY2016 and later years, the forecast assumes an annual growth rate of 4%, slightly less than the 5% historical average growth which occurred in the years before the real estate boom.

For the State Shared Half-Cent Sales Tax, we anticipate a 3.5% annual growth for the FY2013-FY2022 forecast period.

The underlying sources of State Revenue Sharing are expected to return to a pattern of moderate growth slightly less than the sales tax, with an annual increase of 2.5% through the forecast period. However, the implementation of the Medicaid mandate will result in the State significantly reducing the amount of revenue sharing funds the County receives for FY2013 through FY2017.

Communications Services Tax revenue is forecast to decline by less than one percent in FY2013, before returning to annual growth ranging from about 1% to 2% in FY2014 through FY2022.

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

Key Assumptions - Expenditures
The forecast assumes a continuation of current (FY2013) programs and service levels.

The basic assumptions for Personal Services and Operating Expenses that are used throughout the forecast apply to the General Fund. The forecast does not assume any net additional positions.

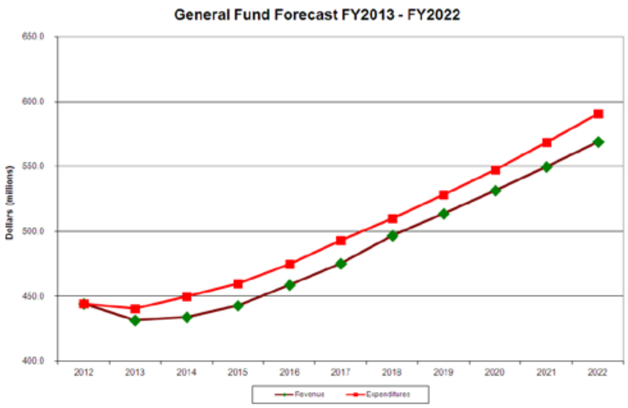
However, certain expenses such as electricity, fuel, and state-mandated Medicaid charges result in the General Fund's Operating Expense growth differing somewhat from the basic Consumer Price Index (CPI).

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 FY2013 and $1.5M per year for FY2014 through FY2017.

No new programs funded by 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.

Several capital improvement projects are expected to impact operating expenditures when completed. These projections have been incorporated into the forecast. For example, several energy conservation projects currently in progress are anticipated to reduce future ongoing utilities costs. Conversely, completion of the Lake Seminole Alum Injection project will place additional demands on General Fund resources. As specific increased needs are identified, to the extent possible these new demands will be accommodated within existing budgets.



Forecast Budget Gap Without Corrective Action				
2013	**2014**	**2015**	**2016**	**2017**
($9.1M)	($15.8M)	($17.3M)	($16.1M)	($17.7M)
2018	**2019**	**2020**	**2021**	**2022**
($13.2M)	($14.5M)	($16.0M)	($18.9M)	($21.5M)

Key Results

The forecast projects that in FY2013, recurring expenditures will exceed recurring revenues in the General Fund by an estimated $9.1M. A structural gap of approximately $15.0M to $20M would remain throughout the forecast period without action to address this problem.

The structural gap is smaller than the February 2012 forecast projection primarily due to improvement in FY2013 taxable values, compared to the earlier forecast which assumed a 4% decrease. The actual decrease is 1.8%. The proposed millage increase of 0.25 mills in FY2013 to support mandated Medicaid expenditure allows us to stay the course and maintain the multi-year balancing strategy developed over the last several fiscal years.

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 FY2013 values (as of January 1, 2013) reflect the market conditions at the end of the 2012 calendar year.

A change of 1% in the FY2013 countywide taxable value would result in a $2.6M change in revenue at the proposed millage rate of 5.0608. Similarly, a change of 0.1 mills in the rate using the FY2013 taxable value would result in a $5.2M 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 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

There will be five proposed amendments to the State Constitution related to property taxes on the November, 2012 general election ballot. Two would have relatively minor impact on the tax base. Amendment 2 would expand the property tax discount on the homesteads of disabled combat veterans to include those who were not Florida residents when they entered the military. Amendment 9 would authorize the Legislature to provide property tax relief to surviving spouses of military veterans or emergency first responders who died in the line of duty.

Amendment 11 would authorize the Legislature to allow local governments to increase exemption amounts for low-income seniors who have maintained permanent residency for at least 25 years. The Legislative staff has estimated this would have a negative impact on local government revenues of more than $9M statewide beginning in FY2015.

Amendment 10 would increase the amount of the tangible personal property exemption from $25,000 to $50,000. The Legislative staff has estimated this would have a negative impact on local government revenues of more than $20M statewide beginning in FY2014.

Amendment 4 includes three proposed expansions of property tax exemptions. The first would reduce the cap on the annual change in taxable values for non-homesteaded property from 10% to 5%. The second would allow the Legislature to eliminate the "recapture rule" and prevent the assessed value of a property from increasing when its market value declines, even if the assessed value is less than the market value. The third would grant an initial homestead exemption of 50% of market value to homeowners who have not had a homestead exemption in Florida in the previous 3 years. If approved, these proposals would result in further significant reductions to the tax base. The Legislative staff has estimated the cumulative impact of the proposals to be a revenue loss to local governments of nearly $1 billion statewide by FY2016. The Florida Association of Counties estimates the potential revenue loss for Pinellas County at $3.7M in FY2014, growing to $12.7M annually by FY2017.

Other new exemptions as well as revenue and expenditure caps have been discussed and their passage in future legislative sessions 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 economic recovery stalls or deteriorates into a new 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. The 3.5% annual growth in the Sales Tax forecast for FY2013 generates about $1.3M to $1.8M in additional revenue each year, which would be impacted by variations from the anticipated economic recovery assumptions.

The forecast assumes that the sources tied to Revenue Sharing will grow at 2.5% per year, a rate slightly less than the growth in Sales Tax. However, as mentioned previously, the State's implementation of the Medicaid mandate, which holds back funds for the alleged "backlog" of Medicaid billings, means that the County will receive considerably less than the full amount for the next several fiscal years. This illustrates the point that 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 is subject to revision by the Legislature.

State Budget Impacts
For the fourth year in a row, the State faced a significant budget gap for its FY2013 budget. Upcoming budget cycles will continue to be challenging given the reliance on sales taxes as the

State's primary revenue stream. In dealing with upcoming State budget gaps, the Legislature may continue to reduce the amount of revenue it shares with local governments or cost shift more state responsibilities to the counties and cities.

The Medicaid mandate is only the most recent example of this tactic. Previously, for example, 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.

These formula changes can have serious impacts on the General Fund. A 10% cut in the Sales Tax formula would reduce revenues by over $3.8M.

Similarly, there has been repeated pressure from the telecommunications industry to reduce the scope of services that are subject to the Communications Services Tax. The 2012 Legislature approved a bill, subsequently signed by the Governor, which will have a negative statewide impact on local CST revenues of more than $25M. The impact on Pinellas County revenues is undetermined at this time.

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. For example, in the 2000 Census Pinellas represented 5.8% of the State's 16 million residents. By the 2010 Census, Pinellas' population remained virtually the same, while the State population grew to 18.8 million. As a result, Pinellas represented 4.9% of the State's population in 2010. Although 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 from 1989 to 2008 the change in the CPI 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 FY2013 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 FY2013, 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 bill approved in 2012 tentatively establishes increased rates for the State 2014 fiscal year (July 1, 2013 to June 30, 2014) to address the system's unfunded liability. These rates are subject to change in next year's legislative session. The forecast assumes that the State will increase rates significantly to address the unfunded liability over the next two years, as contemplated in the 2012 legislation, after which the rates should stabilize, but there is a large degree of uncertainty in that the Legislature and Governor have demonstrated that they are willing to make major structural changes to the pension system.

In addition to this general uncertainty, the requirement for employee contributions to FRS has been challenged by a lawsuit filed on behalf of public employees by several labor organizations. The case is currently before the Florida Supreme Court, which is expected to hear oral arguments in September 2012 and issue its ruling in October. If the employee contribution requirement is overturned, the County would face increases to employer contributions which would negatively impact personnel costs in FY2013 and future years. Depending on how the State structures the new contribution requirements, the increased cost to the General Fund in FY2013 could be as much as $13M.

Health Insurance

Health insurance costs are impacted by inflation and also by the package of benefits offered. The extent to which the ratio of active employees to retirees changes will also impact the County's employer contributions to the health plans. 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 its budget problems, there is likely to be growing pressure to push expenses down to local governments even while imposing more restrictions or rollbacks on local revenues. The 2012 Legislature's Medicaid mandate illustrates this point.

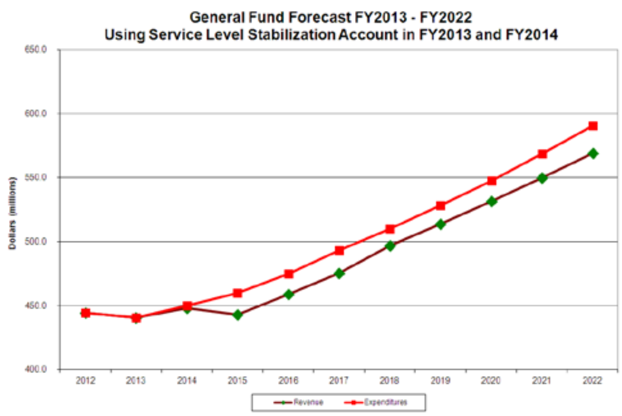
Theoretically, Article VII Section 18 of the Florida Constitution has a prohibition against imposing unfunded mandates on counties and cities. In practice, the Legislature can avoid this prohibition in many ways, through exemptions (such as mandates to enforce criminal laws) or exceptions, including 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 2009 alone the Legislature

enacted 25 laws containing 74 provisions that imposed mandates on counties and municipalities.

Balancing Strategies

One of the key financial strategies employed over the past three years has been the creation of a Service Level Stabilization Account (SLSA) in the General Fund. The SLSA represents non-recurring funds generated by taking reductions in FY2010, 2011, and 2012 over and above what was necessary to balance the budget. The current balance in the SLSA is $28.6M and none of the SLSA has been reallocated by the Board of County Commissioners to be expended.

The $28.6M in the SLSA can be used to cover shortfalls in the General Fund over the next two budget cycles. The SLSA helps provide flexibility in the budget to avoid making reductions to the point where revenues bottom out and allows us to bridge to a time when the budget has stabilized and begins to improve. Because it is a non-recurring funding source, it is very important that we carefully monitor the structural balance of the General Fund as the SLSA is spent down. The chart below assumes that growth in expenditures is limited to inflation and that the SLSA is used in FY2013 and FY2014 to cover the forecasted shortfalls in those two years.

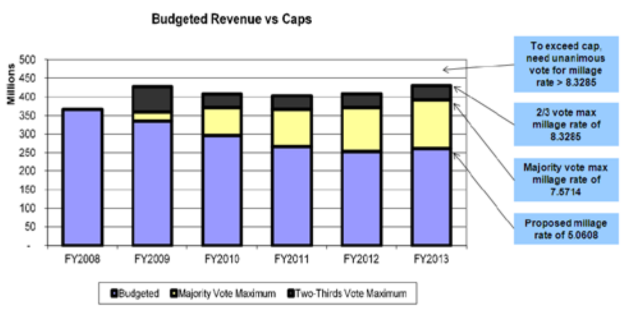


Forecast Budget Gap With use of Service Level Stabilization Account				
2013	**2014**	**2015**	**2016**	**2017**
$0	($1.6M)	($17.3M)	($16.1M)	($17.7M)
2018	**2019**	**2020**	**2021**	**2022**
($13.2M)	($14.5M)	($16.0M)	($18.9M)	($21.5M)

Assuming that the balance in the SLSA is drawn down over FY2013 and FY2014, there are several balancing strategies that could be considered to address the ongoing structural gap in revenues and expenditures.

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 five years, General Fund costs have been reduced to the point that any further cuts would directly impact the continuation of programs as well as service levels.

Revenue increases are another option. In a year where taxable values are negative, the property tax rate could be increased to make up some or the entire 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. In 2007, the Legislature enacted new limitations on property tax revenue increases for local governments. The caps limit growth in property tax revenue to the average growth in Florida personal income and new construction. The caps went into effect beginning in FY2009, using the FY2008 level of property tax revenue as the base. As shown in the chart below, capacity under the cap has increased as property tax revenues have decreased. There is currently a wide spread between the proposed millage rate of 5.0608 and the cap limit of 8.3285.



Another revenue balancing option is the implementation of a storm water strategy that includes a new dedicated funding source. If a dedicated funding source was available, approximately $3.1 million of storm water costs currently funded in the Municipal Services Taxing Unit (MSTU) could be freed up to create additional capacity.

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 past budget processes, 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) and payments in lieu of taxes or a return on equity from enterprise funds.

GENERAL FUND ALTERNATIVES

The *General Fund Alternatives* portion of the FY2013 Budget Message provides an overview of options for the General Fund budget. As discussed in "Medicaid" section of this Budget Message, the cumulative negative impact of the Medicaid unfunded mandate over the forecast period is $68.9M. The Proposed Budget assumes a 0.25 mill increase to address the Medicaid mandate imposed by the State and balance the budget. Other options are available to the Board of County Commissioners in finalizing the budget. This section discusses the following alternatives:

- Proposed Option (increase millage)
- Combination Option
- Expenditure Reduction Options
- Problem Deferral Option
- Legislative Intervention Option

Proposed Option

As noted, the Proposed Budget includes a 0.25 mill increase in the General Fund countywide levy. It will generate $12.9M, an amount commensurate with the additional Medicaid bill presented to the County. The resulting millage rate of 5.0608 is slightly above the estimated rolled back rate of 5.0112.
The impact on a homesteaded property at the average taxable value is about $25 per year.

The proposed millage increase offers many advantages:

- Provides recurring revenues to offset the unfunded mandate.
- Enables the budget strategy of using Service Level Stabilization Account (SLSA) funds in FY2013 and FY2014 to mitigate additional reductions going into the recovery.
- Addresses the problem now; does not defer the problem to a future year.

Combination Option

By raising the millage to the rolled back rate of 5.0112, an additional $10.4M will be generated. The impact on a homesteaded property at the average taxable value is about $20 per year.

Since the increased tax revenue amount falls short of the additional Medicaid bill presented to the County, the remaining gap can be filled by advancing additional SLSA funds to FY2013.

The implications of this approach are:

- Provides recurring revenues to partially offset the unfunded mandate.
- Partially enables the budget strategy of using SLSA funds in FY2013 and FY2014 to mitigate additional reductions going into the recovery.
- Partially defers the problem to a future year as the SLSA would not fully cover the forecast gap for FY2014.

Expenditure Reduction Options

The General Fund has experienced a 35% reduction overall since the beginning of the "Great Recession" in 2007. Some departmental programs like Parks have seen reductions of nearly 50%. Other programs, such as Public Safety, have been impacted less than the 35% average. The cumulative impact of these reductions has severely compromised the organization's capacity to absorb additional cuts.

To place this in perspective, the Sheriff and the Health and Human Services Department alone constitute 57% of the entire General Fund.

There are three basic approaches to reducing General Fund expenditures. These strategies are described in the following paragraphs.

Reduce Expenditures within Health and Human Services

The first expenditure option is to contain the impact of the unfunded mandate to the Health & Human Services (HHS) budget. The county portion of the state mandated Medicaid contribution has historically been funded within the HHS budget (about 30% of the total HHS budget). The additional unfunded mandate of $12.2 million would bring the FY2013 total to $25.2 million, or 45% of the entire HHS budget.

Reducing other HHS programs by the amount of the Medicaid mandate would seriously compromise those programs. For example, in order to absorb the impact, virtually the entire Healthcare Services budget would be eliminated.

Implications of this approach are:

- Severely impacts service delivery to the medically indigent.
- The Affordable Care Act may bring budget relief and additional capacity starting in FY14.
- Addresses the problem now; Does not defer the problem to a future year.

Reduce Expenditures for All Board of County Commission General Fund Departments

Under the County Administrator, three departments comprise almost two-thirds, and four departments about three fourths, of the General Fund.

DEPARTMENT	AMOUNT ($)	%
Health & Human Services	$55.7M	38%
Real Estate Management	$28.0M	19%
Parks & Conservation Resources	$19.2M	13%

TOTAL	**$102.9M**	**70%**
Department of Environment & Infrastructure (DEI)	$14.6M	10%
TOTAL	**$117.5M**	**80%**
Everything Else	$28.8M	20%

In order to offset the Medicaid Mandate, nearly every other department beyond the four noted above would need to be eliminated, especially when considering that other such other mandates as juvenile detention costs ($4.7M) and animal control ($1.5M) are represented in the $28.8M for all other departments.

A review of the largest programs within the four largest departments reveals they are either mandates or align with the Board's Strategic Direction and core service areas.

Health and Human Services **<u>$55.7m</u>**
$13.9 (25%) Health Program
$25.2 (45%) Medicaid Mandate (includes revenue reductions)
<u>$6.3 (11%)</u> Financial Assistance
$45.4 (82%)

Real Estate Management **<u>$28m</u>**
$9.6 (34%) Utilities (electric, water, sewer, etc.)
$9.1 (33%) Maintain Facilities
<u>$3.2 (11%)</u> Maintain Jail
$21.9 (78%)

Parks and Conservation Resources **<u>$19.2m</u>**
$5.7 (30%) Maintain Parks
$4.0 (21%) Safety/Security
<u>$3.6 (19%)</u> Mowing/Grounds (Parks and Right of Way)
$13.3 (69%)

Environment & Infrastructure (DEI) **<u>$14.6m</u>**
$2.8 (19%) Mosquito Control
$2.6 (18%) Stormwater
<u>$1.6 (11%)</u> Vegetation Control/Pond Maintenance
$7.0 (48%)

Excluding these key programs from reductions would result in severe cuts for all other programs.

Reduce Expenditures for All General Fund Departments and Agencies

As noted above, the Sheriff, Constitutional Officers, and Independent Agencies actually represent a majority of the General Fund Budget. In recent years, these agencies have experienced substantial proportional reductions as the elected officials and agency heads have cooperated with the Board's requests to share the burden of balancing the budget. At this point, seeking additional reductions from these agencies (for example, $6M from the Sheriff) is unlikely to yield meaningful results since their programs have already been significantly reduced.

Problem Deferral Option

Spend down the entire balance of the Service Level Stabilization Account in FY2013 and not make any substantial reductions.

Implications of this approach are:

- Departs from the budget strategy of using of service level stabilization funds in FY2013 and FY2014 to mitigate additional reductions going into the recovery as they will be depleted in FY2013.
- Avoids the problem today, but creates a larger problem in FY2014; a $33 million gap.
- The FY2014 gap would require a 0.67 mill property tax increase.

Legislative Intervention Option

Petition the Legislative Delegation to advocate the reversal of the law due to the property tax increase and program implications.

Implications of this approach are:

- The Delegation may not support the request as the majority supported the Bill.

GENERAL FUND RESERVES

The *General Fund Reserves* portion of the FY2013 Budget Message describes the purpose of reserves, the relevant industry standards, the County's budget policies on reserves, and the specific components of the FY2013 General Fund Reserves. It includes the following sections:

- Purpose of Reserves
- New Accounting Standards and Best Practices
- General Fund Reserve Policy
- FY2013 Budgeted Reserves
- FY2013 Estimated Ending Fund Balance

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 $1.2 billion (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 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 became 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.

For Reserves (Fund Balances), GASB 54 changed 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
Unrestricted Categories	•Assigned	Amounts determined by Admin in accordance with BCC policy	* Cash Flow Reserve * Encumbered Contracts Reserve * Disaster Response Reserve
Unrestricted Categories	•Unassigned	Fund Balance in excess of Reserves	Non-recurring funds for one-time expenses

The amount and use of Non-Spendable and Restricted Reserves are defined by the value of inventories and limitations imposed by external entities such as grants that are being carried forward from the previous year. The budget policies address the other "unrestricted" categories.

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 Recommended Best Practice on the Appropriate Level of Unrestricted Reserves (Fund Balance) in the General Fund which states:

GENERAL FUND RESERVES

> *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 the new requirements from GASB 54 and the updated GFOA Best Practice, the Board of County Commissioners revised the 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.

For FY2011, the Board revised its budget policy to incorporate this more conservative approach given that Pinellas County is a high hazard, coastal county. 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.***

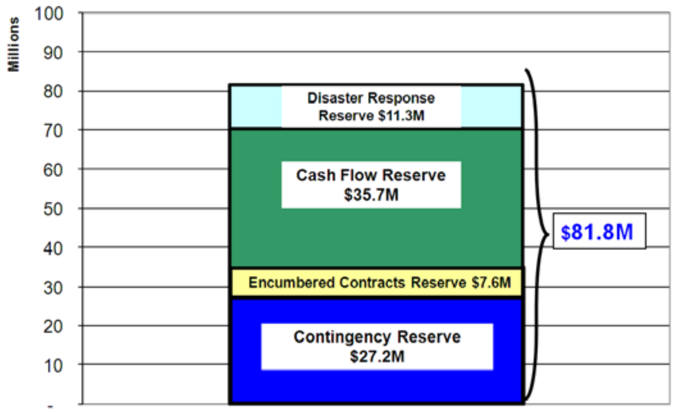
The policy essentially sets a floor of 15% for the reserve level and does not set a cap to limit the reserve. The complete list of Budget Policies is presented in Exhibit A of the Budget Message.

FY2013 Budgeted Reserves

The FY2013 General Fund budget includes a projected reserve of $81.8M which meets the Board's 15% policy target.

The components of the estimated FY2013 year-end reserves are Contingency, Encumbered Contracts, Cash Flow, and Disaster Response.

GENERAL FUND RESERVES



Contingency Reserve

The Contingency Reserve, which is budgeted at $27.2M in FY2013, 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 $7.6M in the Encumbered Contracts Reserve for FY2013 represents the average amount that was encumbered at month's end for the 12-month period ending May 2012.

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 68% of the total General Fund revenue. The FY2013 amount for the Cash Flow reserve, $35.7M, 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 FY2013, $11.3M 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

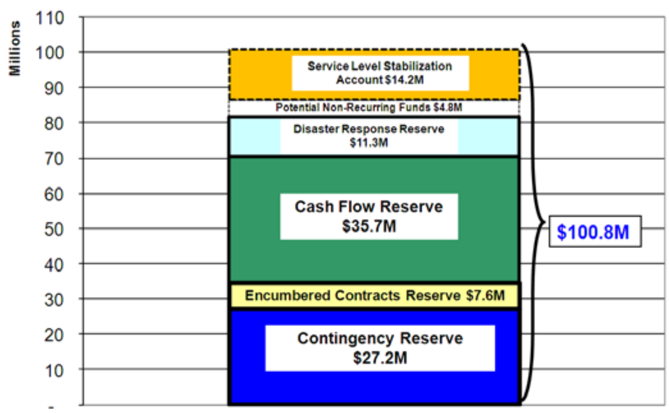
property tax revenue in the following year. Sales and other taxes would also decrease due to the negative effects on tourism from the storm. Rebuilding would generate additional revenues, but it would take time to offset the losses in the aftermath of the disaster. As an indication of the size of this 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.

FY2013 Estimated Ending Fund Balance

It is anticipated that at the end of FY2013, the Ending Balance in the General Fund will be higher than the Reserves amount reflected in the budget. This is due to the impact of the Service Level Stabilization Account, the method of budgeting revenues that is required by Florida Statute, and the potential for spending less than the total amount budgeted in the fund.

When these adjustments are factored in, it is estimated that the actual FY2013 General Fund Balance reflected in the Comprehensive Annual Financial Report will be approximately $100.7M.



Service Level Stabilization Account

The Service Level Stabilization Account is included in the budgeted appropriations for the General Fund. These funds will not be expended unless explicitly authorized by the Board of County Commissioners in response to an unanticipated emergency need. The multi-year strategy for the General Fund is that these appropriations will not be spent and will return to

the fund balance at the end of the fiscal year. They will then be available to help mitigate shortfalls in FY2014 and FY2015.

Potential Non-Recurring Funds

Non-recurring funds are realized as additional fund balance resulting from revenue in excess of expenditures in a given fund. 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

The primary sources for the non-recurring funds estimated to be available at the end of FY2013 budget are additional revenues received over and above the 95% statutory requirement and actual expenditures which may be less than originally projected.

Florida Statutes require that most revenues be budgeted at 95% of the projected amount. Under normal circumstances, this will result in additional revenues being received during the fiscal year over and above the amount reflected in the budget.

While every effort is made to avoid budgeting funds that will not be spent, the historical average is that taken as a whole, departments will spend about 99% of the budget. Any amounts above this average help generate additional non-recurring funds.

The 10-year forecast for the General Fund reflects adjustments for the additional revenue and the expenditure savings to avoid overstating potential future shortfalls.

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 $4.8M in potential Non-Recurring Funds is shown here for purposes of illustration only. The actual amount, if any, may vary significantly and will be dependent on actual revenues and expenditures during FY2013.

UNINCORPORATED AREA (MSTU) BUDGET

The *Unincorporated Area (MSTU) Budget* portion of the FY2013 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:

- 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 FY2013 is 2.0857 mills. This rate has remained the same since FY2008.. The tax base for the MSTU declined by 3.3% compared to FY2012.

- 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 FY2013, these revenues include: communications services taxes; fees for building permits, tree removal, lot clearing, and zoning; administrative reimbursements for transportation impact fees; and mobile home licenses.

- Revenues Specifically Allowed by State Law: Chapter 218.64 of the Florida Statutes authorizes the County to allocate a portion of the One-Half Cent Sales Tax (a state shared revenue) to the MSTU. Sales tax support for the MSTU is $3.4M, which is based on the MSTU's percentage of total General Fund operating expenses.

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- 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 FY2013, 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 FY2013, 32% 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 FY2013 Budget, these activities are building inspection, development review services, code enforcement, lot clearing, local stormwater drainage maintenance, and the East Lake Library operating grant.

- Departments or Programs partially dedicated to the MSTU: Departments whose services, and therefore costs, are allocated between countywide and MSTU activities include 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.

The following table is a summary of the MSTU budget for FY2013.

MUNICIPAL SERVICES TAXING UNIT (MSTU)
FY2013 BUDGET

REVENUES	FY2012 Budget	FY2013 Budget
Ad Valorem Taxes	28,556,950	27,558,160
Delinquent Taxes & Tax Redemptions	118,240	112,330
Franchise Fee - I-Net	5,560	-
Franchise Fee - PEG	324,240	-
Communications Services Tax	10,900,000	10,735,680
Building Permits	3,832,530	4,273,970
Tree Removal Permits	229,890	218,390
Mobile Home Licenses	81,880	74,870
Local Gov't 1/2¢ Sales Tax	3,200,000	3,437,580
Tax Collector Excess Fees	182,050	170,000
Sheriff Excess Fees	212,670	202,500
Property Appraiser Excess Fees	-	-
Reimbursement of Impact Fee Admin.	5,000	4,750
Zoning Fees	409,380	388,910
Sheriff Civil Income	75,420	86,630
Lot Clearing	72,200	95,210
Interest and Miscellaneous	236,780	112,490
Subtotal - Revenues	48,442,790	47,471,470
Beginning Fund Balance	18,540,920	25,035,680
TOTAL RESOURCES	**66,983,710**	**72,507,150**
EXPENDITURES AND RESERVES		
Building Inspection	3,453,010	3,642,850
Prior Years' Recreation Grants outstanding	145,930	-
Development Review Services	2,233,880	2,253,770
Zoning (in Planning Dept, formerly in DRS)	218,700	205,680
Economic Incentive Grants	41,160	43,770
Environmental Codes Enforcement	1,398,710	1,409,840
Public Works Permitted Facilities(Stormwater)	3,107,010	2,703,560
Property Appraiser Fees	304,940	307,740
Tax Collector Fees	607,410	571,540
Sheriff	32,549,080	34,043,070
East Lake Library Operating Grant	242,990	242,990
Subtotal - Expenditures	44,302,820	45,424,810
Reserve for Contingencies	3,349,190	3,625,360
Reserve - Fund Balance	19,331,700	23,456,980
TOTAL EXPENDITURES & RESERVES	**66,983,710**	**72,507,150**

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

Pinellas County

FUND REVIEW: TOURIST DEVELOPMENT COUNCIL FUND

Summary

The Tourist Development Council (TDC) Fund is primarily funded by tourist development taxes that are extremely sensitive to general economic conditions. Tourist Development tax revenues have been steadily improving since Spring 2010, and are anticipated to continue to increase at 3.0% throughout the forecast period matching anticipated gradual growth as part of the recovery in the broader U.S. economy.

The forecast for the Tourist Development Council Fund shows that the fund is balanced through the forecast period based on the assumption that the promotional activities budget would be adjusted to reflect any revenue increases or decreases that may occur. Beginning in FY2016, the fund is forecast to have additional capacity once the debt service on the Tropicana Field and the Dunedin Spring Training Facility is paid off in 2015. The additional capacity could be dedicated to new capital outlay, as with the Board approved Salvador Dali Museum funding, new debt service, or to supplement the promotional activities budget. In FY2010, the Board revised the Tourist Development Plan to allow funding of capital projects for non-profit museums that are open to the public and the Board also approved a review of the Tourist Development Plan every five years.

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. Section 125.0104, Florida Statutes, was 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% with one-half of this amount earmarked to fund beach re-nourishment projects. In January 1996, an additional 1% was levied to provide additional funds for promotional activities, beach re-nourishment, 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% was levied to provide funding for promoting and advertising tourism. In November 2010, the Board approved an extension of the 5% tourist development tax to 2021. After 2015, it was determined that no more than 80% of the money generated by the 4th cent would be used for a new stadium proposed by the Tampa Bay Rays (Major League Baseball team leasing Tropicana Field), while the 5th cent would be dedicated for tourism promotion.

The fund supports the Tourist Development Council, serving as Visit St. Pete/Clearwater through the bed tax. The Bed Tax is used to enhance the County's economy by increasing tourism and direct visitor expenditures through marketing and promoting the destination.

Revenues

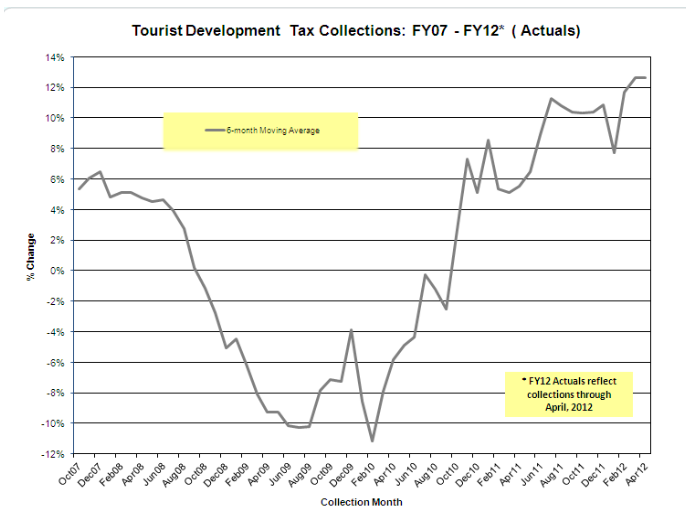
The TDC Fund consists almost exclusively of one primary funding source: tourist development taxes.

FUND REVIEW: TOURIST DEVELOPMENT COUNCIL FUND

Tourist Development Taxes

Tourism is a key economic driver of the economy in Pinellas County and contributes direct and indirect visitor expenditures of approximately $6.8 billion annually. This tax is budgeted to generate $28.5M in FY2013.

Tourist Development tax collections are very sensitive to economic conditions due to the close relationship between disposable income and leisure travel. The following chart showing a 6-month moving average of collections from 2007 to May 2012 indicates that collections bottomed out at the beginning of 2010, but have been rapidly increasing again as the economy has begun to rebound. Over the past year, the rebound in tax revenue has outpaced the overall economy. This chart demonstrates how sensitive tourist tax collections are to economic and other conditions and why having reserves to withstand changing conditions is necessary.



In addition, transient rental occupancy increased 7.4% in the first four months of 2012 as compared to the same period the year before. Collections in FY2012 have grown 11.8% year-to-date in FY2012 and will experience a boost from the 2012 Republican National Convention in August. From FY2013 through FY2022, collections are expected to increase 3% annually as the general economic recovery continues. While recent trends may suggest a stronger rate of recovery, the long-range forecast is conservative due to the sensitivity of this revenue source.

The chart below compares visitor origins between April 2011 and April 2012 and shows that there is a net overall increase of 3.2%. Within this figure, the Southeast visitor segment increased 8.7% and European visitors increased 9.5%.

Visitor Segments	2011	2012	% Change
Florida	84,756	84,153	-0.7%
Southeast	30,674	33,328	+8.7%
Northeast	234,895	248,294	+5.7%
Midwest	270,412	274,956	+1.7%
Canada	66,190	65,823	-0.6%
Europe	105,743	115,815	+9.5%
U.S. Opp. Markets.	14,530	10,831	-25.5%
Total	**807,200**	**833,200**	**+3.2%**

Source: April 2012 Visitor Profile, Research Data Services, Inc.

The European visitor segment represents about 14% of total visitors. Although a slight recession is anticipated for the Eurozone, the number of European visitors is not anticipated to decrease due to the characteristics of the market segment and increased access to the destination. European visitors to Pinellas are a younger, wealthier market segment generally insulated from economic cycles. In addition, the European market will gain increased access from additional air service providing easy access to the destination from cities throughout Europe and Germany. For example, in May 2012, Edelweiss Air started twice weekly, non-stop flights from Tampa to Zurich, Switzerland.

The chart below lists the Annual Average Daily Rate (ADR) that hotels are able to collect and the number of Annual Overnight Visitors since 2000. As a result of hurricanes, red tide, and the economic downturn, ADR stayed flat from 2007 to 2010 and visitor counts declined from a peak of 5.3M in 2007. Since 2010, ADR and visitor counts have rebounded.

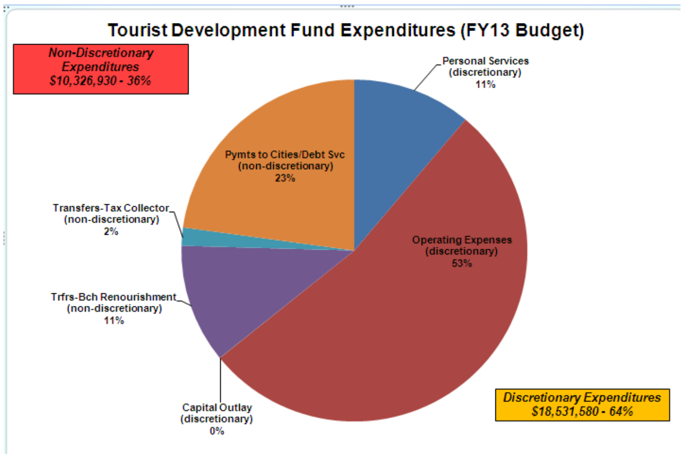
Year	Annual ADR	Annual Overnight Visitors
2000	$71.62	4,700,140
2001	$74.16	4,726,161
2002	$73.16	4,714,432
2003	$74.91	4,837,998
2004	$78.11	5,077,280
2005	$84.32	5,212,435
2006	$93.18	5,254,255
2007	$100.00	5,300,220
2008	$104.38	5,193,980
2009	$101.71	4,991,410
2010	$100.15	5,041,200
2011	$104.83	5,235,200
2011 (thru Apr)	$114.51	1,995,100
2012 (thru Apr)	$122.43	2,080,800

Source: Research Data Services, Inc

Expenditures

The TDC Fund supports budgeted expenditures and reserves in FY2013 totaling $34.4M. The primary expenditures in the fund are $13.7M for promotional activities, $6.6M for debt service for three sports facilities, $3.7M for two transfers, and $5.6M in reserves.

FUND REVIEW: TOURIST DEVELOPMENT COUNCIL FUND



Promotional Activities

This budget of $13.7M helps pay for the promotional activities to promote the St. Petersburg/Clearwater destination. Promotional activities are primarily comprised of the advertising contract at 63%. The balance of the funding supports such programs as sponsorships, publicity, and promotion via technology.

The promotional activities budget was increased in FY2012 due to the higher actual collections as compared to the budget. This is due to actual beginning fund balance being $1.0M higher than anticipated in FY2012 for non-recurring expenditures. In addition, tourist tax revenues have been higher than originally anticipated providing an additional $3.2M in capacity for recurring expenditures.

Over the forecast period, the promotional activities budget will be adjusted to reflect any future revenue increases or decreases that may occur.

Capital Outlay

In FY2010, the Board revised the Tourist Development Plan to allow funding of capital projects for non-profit museums that are open to the public and the Board also approved a review of the Tourist Development Plan every five years. Also in FY2010, the Board approved an agreement that provides payments of $500K annually to the Salvador Dali Museum from FY2015 to FY2019.

Debt Service

This fund dedicates the entire $5.7M 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 the property back 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 fixed 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 to the Capital Projects Fund for beach nourishment projects to support tourism and maintain property values. The transfer is budgeted at $3.2M for FY2013 and is higher than total anticipated collections to account for increased tax collections in FY2012.

This fund transfers $494K to the Tax Collector in FY2012 for administration and collection of the tourist development taxes. This cost is approximately 1.7% of collections.

Reserves

On a budget basis, the reserve level in this fund is currently at 16%, which is slightly above the reserve level requested by the Tourist Development Council. This fund reflects a 15% reserve to serve as a fiscal shock absorber in case tourist development tax revenues deteriorate in response to changes in 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, in FY2009 as a result of the financial crisis, and most recently in FY2010 as a result of the British Petroleum (BP) oil spill.

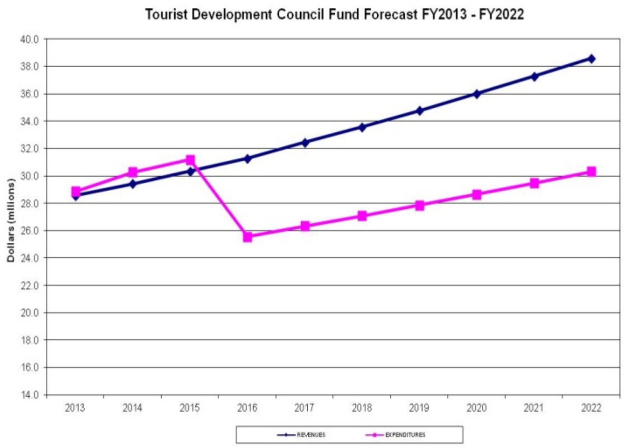
In order to maintain liquidity in this fund, adequate reserves need to be maintained at a minimum level of 10%. This fund has several large expenditures, such as debt service, that come early in the fiscal year and then some occur later in the fiscal year, while peak revenues primarily occur during Spring Break and the Easter timeframe. Since such seasonality occurs for both revenues and expenditures and these fluctuations do not match when they occur, working capital needs would be maintained by using reserves until the revenues are collected.

Ten-Year Forecast

Key Assumptions

The revenue forecast for tourist development taxes assumes only an increase of 3.0% throughout the forecast period, reflecting increasing growth in the economy. On the expenditure side, the promotional activities budget has been increased 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-authorized to service new debt or allocated to supplement the promotional activities budget, except for the additional capital outlay approved for the Dali Museum beginning in FY2015.

FUND REVIEW: TOURIST DEVELOPMENT COUNCIL FUND



Key Results

The forecast for this fund from FY2013 to FY2015 shows that revenues and expenditures are in-line while the fund maintains at least a 15% reserve. Beginning in FY2016, revenues exceed expenditures by a wide margin as the debt service for Tropicana Field and the Dunedin Spring Training Facility is paid off. Even with the Board approved capital outlay to support the Dali Museum for $2.5M from FY2015 through FY2019, revenues will continue to exceed expenditures. 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.

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.

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 appreciation or depreciation of the U.S. dollar also has an impact on the number of international visitors to Pinellas County.

The possibility of offshore drilling in Florida's Gulf Coast could discourage tourism due to the potential negative ecological effects of that industry.

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 beginning in FY2016 will most likely be applied to newly approved debt service or to supplement promotional activities.

Pinellas County

FUND REVIEW: TRANSPORTATION TRUST FUND

Summary

The Transportation Trust Fund is primarily funded by state and local fuel taxes and has been impacted by a downturn in collections due to the recession's effect on the number of miles driven and gallons of fuel sold. Because of the built out nature of Pinellas County, more efficient cars, and fuel conservation efforts, as well as State law that does not allow indexing fuel taxes for inflation, future revenue growth is projected to be relatively flat and not keep pace with inflationary increases for expenditures in this fund.

The forecast for the Transportation Trust Fund indicates that the fund is not in balance beginning in FY2013, resulting in a depletion of fund balance by FY2018. This imbalance primarily results from inflationary pressures on expenditures that exceed the relatively flat growth in gas tax collections that are based upon the volume of fuel. By FY2017, action will need to be taken to manage this future gap such as potential revenue transfers from the General Fund, imposition of additional local option gas taxes, or reductions in current service levels.

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%. The interlocal agreement will expire in 2017.

Revenues

The Transportation Trust Fund consists mainly of three primary funding sources: State shared gas taxes ($9.2 million), a six cent per gallon local option gas tax ($12.6 million), and a one cent per gallon gas tax (the “Ninth Cent”) earmarked for the Advanced Traffic Management System / Intelligent Transportation System ($3.7 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. The amount of revenue 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. As a result, this revenue source is anticipated to experience relatively flat growth.

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. The proceeds are shared with the municipalities through an interlocal agreement stipulating that the County retains 60% of monthly collections and municipalities sharing the remaining 40%.

Ninth Cent Gas Tax

This resource is a one cent per gallon tax on all motor fuel sold within the County including diesel. Unlike the Six Cent Local Option Gas Tax, the proceeds are not shared with the municipalities. This gas tax funds the creation and maintenance of the Advanced Traffic Management System/Intelligent Transportation System in the county.

Expenditures

The Transportation Trust Fund supports expenditures totaling approximately $30.1 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 ($6.7 million), traffic signal and traffic control activities ($7.4 million), and bridge and concrete structures maintenance ($5.8 million).

Intelligent Transportation Systems

As a part of improving 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. The current operating expenses for this program are approximately $1.2 million.

Capital Improvement Project Impacts

Some capital improvement projects have the potential to require increased operating expenditures when completed. Beginning in FY2014, the forecast includes estimated operating expenditures to support completed capital improvement projects.

Transfers

Since the inception of the Ninth Cent gas tax, a transfer takes place annually from the Transportation Trust Fund to the Capital Projects Fund. This transfer pays for 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 average of approximately $2.5 million is transferred annually to the Capital Projects Fund to match state and federal grants available to implement the system on major County and State road corridors.

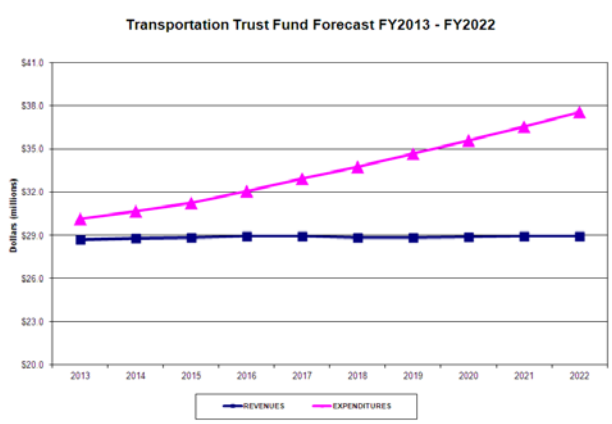
Reserves

The projected reserve level in the Transportation Fund is approximately 29%, which is higher than the 5-15% 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 was merged into the Transportation Trust Fund in accordance with new accounting standards (GASB Statement 54) for FY2012. This reserve level will gradually be reduced after expenditures begin to exceed revenues in FY2012.

Ten-Year Forecast

Key Assumptions

As discussed, the main revenue sources for this fund are state shared gas taxes and local option gas taxes. Revenue growth assumptions have been based on the State's Revenue Estimating Conference's forecast of gallons of motor fuel consumed annually in Florida. The State's annual average growth rate is 2.1%. 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 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.



FUND REVIEW: TRANSPORTATION TRUST FUND

Key Results

Beginning in FY2013, Transportation Trust Fund expenditures exceed revenues throughout the forecast period, which causes a gradual erosion of fund balance until the fund assumes a negative cash position in FY2018. By FY2017, potential revenue and expenditure options will need to be implemented to keep the fund in balance.

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, an increase in electric vehicles, or mass transit efforts could also affect the outer years of this forecast.

In addition, 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.

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 $2.2 million. 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
Hendry	9
Hernando	9
Highlands	12
Lee	12
Manatee	12
Marion	12

Martin	12
Miami-Dade	10
Monroe	10
Okeechobee	12
Palm Beach	12
Polk	12
Putnam	12
St. Lucie	12
Sarasota	12
Suwanee	12
Volusia	12

Another balancing option is the implementation of a storm water strategy that includes a new dedicated funding source. If a dedicated funding source was available, approximately $10.5 million of storm water costs currently funded in the Transportation Trust Fund could be freed up to create additional capacity.

FUND REVIEW: CAPITAL PROJECTS FUND

Summary

The Capital Projects Fund is used to account for all governmental capital projects throughout the County. This fund's primary revenue source is the "Penny for Pinellas" one cent local option sales tax that is very sensitive to general economic conditions. Penny tax revenues declined for several years instead of increasing at the original projected rate due to the recession, but are predicted to increase gradually during the forecast period matching general economic growth as part of the recovery in the local, state, and national economy.

The forecast for the Capital Projects Fund shows that the fund is balanced over the forecast period. Additional cash flow necessary in the first half of the ten-year period is being addressed through an interfund loan from the Solid Waste Replacement & Renewal Fund. The forecast includes repayment of the loan from FY2013 to FY2020.

Description

The Capital Projects Fund is used to account for all the governmental capital projects throughout the County. Such projects include roads, bridges, drainage, beach nourishment, park development, and construction of facilities necessary to provide County services.

Revenues

The major revenue components of the Capital Projects Fund are the Penny for Pinellas, Grants and Reimbursements, and Transfers from Other Funds.

Local Option Sales Tax (Penny for Pinellas)

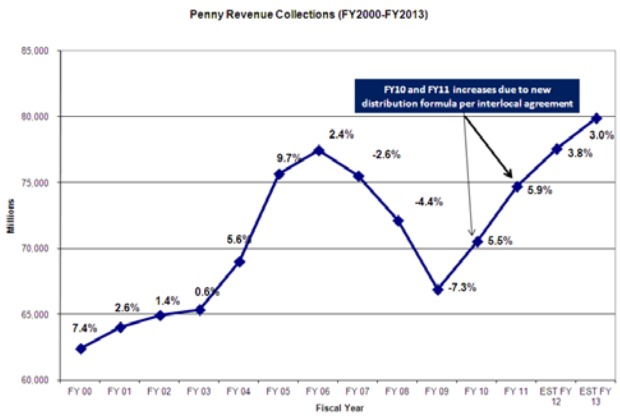
Penny for Pinellas revenues are proceeds of an additional one cent Local Government Infrastructure Surtax on Sales, pursuant to Section 212.055(2), Florida Statutes, imposed in Pinellas County. The authorized use of these funds is generally restricted to infrastructure projects only and cannot be used for ongoing operation and maintenance costs.

The Penny 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). In accordance with statutory requirements, and interlocal agreements with each municipality in Pinellas County, the County receives approximately 52.3% of the total monthly collections generated by this tax, following the deduction of a dedicated amount for countywide use in improving Court and Jail facilities.

The Penny for Pinellas is the primary source of revenue supporting the County's Capital Improvement Program. 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 declined about 15% from FY2007 to FY2009.

Collections increased in FY2010 and FY2011 due to the transition to the new revenue distribution formula that began in February, 2010 and results in a higher percentage of

collections going to the County primarily due to the increase in the Courts & Jail amount from $80M to $225M over the ten year period. The revenue increase to the County is misleading as the underlying Penny revenues actually decreased in FY2010 and FY2011. In FY2013 the Penny is anticipated to increase 3%, which is consistent with the general improvement in the economy. The chart below shows the fluctuation in annual growth rates experienced since FY2000.



Grants and Reimbursements

The second largest sources of revenue in the Capital Projects fund are grants. The FY2013 budget includes $32.7M in local grants, state grants, federal grants, and reimbursements from agencies like the Southwest Florida Water Management District and the Florida Department of Transportation. Grant and reimbursement revenues are highly variable over the forecast period. The forecast only includes grants that either have been awarded or are highly anticipated to be awarded.

Transfers from Other Funds

The Capital Projects Fund also receives several transfers from other funds to cover or contribute to costs for specific capital projects.

The FY2012 and FY2013 Budgets include a transfer of $52.5M and $10.0M respectively from the Solid Waste Renewal and Replacement Fund as part of the interfund loan to the Capital Projects Fund. On September 21, 2010, the Board approved a resolution authorizing an interfund loan amount of up to $85 million in lieu of a $150M bond issue originally planned to finance key projects in the 2010 to 2020 Capital Project Fund.

The outstanding principal in FY2013 will be $77.5 million (including the FY2013 loan amount of $10 million). The annual rate of interest is a variable rate which is currently less than 1%. Payments on outstanding loan principal are required to begin no later than FY2016 and the loan shall be paid in full no later than December 31, 2019. 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.

The loan is being tracked separately for the Centralized Chiller Facility project vs. the cash flow needed for capital projects in total. The loan amount for capital projects consists of $15 million in FY2010, $45 million in FY2012 and $10 million in FY2013. The principal payment on the $70 million loan for capital projects is budgeted for FY2015 – FY2020.

The loan amount for the Centralized Chiller Facility project is $7.5 million in the FY2012 budget. The principal payment on the Centralized Chiller project is budgeted for FY2013-FY2017. This project funds the construction of a 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. Fully funding this project is estimated to result in $507K of annual savings, $3.8M of cost avoidance, and potential revenue opportunities of $300-400K a year. The total project cost is estimated at $12.0M, of which $1.5M of design costs are being paid for by a federal grant from the Department of Energy and $3.0M was allocated from non-recurring funding in the General Fund in the FY2011 Budget.

The General Fund transfer in FY2013 for $1.8 million covers the cost of two items. The first item is $300K of recurring capital costs paid for by recurring revenue from the implementation of the new parking fees at Fort De Soto Park and Howard Park Beach & Causeway. These funds will be used annually to maintain and improve the bathhouses at the two parks. The second item is $1.5 million for the principal payment on the Centralized Chiller Facility project.

The FY2013 transfer of $2.5M from the Transportation Trust Fund (proceeds of the 9th cent Local Option Gas Tax) contributes to the cost of several Intelligent Transportation System / Advanced Transportation Management System projects.

The FY2013 transfer of $3.2M from the Tourist Development Council Fund (half of the proceeds of the 3rd cent) funds beach nourishment projects in the Coastal Management area.

The Transportation Impact Fee Fund transfer of $1.6M in FY2013 is to cover or contribute to the current or past costs of authorized transportation projects in the twelve geographic transportation impact fee districts of the county.

Expenditures

Expenditures in the Capital Projects Fund consist of capital project expenditures and debt service costs.

Capital Projects

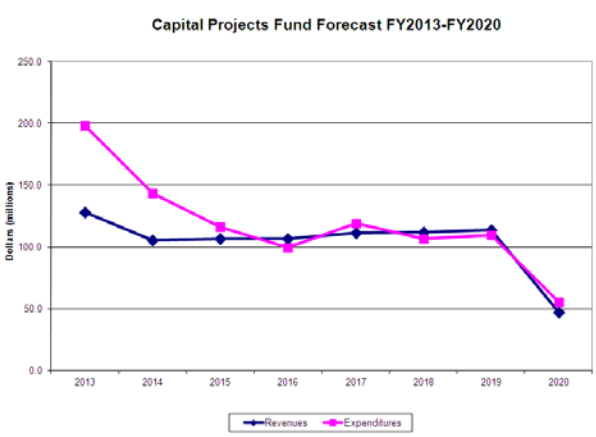
The majority of expenditures in the Capital Projects fund are for infrastructure projects in the areas of transportation, storm water drainage and water quality, parks, environmental preservation, courts, jails, public safety, and other public facilities. Planned expenditures in this fund over the forecast period cover the project allocations from the 2010 to 2020 Penny Program. Please see the "Capital Improvement Program" section of the FY2013 Budget Message for expenditure highlights of the One-Year CIP and the Ten-Year CIP.

Debt Service
Debt service costs over the forecast period are associated with the interfund loan from the Solid Waste Renewal and Replacement Fund. The loan consists of $70M to help necessary liquidity in the Capital Projects Fund related to the acceleration of projects in the first half of the 2010-2020 Penny Program and $7.5M for the balance of the remaining cost for the Centralized Chiller Facility. This project has already been funded $1.5M by a Department of Energy grant and $3.0 by non-recurring funds in the General Fund.

Ten-Year Forecast

Key Assumptions
The revenue assumptions for the overall Penny sales tax are consistent with the Half-Cent sales tax in the General Fund at 3.5% growth from FY2013 to FY2020. However, the growth rate in the Capital Projects Fund for the Penny sales tax is less at 3.0% growth from FY2013 to FY2020. This is because the Courts & Jail allocation is a fixed amount that does not grow over time resulting in a slightly smaller growth rate for the County's overall share of the Penny.

The expenditure assumptions for the Capital Projects Fund assume consistency with the 2010 to 2020 Penny Program allocations.



Key Results
The forecast for the Capital Projects Fund shows that the fund is balanced over the forecast period. Additional cash flow necessary in the first half of the ten-year period is being addressed through an interfund loan from the Solid Waste Renewal & Replacement Fund. A primary driver of cash flow is $81M of expenditures associated with the Public Safety Complex project that started in FY2012. The forecast includes repayment of the loan from FY2013 to FY2020.

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. There are 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.

Balancing Strategies

The forecast for the Capital Projects Fund shows that the fund is balanced over the forecast period. The assumption is that expenditures will be decreased or increased to match the Penny for Pinellas and other revenue streams that support the CIP.

Pinellas County

FUND REVIEW: EMERGENCY MEDICAL SERVICE FUND

Summary

The Emergency Medical Service (EMS) Fund provides countywide emergency response life support throughout all of Pinellas County. This fund is sensitive to property values as it is funded by ad valorem (property) tax revenue collected from property owners countywide and ambulance user fee revenues. Property tax revenues have declined dramatically in recent years due to a downturn in property values and statewide legislation.

The forecast for the EMS Fund indicates the fund is not balanced over the forecast period. On the revenue side, the FY2013 Proposed Budget includes an increase of 0.1849, or 21.7%, in the countywide EMS millage rate from 0.8506 to 1.0355. This millage increase will require a unanimous vote of approval by the Board of County Commissioners, and it balances the fund only for FY2013. With this increase, the EMS budget maintains the status quo with respect to level of service and the delivery system. The proposed millage increase is required to fund the system and maintain the fund's reserve at 25% pursuant to Board policy adopted by ordinance. Without this increase, a higher property tax increase would be needed in FY2014 to maintain the current system status quo.

Future expenditure savings will be addressed with the results of a pending operational study and subsequent accounting study that will analyze three variations of EMS service under consideration for Pinellas County. In late 2011, the Pinellas County Legislative delegation created an EMS Fire Transport Special Committee to select a nationally recognized firm that would operationalize, analyze, and compare costs for three variations of EMS service: 1) The current EMS system; 2) The system as proposed in the Integral Performance Solutions Study; and 3) The Sanford-Millican proposal for fire based transport.

The current ambulance service contract is in effect through FY2014, with a one (1) year extension option, while First Responder contracts are currently funded based on actual First Responder costs as defined in Resolution 09-38. A combination of revenue increases and expenditure savings will be needed to make up for deficits in prior years and increase reserves to a sustainable level throughout the forecast period.

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"). The EMS System 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.

FUND REVIEW: EMERGENCY MEDICAL SERVICE FUND

The EMS System 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.

Revenues

The primary funding sources for the EMS Fund are property taxes and ambulance user fees.

Ambulance User Fees
The ambulance service user fees provide funding for the ambulance program, which includes the ambulance provider (Paramedics Plus) contractual expenditures, ambulance billing costs, and ambulance program support costs. Ambulance user fees are based on transport volume and transport charges. An average retail rate charge is $600 per transport. The County bills Medicare, Medicaid, private insurance, and various other payors for transport service. Billing for the service is done by Pinellas County. The collection rate is currently about 70% (net of Medicare/Medicaid non-allowable charges) of billing for the 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 budgeted to generate $42M in FY2013. The Board of County Commissioners has the authority to increase ambulance user fees as necessary. In addition, Board Resolution 89-208 calls for an automatic increase in user fee rates by the percentage increase in the medical consumer price index for the previous year until the prudent reserve level is reached (25%).

The County also offers an ambulance user fee membership program that citizens can join to minimize the cost of EMS transports. For FY2013, membership revenue is budgeted to generate $200K.

Property Taxes
Property taxes are used to fund the first responder program. Property tax revenues have decreased significantly over the last several years due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market and the recession.

The EMS millage rate is a county-wide millage rate that remained flat from FY2008 through FY2011 at 0.5832. The Board of County Commissioners has the authority to increase or decrease this millage rate. In FY2012 the millage rate increased to 0.8506, and for FY2013 a millage rate of 1.0355 is being proposed in order to balance the fund and approach a beginning

balance/reserve of 25% (level set by County Ordinance, approved by the Board on December 20, 2011). This rate increase will require a unanimous vote of approval by the Board. The millage cap for this revenue is 1.5000 mills, and the rollback rate for FY13 is 0.8698. Without a millage increase for FY2013, the EMS Fund has a forecasted FY2013 budget deficit of $4.8M due to reduced property tax revenue collections and increased operating costs. This deficit will leave a projected 17.3% fund reserve balance going into FY2014.

Emergency Medical Service Fund
Ad Valorem Revenue & Millage History

Fiscal Year	Millage	Budget $ (000's)
2013	1.0355	$ 49.6
2012	0.8506	$ 41.6
2011	0.5832	$ 30.0
2010	0.5832	$ 33.6
2009	0.5832	$ 38.3

Note: Budget figures are at 95% of revenue

For the FY2013 Budget, due to a proposed increase in the millage rate, property tax revenues are budgeted to increase by $8.0M compared to FY2012. With the increased revenue, the fund balance is maintained at 25%.

Expenditures

The Emergency Medical Service Fund supports budgeted expenditures and reserves in FY2013 totaling $113.2M for all eighteen first responders and the ambulance contractor. The primary expenditures in the fund are $38.2M for payments to the ambulance contractor, $40.1M for contractual payments to the first responders, and $12.2M in program support and billing of ambulance claims.

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 FY2012 with an annual reduction to base service payments of $2 Million. A 6% increase was included in the forecast from FY2013 through FY2021 to account for annual CPI increases and increases to transport volume. However, once the contract is up for negotiation, expenditures may change as the economy rebounds and fuel and labor costs and other factors change.

First Responder Contractual Payments

The County contracts with the eighteen first responder EMS providers that respond to calls using paramedics and that utilize Advanced Life Support (ALS) or Basic Life Support (BLS)

equipment and personnel. During FY2013, budgets submitted by the 18 agencies included an overall increase of 5%.

In FY2013, the first responder agreements also include an agreement of $35.6K to Eckerd College for basic life support water rescue.

EMS Program Support Costs

The County incurs program support costs (Personal Services and Operating Expenditures) to support the EMS program. These costs are allocated between the ambulance function and the first responder function.

Costs allocated to both functions include the Office of the Medical Director, St. Pete College training expenses, communication and EKG equipment and maintenance, and personnel and operating expenses to administer all contracts within the program.

The FY2013 Ambulance program support expenditures of $6.3M pay for those support items listed above and the ambulance billing function that includes a staff of 34. The FY2013 First Responder program support expenditures of $4.4M include those allocated support items listed above.

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. FY2013 costs for this function are $1.2M. 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 budget for this fund. On December 20, 2011, the Board approved changing the prudent reserve amount to 25%. 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. In addition, this reserve level will provide cash flow needs in the event of interruptions to ambulance collections due to a disaster or a Medicare and/or Medicaid audit. With high monthly contractor payments, it is critical cash flow needs are met. With the budgeted level of all revenues at the statutory required 95%, the FY2013 reserve level is estimated to be 23.5%. On a forecast basis, with Ad Valorem revenue at 96% and Ambulance revenues at 100%, the estimated reserve level is projected to reach 26.8% going into FY2014 and begin declining in FY2015.

Ten-Year Forecast

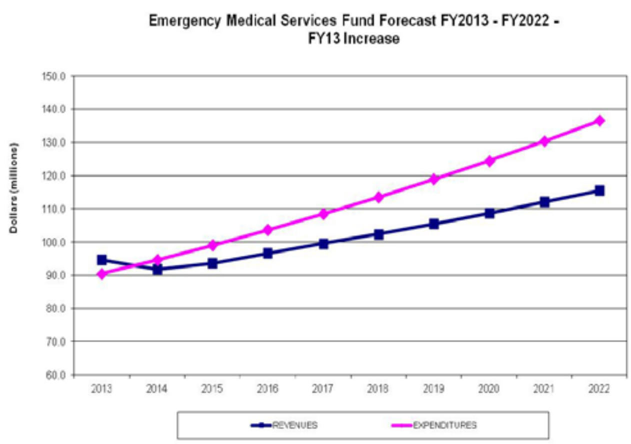
Key Assumptions

The EMS countywide millage is assumed to increase by 0.1849 to 1.0355 in FY2013 and then remain flat through the forecast period. This proposed millage increase helps overcome the

forecasted decline in property tax revenue of 2% that is projected for FY2014. Revenue is projected to grow 2% in FY2015, followed by a 4% annual growth factor from FY2016 to FY2022, as taxable values should begin to recover as the economy improves and the housing market rebounds. During the forecast period, ambulance revenue user fees are estimated to increase by 2.0%.

First responder contractual expenditures increased 5% from FY2012 to FY2013 and are estimated to increase at 4% through the forecast period.

Contractual payments to the ambulance contractor are assumed to increase by 6% through the forecast period as contracted expenditures will increase due to increased transport volume and increases in the CPI as stipulated in the contract. The County will work with the provider to negotiate the lowest possible contract while still maintaining quality service.



Key Results

In the chart for the total EMS Fund above, the forecast shows expenditures exceeding revenues over the forecast period. Balance for FY2013 is achieved through the proposed FY2013 millage rate increase. Without the millage rate increase and/or expenditure savings, reserves will be exhausted in FY2015.

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. The ambulance contract will be up for re-negotiation in FY2014 with potential impacts to expenditures.

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.

Balancing Strategies

The forecast shows that the fund is not in balance over the forecast period, with future balancing strategies to be developed from information gathered in the pending EMS system operational study.

FUND REVIEW: FIRE DISTRICTS FUND

Summary

The Fire Districts Fund provides fire protection service to the unincorporated areas of Pinellas County through twelve separate dependent fire protection districts that are funded entirely by ad valorem taxes collected from property owners within these districts. This fund forecast is presented in a high-level consolidated manner. Budgetarily, each Fire District is balanced separately. Property taxes have declined dramatically in recent years due to a downturn in property values and statewide legislation. Property tax revenues are forecast to decrease in FY2014 before increasing gradually during the forecast period.

The forecast for the Fire District Fund indicates that the fund is not balanced through the forecast period. Five of the twelve fire districts are proposing millage rate increases for FY2013 to support increasing expenditures. Largo is the sixth district needing a millage rate increase. Although Largo Fire District's budgeted expenditures decreased from FY2012 to FY2013, the millage rate increase is needed due to another decline in property values. Additional increases to millages for the individual fire districts will likely be necessary to cover expenditures over the forecast period. Potential millage rate increases will need to take into account the individual millage caps in each fire district.

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 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.

Those Fire Districts that were created under Chapter 73-600, Laws of Florida receive compensation 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.

Revenues

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

FUND REVIEW: FIRE DISTRICTS FUND

Property Taxes

Property tax revenues have decreased significantly over the last several 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 budgeted to generate $15.2M in FY2013 across all districts.

Each dependent fire district has a separate ad valorem millage rate that is the sole revenue source for each of the fire districts. The next chart illustrates half of the fire districts require an increase in millage rates in FY2013 to fund fire service provider expenditures. These six districts are Clearwater, Dunedin, Largo, Safety Harbor, Tierra Verde, and South Pasadena.

Dependent MSTU Fire Protection Districts

Ad Valorem Millage Rates & Millage Rate Caps

	Millage Rate Caps	FY13 Proposed Millage	FY12 Adopted Millage	Variance FY13/FY12 Millages
Belleair Bluffs/Largo	5.0000	1.7320	1.7320	0.0000
Clearwater	5.0000	3.2092	2.6591	0.5501
Dunedin	5.0000	3.5525	2.2576	1.2949
Gandy	5.0000	2.2602	2.2602	0.0000
Largo	5.0000	3.5609	3.5133	0.0476
Pinellas Park	5.0000	2.3675	2.3675	0.0000
Safety Harbor	5.0000	2.7631	2.6800	0.0831
Tarpon Springs	5.0000	2.3745	2.3745	0.0000
Seminole	10.0000	1.9581	1.9581	0.0000
High Point	10.0000	4.1916	4.1916	0.0000
Tierra Verde	3.0000	1.9118	1.9087	0.0031
South Pasadena	5.0000	4.4882	3.1257	1.3625

Each district is subject to a mandated millage cap. The millage cap threshold for Belleair Bluffs, 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. Tierra Verde has the lowest millage cap at 3.0 mills, which was increased by the Board from 1.5 mills in June, 2010 to meet increasing operating expenditures.

FUND REVIEW: FIRE DISTRICTS FUND

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. For nine of the 12 Fire Districts, FY2013 taxable values decreased from the prior year due to the continued decline in the real estate market. Three districts gained taxable value in FY2013, recovering some of the lost value through FY2012.

Unincorporated Fire Districts

Percentage Change in Taxable Values FY2011/2012

Taxing Authority	FY12 Taxable Values	FY13 Taxable Values	% Chge
Belleair Bluffs/Largo	281,332,094	267,962,625	-4.75%
Clearwater	888,428,781	831,260,703	-6.43%
Dunedin	280,773,821	279,367,691	-0.50%
Gandy	46,246,094	45,444,402	-1.73%
Largo	534,088,892	512,659,658	-4.01%
Pinellas Park	268,204,137	253,431,862	-5.51%
Safety Harbor	63,339,041	64,246,370	+1.43%
Tarpon Springs	168,715,814	164,963,370	-2.22%
Seminole	2,203,015,774	2,106,822,294	-4.37%
Highpoint	675,532,802	657,217,037	-2.71%
Tierra Verde	714,080,020	736,173,857	+3.09%
South Pasadena	99,826,357	101,553,248	+1.73%

Expenditures

The Fire District Fund supports estimated expenditures and reserves in FY2013 totaling $23.3M for all twelve districts. The primary expenditures budgeted in the fund are $14.3M for contractual payments to the municipalities and other independent agencies for fire and rescue services and $8.3M in reserves.

Contractual Fire Payments

Contracts for fire protection services are negotiated with providers on an annual basis. The forecast includes an annual 4.0% 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. This cost of has decreased in recent budget years as reductions have been made to this allocation. The FY2013 cost is $264.5K. 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, that are allocated out 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. These amounts are set by Florida Statute. FY2013 costs for these are estimated at $439.7K and fluctuate with ad valorem revenue estimates.

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. This is at the low end of the 5-15% reserve level budget policy adopted by the Board. Several of the individual fire districts currently maintain a 5% minimum reserve including Clearwater, Dunedin, Gandy, Largo, Tierra Verde, and South Pasadena. Some of the districts maintain a 10% reserve level, such as Belleair Bluffs/Largo, Pinellas Park, Tarpon Springs, and Seminole Fire Districts, that serves as a buffer to shield the district from economic downturn in their area. In FY2013, High Point is able to increase its contingency reserve from 5% to 8% with no increase in millage from FY2012. Safety Harbor's contingency reserve is decreased from 10% to 5% in FY2013, which reduces the required millage increase.

In addition, some 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.

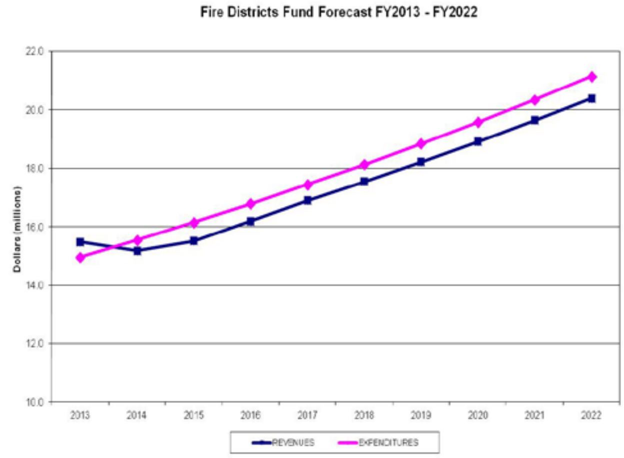
Ten-Year Forecast

Key Assumptions

The fire district millages are assumed to increase to the new millage rates in the FY2013 Proposed Budget and then remain flat through the remainder of the forecast period for each of the districts. However, property tax revenue is forecasted to decrease in FY2014 by 2% due to additional decreases in taxable values during the forecast and then increase by 2% in FY2015. Annual growth of 4% is projected through the rest of the forecast period as the housing market begins to rebound.

On the expenditure side, the contractual payments to the cities are assumed to increase by 4.0% through the forecast period, which outpaces the property tax revenues for the complete forecast period.

FUND REVIEW: FIRE DISTRICTS FUND



Key Results

The chart above shows that expenditures exceed revenues from FY2014 through the forecast period. 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 operating and capital funds are requested, 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. As the main source of revenue in this fund is property taxes, 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. Some of the unincorporated fire districts will also have to increase millage rates in each budget year to keep up with expenditures.

Four districts (Belleair Bluffs/Largo, Pinellas Park, Tarpon Springs, and Seminole) have 10% in Reserve for Contingencies, and have not had to utilize their fund balances as quickly. They are well positioned going into FY2014 without immediately having to increase millage rates for their districts.

The other eight districts (Clearwater, Dunedin, Gandy, Largo, Safety Harbor, High Point, Tierra Verde, and South Pasadena) have less than 10% in Reserve for Contingencies and have had to borrow from fund balances. The forecast shows that these districts may 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 for this fund 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 in the past several 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 the South Pasadena Fire District. The South Pasadena Fire Protection bid action currently being processed may alleviate this issue.

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. The funding formula in most fire districts allows for the remaining unincorporated payment to decrease proportionately. The exception to this practice is those Highpoint properties annexed by the City of St. Petersburg.

Another impact to fire service costs would be increased costs of Emergency Medical Service funding. If EMS funding is reduced by the County there is a high probability these same providers may shift those costs to their fire district budget.

Balancing Strategies

The forecast shows that this fund is not balanced during the forecast period. This fund cannot be taken as a whole, but each district must be looked at individually. Until the ad valorem revenue projection 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 are being reviewed for continued 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

Summary

The Airport Operating and Revenue Fund is an enterprise fund that accounts for revenues and expenditures at St. Petersburg – Clearwater International Airport. This includes management of airport properties in addition to airfield operations. The airport is self-supporting, and no property tax dollars are used to support the operation of the airport.

Airport revenues have remained stable in recent years due to the rental/lease terms and Allegiant Airlines' popularity. Revenues are forecast to increase gradually during the forecast period matching anticipated gradual growth as part of the recovery in the broader U.S. economy. The ability to forecast the availability of capital contributions and other grant funding after FY2018 is limited. Therefore, intergovernmental revenues in FY2019 through FY2022 are forecast at a conservative lower level.

The forecast for the Airport Revenue and Operating Fund shows that the fund is balanced through the forecast period, based on the assumptions that the capital projects budget would be adjusted to reflect the timing and amounts of any grants revenue and that the airport's operating budget would be adjusted to match revenues.

Description

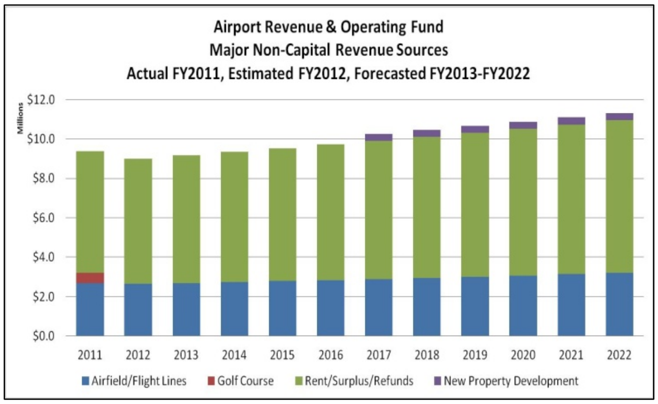
In March 1941 construction started for the airport at its present site. After Pearl Harbor, the airport, known as Pinellas Army Airfield, was used as a military flight-training base. After WWII, many army airfields were declared surplus and turned over to cities, counties, and state sponsors to manage. 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 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 129 acre planned development site (former 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) are 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.

In recognition of the quality of operations and innovative and efficient management, the Florida Department of Transportation recognized St. Petersburg – Clearwater International Airport as the 2010 Commercial Service Airport of the Year. In 2011, Allegiant Airlines recognized the Airport's terminal renovation project as their system's airport construction project of the year.

Revenues

Excluding capital contributions and grants, the two major funding sources supporting the Airport Revenue and Operating Fund during the forecast period are Rentals/Leases/Concession income and Airfield/Flight Line Fees.



Rentals/Leases

St. Petersburg-Clearwater International Airport, which is classified as small-hub airport by the FAA, provides commercial and private aviation services for the community. The Airport also has a significant amount of land which is leased under long-term leases providing a stable source of revenues. 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 concessions operating at airport terminal, such as the paid parking, car rentals, gift shop and restaurant. These revenue sources are expected to increase by 2% over the 10 year forecast.

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 increase by 2% over the 10 year forecast.

The following chart for passenger traffic in 2011 shows that Allegiant Airlines represents 89.3% of the passengers served on commercial carriers from St. Petersburg-Clearwater International Airport. Revenues from Terminal concession leases, along with airline landing fees and fuel flowage fees, are dependent on passenger airline service.

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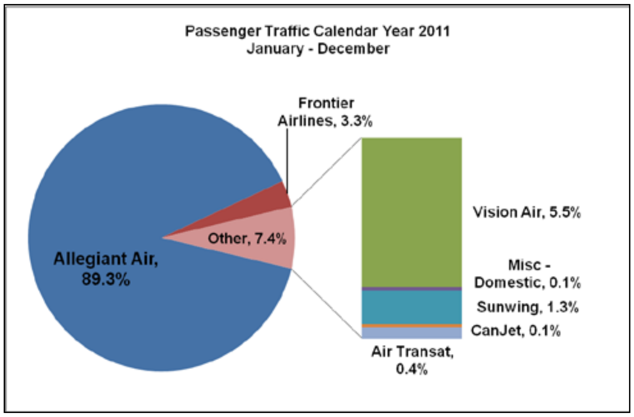
FUND REVIEW: AIRPORT FUND



Capital Contributions and Grants

Capital Contributions funding is in the form of grants from the Federal Aviation Administration (FAA), the Florida Department of Transportation (FDOT), along with Passenger Facility Charges (PFCs). These are the revenue sources typically used for the Airport's capital project funding. There are also occasions when Airport Reserves are used to assist with funding of CIP Projects.

Other Revenues

AIRCO Golf Course, which had been operating on airport property, closed in FY2011. Revenue from new development on this property is not expected to be produced until FY2017.

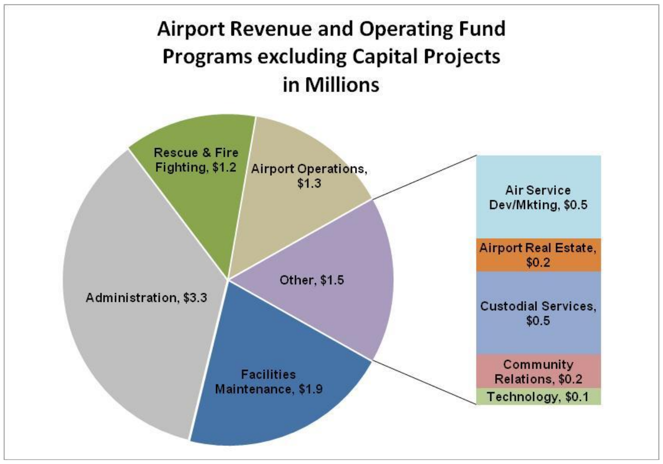
Expenditures

The Airport Revenue and Operating Fund supports estimated expenditures and reserves in FY2013 totaling $32.9M of which $12.4M is allocated for capital projects and $11.4M is reserves.

Airport Programs

Of the remaining $9.1M in operating expenditures, the primary program expenditure is $3.3M for Administration. Other major program expenditures include $1.9M for Facilities Maintenance, $1.3M for Airport Operations, and $1.2M for Airport Rescue & Fire Fighting.

The airport real estate program ensures compliance to Federal Aviation Administration (FAA) lease requirements. This program has FY2013 budgeted expenditures of $233K.

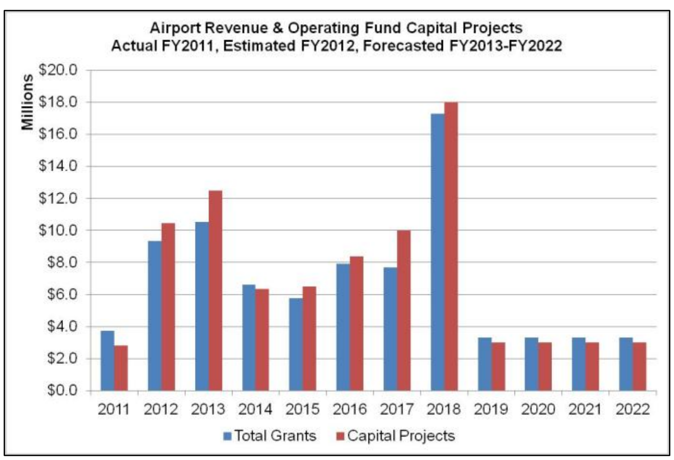


Personal Services

Personal Services expenses are for the salaries and benefits of the 64 positions needed to operate the Airport. Personal Services expenditures in FY2013 total $4.3M.

Capital Projects

The FY2013 Budget for Capital Projects is $12.4M. 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.



Reserves

The total reserve level in the Airport Revenue and Operating fund is budgeted at $11.4M in FY2013. This reserve level is the result of the Airport building reserves over the past several years. The reserves are then available in the event of unanticipated revenue shortfalls and, as well as, support future capital funding needs. Airport Reserves also include the projected cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual on the financial statements.

FUND REVIEW: AIRPORT FUND

Ten-Year Forecast

Key Assumptions

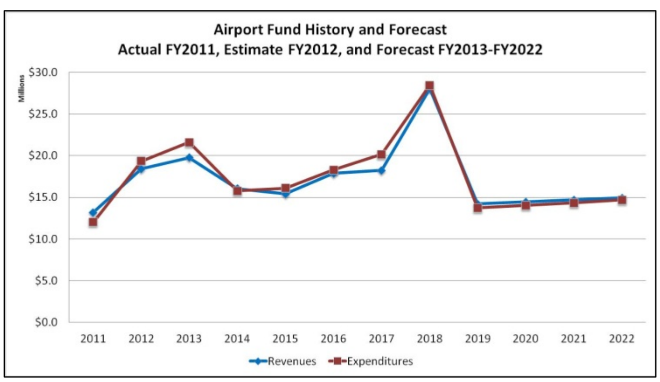
The revenue forecasts of funding total resources are conservative due to the current economic conditions.

Airfield/Flight Line revenue for FY2013 is based on the current level of carriers and passenger numbers. For FY2014 through FY2022, an increase of 2% per fiscal year is forecast. The forecast is conservative, as no new carriers or agreement renewals have been included.

Rent/Surplus/Refunds revenue for FY2013 is based on current leases/agreements through the termination of these lease agreements. In FY2014 through FY2022, an increase of 2% is forecasted for each fiscal year.

No new revenue from commercial or industrial development on the former golf course acreage is projected in the forecast until FY2017. However, new property development will depend on factors such as site restrictions and future economic conditions.

Capital expenditures track the estimated capital contributions and estimates of current project completions in forecasted years. FY2018 shows preliminary planned improvements such as new T-hangers and expanded cargo ramp.



Key Results

The forecast for the Airport Fund is balanced over the forecast period.

The fluctuation in total revenues and expenditures is caused by the timing of capital projects. Capital project impact to both revenues and expenditures is fund neutral, since the projects are dependent on the availability of grants. If the grants are not forthcoming, 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 airport can attract new passengers and other carrier services. Increases in rental/leases income would result when current leases and agreements are renewed and rate formula escalations occur.

The former AIRCO Golf Course has been rezoned for future aviation and commercial development. The potential lease income value of this parcel is approximately $1.5M annually when all land is fully leased. In addition, other vacant land parcels could add another $100K to $300K in annual lease income if fully leased.

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: WATER FUNDS

Summary

The Pinellas County Water Funds are proprietary funds dedicated solely to supporting the Pinellas County Water System (Water System).

The forecast for the Water System Funds shows that the multi-year rate increases approved as part of the FY2012 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY2015. The forecast revenues include an additional 2% per year annual increase in rates from FY2016 through FY2022. In FY2012 through FY2014, recurring expenditures will exceed recurring revenues as fund balance is drawn down as major capital projects are completed. From FY2015 through FY2022, the Water Funds are structurally balanced as recurring expenditures are in line with recurring revenues.

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, Renewal and Replacement (capital), Impact Fees, and Construction Fund. This forecast covers all funds.

Revenues

The Water Funds generate revenues budgeted in FY2013 totaling $81.4 million. The Water Funds have two primary funding sources: retail water sales of $62.1 million and wholesale water sales of $15.1 million.

Retail Water Sales

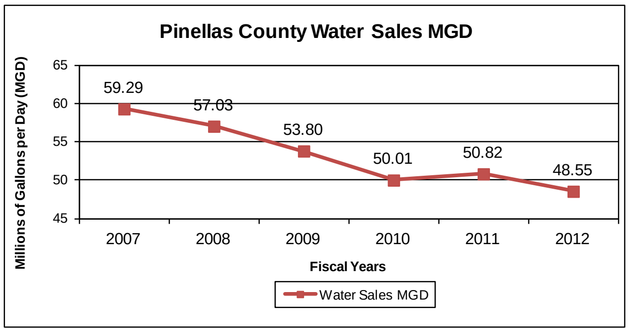
The Water System charges $3.35 per month base rate and $4.78 per 1,000 gallons for retail water service. There was no retail rate increase adopted for FY2012. In future years, the approved multi-year rate increases add $1.00 to the base rate in FY2013, FY2014 and FY2015 for revised base rates of $4.35, $5.35 and $6.35 respectively. Retail customers are commercial and residential customers in the Pinellas County Water service area. The volume of water purchased has declined 9% from FY2007 to FY2011. The amount of water purchased is affected by economic conditions, housing and commercial vacancies, and levels of conservation.

Wholesale Water Sales

The Water System charged $3.4277 per 1,000 gallons for wholesale water service. The approved rate increase is 4% each year from FY2013 to FY2015 resulting in revised rates of

$3.5648, $3.7074, and $3.8557 respectively. Wholesale customers are six 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, Belleair and Pinellas Park are the wholesale customers of the Water System. The volume of water purchased has declined 24% from FY2007 to FY2011, partially due to some cities developing their own water sources. The amount of water purchased is also 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 FY2013 totaling $120.8 million. The primary expenditures in the fund are $46.3 million for the purchase of water, $18.5 million for capital outlay, $14.5 million for personal services and associated costs, and $15.1 million for operating expenses.

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.

Capital Outlay

The Water System must maintain its equipment, facilities, pipelines, and plants in good working order, utilizing revenues generated within its proprietary funds. Capital outlay reflects the construction and purchase needs as estimated by Pinellas County Department of Environment and Infrastructure Engineering Division in the CIP ten year work plan and beyond.

Personal Services

The Water System employs 202 full-time employees in FY2012. The Personal Services expenses of $14.5 million are for the salaries and benefits of those positions needed to operate the Water System. Water System benefits include the $1.3 million cost of Other Post

Employment Benefits (OPEB), 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

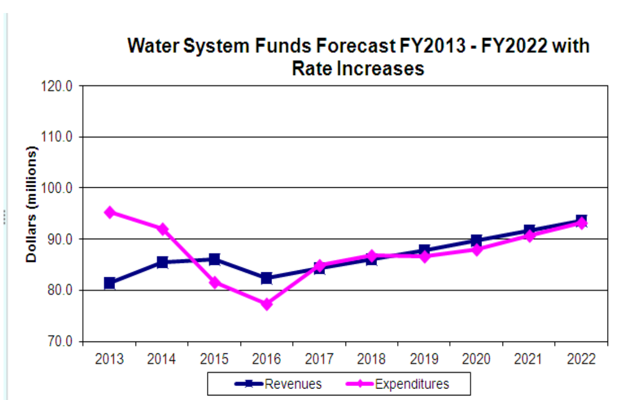
The reserve level in the Water System is 21%, which is above the 5-15% reserve level budget policy adopted by the Board. The Water System maintains these reserves for cash flow and future capital needs.

Ten-Year Forecast

Key Assumptions

The revenue forecast assumes a small decline in FY2013 of 1.36%, 0% decrease from FY2014 through FY2016, and then increases of .09% in FY2017, .18% in FY2018 and .27% from FY2019 through FY2022 in retail water demand over the forecast period due to the expected slow growth in the economy. The wholesale water demand reflects a steep 70% decline in demand FY2007 through FY2016, due to the projected loss of sales to three cities (Clearwater, Tarpon Springs, and Oldsmar), as they develop their own water resources. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. 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 Department of Environment and Infrastructure Engineering Division.

To balance revenues with forecasted expenditures, future rate increases will be necessary for both retail and wholesale rates. Burton and Associates, Utility Finance and Economics Independent Consultants computed that rate increases for FY2016 through FY2022 are needed at 2% per year, based on a blend of growth and consumption assumptions, inflationary cost increases, and capital needs at the forecasted water demand levels.



Key Results

The forecast for the Water System Funds shows that the approved rate increases, and future rate increases starting in FY2016, will provide sufficient revenues to maintain reserves and fund capital replacement needs. In FY2013 and FY2014, recurring expenditures will exceed recurring revenues as fund balance is drawn down as major capital projects are completed. From FY2015 through FY2022, the Water Funds are structurally balanced as recurring expenditures are in line with recurring revenues.

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 operating and capital costs.

Balancing Strategies

With the multi-year rate increases approved during the FY2012 budget process and future rate increases, Water System revenues will be sufficient to cover forecasted expenditures and maintain sufficient reserves over the forecast period.

FUND REVIEW: SEWER FUNDS

Summary

The Pinellas County Sewer Funds are proprietary funds dedicated solely to supporting the Pinellas County Sewer System (Sewer System).

The forecast for the Sewer System Funds shows that the multi-year rate increases approved in FY2012 will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio of 1.5, and fund capital replacement needs through FY2015. The forecast revenues include an additional 2.75% per year annual increase in rates from FY2016 through FY2022. In FY2013 through FY2015, recurring expenditures will exceed recurring revenues as fund balance is drawn down as major capital projects are completed. From FY2016 through FY2022, the Sewer Funds are structurally balanced as recurring expenditures are in line with recurring revenues.

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. The Sewer System is required to maintain a debt service coverage ratio of 1.25x per the bond covenants, but the bond rating agencies recommend a debt service coverage ratio of 1.5x to sustain our current bond ratings.

Revenues

The Sewer Funds generate revenues budgeted in FY2013 totaling $63.4 million. The Sewer Funds have four primary funding sources: retail sewer charges of $48.4 million, wholesale sewer charges of $6.8 million, retail reclaimed water charges of $3.9 million, and wholesale reclaimed water charges of $0.33 million.

Retail Sewer Charges

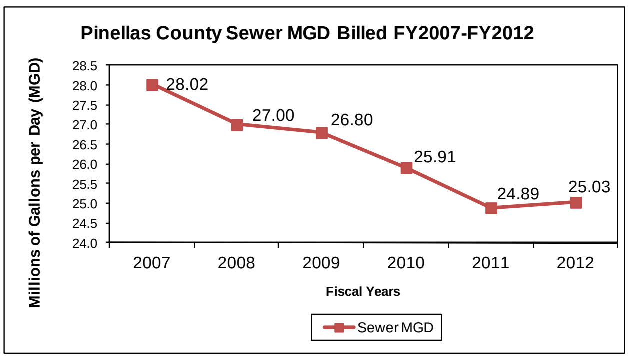
The Sewer System charges $11.13 per month base rate and $4.07 per 1,000 gallons for retail sewer service. The FY2013 increase of 6% for retail customers (adopted in 2012) will result in a base rate of $11.80 per month and $4.31 per 1,000 gallons. Retail customers are commercial and residential customers in the Pinellas County Sewer service area. Total billed retail demand has declined 12% from FY2007 to FY2011. The amount of sewage processed is affected by

economic conditions, housing and commercial vacancies, and levels of water conservation. Prior to this approved rate increase, there was a 6% increase in 2012, a 1.5% increase in FY2011, a 3.5% increase in FY2010 and no rate increases from FY2004 thru FY2009.

Wholesale Sewer Sales

The Sewer System charges $3.2264 per 1,000 gallons for wholesale sewer service. The adopted FY2013 increase of 9% for wholesale customers (adopted in 2012) will equate to $3.5168 per 1,000 gallons. 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 North Redington Beach, Redington Shores, Indian Rocks Beach, and Pinellas Park are the wholesale customers of the Sewer System. Similar to retail sewer sales, the total billed wholesale demand has declined 8% from FY2007 to FY2011. The amount of waste processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

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 $16.00 per month rate for unfunded un-metered service (systems without existing distribution lines) and $7.00 per month availability charge and $0.72 per 1,000 gallons for retail reclaimed water service for metered service unfunded systems (systems without existing distribution lines) and $15.00 per month base rate for funded un-metered service (systems with pre-existing distribution lines) and $0.72 per 1,000 gallons for metered funded systems (systems with pre-existing distribution lines). Rates for unfunded 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. The FY2013 budget includes approved rate increases of $1.00 per year for un-metered service and a user fee per 1,000 gallon increase of $.08 per year for metered service. The rates for FY2013 (adopted in FY2012) will be: $17.00 for unfunded un-metered service; and $0.80 user fee per 1,000 gallons for unfunded metered service; $16.00 for funded un-metered service; $0.80 user fee per 1,000 gallons for funded metered service.

Wholesale Reclaimed Water Charges

The Reclaimed Water System charged volumetric rates by contract for wholesale reclaimed water service. No increase for wholesale rates was proposed for FY2012. 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 FY2013 totaling $78.7 million. The primary expenditures in the funds are $16.5 million for personal services costs, $14.8 million for debt service, $24.0 million for operating expenses, $23.4 million for capital outlay, and $31.4 million in reserves.

Personal Services

The Sewer System employs 222 full-time employees in FY2012. The Personal Services expenses of $16.5 million are for the salaries and benefits of those positions needed to operate the Sewer System. Sewer System benefits include the $1.3 million cost of Other Post Employment Benefits (OPEB), 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 $184.3 million principal of outstanding bonds as of June 30, 2012, requiring annual principal and interest repayments ranging from $5.4 million to $14.8 million per year until 2032. 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.

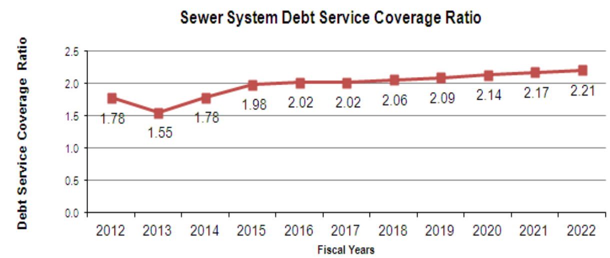
Capital Outlay

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 the Department of Environment and Infrastructure Engineering Division in the CIP ten year work plan and beyond.

Reserves

The reserve level in the Sewer System is 29%, which is higher than the 5-15% reserve level budget policy adopted by the Board. The Sewer System maintains $8.0 million of reserves for cash flow and $21.4 million to fund future capital needs. In addition, the 2008 bond issue

requires a debt service reserve of $1.97 million to maintain the recommended debt service ratio of 1.5x.



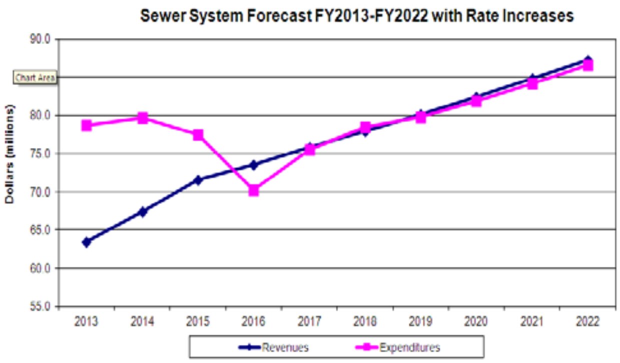
Ten-Year Forecast

Key Assumptions

Due to expected slow growth in the economy, the forecast assumes 0% increase from FY2012 to FY2016, a 0.07% annual increase in FY2017, a .14% in FY2018, and a .21% from FY2019 to FY2022 in retail and wholesale sewer demand. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. 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 Department of Environment and Infrastructure Engineering Division.

To balance revenues with forecasted expenditures, multi-year rate increases were approved during the FY2012 budget process for both retail and wholesale rates. Burton and Associates, Utility Finance and Economics Independent Consultants have computed that the following sewer rate increases were necessary to meet the forecasted expenses and reserve needs at the forecasted sewer demand levels: 6% each year FY2012–FY2015 for retail sewer; and 9% each year FY2012–FY2015 for wholesale sewer; Reclaimed water/retail customers: $1.00 to the monthly charge each year FY2012–FY2015 for unmetered service and an increase of $0.08 to the user fee per 1,000 gallons each year FY2012 to FY2015. These multi-year rates were approved by the Board of County Commissioners in September, 2011. Rate increases for FY2016 through FY2022 are assumed at 2.75%, based on a blend of growth and consumption assumptions, inflationary cost increases, capital needs, and minimum amount of reserves necessary to meet required debt service ratios.

FUND REVIEW: SEWER FUNDS



Key Results
The forecast for the Sewer System Funds shows that the multi-year rate increases approved in FY2012 and future rate increases starting in FY2016, will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio of 1.5x, and fund capital replacement needs over the forecast period. In FY2013 through FY2015, recurring expenditures will exceed recurring revenues as fund balance is drawn down as major capital projects are completed. From FY2016 through FY2022, the Sewer Funds are structurally balanced as recurring expenditures are in line with recurring revenues.

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

With the rate increases approved during the FY2012 budget process and future rate increases, Sewer System revenues will be sufficient to cover forecasted expenditures, maintain sufficient reserves, and sustain the recommended debt service coverage ratio of 1.5x.

Pinellas County

FUND REVIEW: SOLID WASTE FUNDS

Summary

The Pinellas County Solid Waste Funds are proprietary funds dedicated solely to supporting the Solid Waste functions.

The forecast for the Solid Waste Funds shows that the fund is balanced through the forecast period. Solid Waste tipping fees and electricity sales revenues have declined with the slower economy, but will remain sufficient to fund operations and maintain sufficient reserves during the forecast period. Reserves are being accumulated for future capital replacement needs consistent with the 25 year capital plan.

Description

Pinellas County Solid Waste 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, Solid Waste 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).

Revenues

The Solid Waste Funds generate revenues budgeted in FY2013 totaling $85.0 million. The Solid Waste Funds consist almost exclusively of two primary funding sources: tipping fees of $33.7 million and electricity sales of $48.6 million.

Tipping Fees

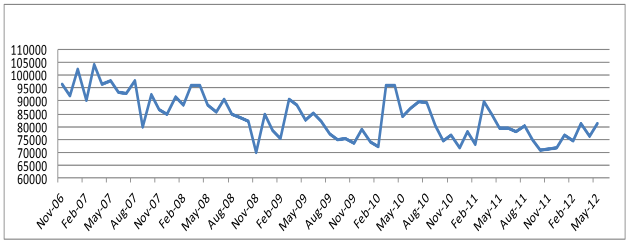
Solid Waste charges $37.50 per ton for all waste brought to the Solid Waste Facility. That rate has not changed since 1988. The volume of waste brought to the Solid Waste Facility is expected to increase slightly in FY2013. The amount of waste brought to the facility is affected by economic conditions 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 ten years, this revenue is forecast to increase by 0.5% per year from FY2013 through FY2022.

FUND REVIEW: SOLID WASTE FUNDS

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



Source: Pinellas Co. Solid Waste Mgmt. Tonnage Activity Reports

Interfund Loan Repayment

Debt service revenues over the forecast period are associated with an interfund loan from the Solid Waste Renewal and Replacement Fund to the Capital Improvement Fund. On September 21, 2010 the Board authorized the first interfund loan up to $85 million to assist with cash flow in the Capital Projects Fund through FY2019. The original 2010 to 2020 Penny Program was anticipated to be financed with a $150 million bond issue in order to accelerate several key 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. Interest will be collected in FY2011 through FY2020, and loan repayment in FY2015 through FY2020.

An additional loan to the Capital Projects Fund will be necessary to cover the remaining $7.5 million of costs to fully fund the Centralized Chiller Facility project. This project funds the construction of a 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. Repayment of the loan will take place from FY2013 to FY2017 at $1.5 million annually. The loan will be repaid from the General Fund, but because it is a capital project, the expenditures and repayment are taking place from the Capital Projects Fund.

Based on the forecast, it is anticipated that only $77.5 million of the authorized $85 million will ultimately need to be transferred to the Capital Projects Fund.

Expenditures

The Solid Waste Funds support budgeted expenditures and reserves in FY2013 totaling $199.7 million. The primary expenditures in the fund are $31.3 million for the Waste-to-Energy service contract, $11.4 million for the Landfill service contract, $39.9 million for capital investment, and $87.9 million 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.

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 CDMSmith, Inc.

Personal Services
The Solid Waste System employs 90 full-time employees in FY2013. The Personal Services expenses are for the salaries and benefits of those positions needed to operate the Solid Waste System. Solid Waste System benefits include the cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

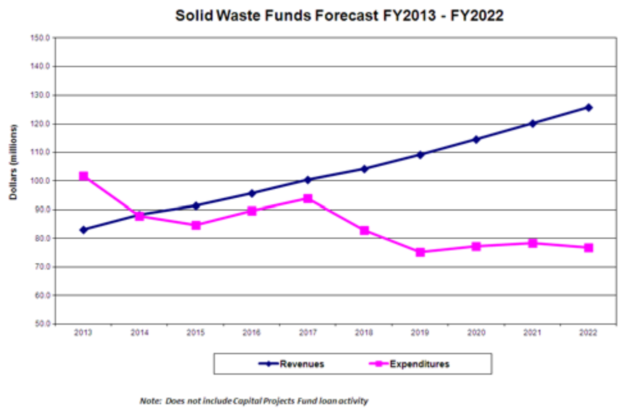
Interfund Loan to Capital Projects Fund
The forecast includes a transfer of $52.5 million in FY2012 and $10.0 million in FY2013 from the Solid Waste Renewal and Replacement Fund as part of the interfund loans to the Capital Projects Fund for cash flow purposes and for the Centralized Chiller Facility project.

Reserves
The reserve level in the Solid Waste System is 44%, which is above the 15% reserve level budget policy adopted by the Board. Solid Waste maintains the following reserves: $7.5 million required reserves per the contract with Veolia, $11 million for insurance deductibles, $15.5 million for three months of operating expenses, and the remainder of $53.9 million 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 reflect the forecast trends described in the Key Assumptions section of this document. 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.

FUND REVIEW: SOLID WASTE FUNDS



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 ten years, while still maintaining sufficient reserves. Expenditures exceed revenue in FY2013 due to the capital projects within the Solid Waste Renewal and Replacement fund. (The forecast chart does not include the loans to the Capital Projects Fund or the future repayments from that fund.) Solid waste revenues exceed expenditures from FY2014 through FY2022. In FY2016, FY2017 and FY2018 expenditures reflect non-recurring costs associated with additional air pollution measures. The recurring revenues are sufficient to support recurring operations without any increases in tipping fees. Reserves increase during the forecast period and reach the level of 83% of revenues in FY2021. 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.

CAPITAL IMPROVEMENT PROGRAM

The *Capital Improvement Program* portion of the FY2013 Budget Message provides an overview of the FY2013-2022 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 Ten-Year CIP Work Plan

Capital Improvement Program (CIP)

The Pinellas County Capital Improvement Program (CIP) is a comprehensive ten-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. In prior years, the CIP was presented as a six-year plan. The plan is now presented as a ten-year plan FY2013-FY2022 consistent with the forecast.

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 nine 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 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 borrowing 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 ten 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 state growth management Capital Improvement Element (CIE) projects from the non-CIE 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.

CIP Policy

CAPITAL IMPROVEMENT PROGRAM

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 70% 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 by voter referendum for 10 years at a time. 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.

Impact of the Penny for Pinellas
Without the Penny, it is estimated that property owners would have to pay another 1.5 mills on their property taxes or many public projects would not be completed until years into the future or not done at all. 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. The County receives approximately 52.3% of the total monthly collections generated by this tax, following the deduction of a dedicated amount for countywide use in improving jail and criminal justice related facilities (Courts and Jail).

Renewed 2010 to 2020 Penny Program
The last renewal of the Penny for Pinellas took place on March 13, 2007 to extend the Penny for a third decade, 2010-2020. The revenue projections for the original 2010 to 2020 Penny Program were prepared in 2006. These projections assumed that the Penny would generate $1.94 billion between 2010 and 2020: $225 million for Courts & Jail projects, $817 million to support projects for the 24 municipalities, and $898 million available to County projects (including $56 million reserve).

Revised Projected Penny Revenue
The Penny for Pinellas is a sales tax and as such, is extremely sensitive to economic conditions. Unfortunately, due to the impacts of the Great Recession, Penny revenue decreased for several years instead of increasing at the original projected rate. As a result, the projected revenues for the 2010 to 2020 Penny Program were revised in 2009 to reflect the new economic reality. This resulted in considerable changes to the Penny Program project allocations. The revenue projections are revised annually as part of the budget process. The revised projections assume that the Penny will generate $1.4 billion between 2010 and 2020 for Pinellas County, including the municipalities. As revenue projections increase or decrease, changes in the Penny Program Project allocations are made to match the revenue constraints.

FY2013 Changes to Penny Program Allocations

During this year's budget process, $7.3 million became available for allocation to projects. There were three sources for this additional allocation. The final amount requested for the Friendship Trail Bridge Demolition project is $500K, providing savings of $4M from the original funding of $4.5M. A reimbursement of $3.2M was received from the Florida Forever Program for the purchase of the Wilde property; $600K of the reimbursement money had been allocated to the Wilde property sports complex, leaving $2.6 million in surplus funds. The East Lake Fire Control Equipment project request was approved to be moved forward from FY2018 to FY2014 at a reduced amount from $2.25M to $1.5M, allowing $750K in savings.

In keeping with the original funding represented to the public before the Penny referendum, the unanticipated revenue, or surplus funds, was allocated to the following programs: increase the Countywide Road Improvement Program by $2M, increase Regional Stormwater Quality Improvement Program by $3M in order to address the new total maximum daily load (TMDL) requirements; and increase the allocation for Stormwater Conveyance System Improvement Program by $2.3M allowing deferred maintenance to be conducted resulting in less overall repairs. (See table below for revised allocations.)

Projects/Programs	Current Allocation	Revision	Revised Allocation
Friendship Trail Bridge Demolition	$4.5M	($4.0M)	$0.5M
Reimbursement from Florida Forever	NA	($2.6M)	NA
East Lake Fire Control Equipment	$2.25M	($0.7M)	$1.5M
Countywide Road Improv. Program	$44.5M	$2.0M	$46.5M
Reg. Stormwater Quality Imp. Prog.	$4.9M	$3.0M	$7.9M
Stormwater Conv. Sys. Imp. Prog.	$50.0M	$2.3M	$52.3M
Total		**($0.0M)**	

Revised Penny Program Allocations

On an annual basis the 2010 to 2020 Penny Program allocations are updated to match the projected revenues in the Capital Projects forecast. The tables below show all of the current Penny Program allocations, including the adjustments made as part of the FY2013 budget process. We have included a column for the original allocations from 2006 in order to track any adjustments that have taken place over time to the Penny Program allocations.

<u>Transportation & Traffic Flow</u>

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Road Resurfacing & Rehabilitation Program	$66.0M	$66.0M
ADA Sidewalk Ramp Improvements	$2.5M	$2.5M
General School & Sidewalk Program	$10.0M	$9.0M
118th Avenue Expressway	$70.0M	$70.0M
Intersection Capacity Program	$44.5M	$33.5M
Bridge Rehabilitation Program	$50.0M	$50.0M
Rail Crossing Improvements	$5.0M	$3.7M
Countywide Road Improvements Program	$50.0M	$46.5M
62nd Avenue - 66th to 49th Street	$15.0M	$0
Friendship Trail Bridge Demolition	$0	$0.5M
Roadway Beautification Program	$6.0M	$0
Traffic Signal Mast Arm Installations (MSTU)	$4.0M	$1.5M
Road Underdrains Annual Contracts	$7.5M	$4.5M
Park Boulevard Drainage Improvements	$2.0M	$0

Pinellas Trail Expansion	$8.0M	$6.0M
Gulf Boulevard Improvements	$35.0M	$35.0M
Park Boulevard - 113th Street to Seminole Blvd.	$12.6M	$0
Total	**$388.1M**	**$328.7M**

Public Safety & Hurricane Preparedness

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Palm Harbor Fire Control Equipment	$3.0M	$2.2M
East Lake Fire Control Equipment	$3.0M	$1.5M
Emergency Responders Building	$34.0M	$34.0M
Community Building Emergency Shelter Projects	$10.0M	$7.5M
Public Safety Countywide Radio System	$14.5M	$14.5M
Public Safety Facilities & Central Commun. Center	$70.0M	$70.0M
Total	**$134.5M**	**$129.7M**

Parks, Recreation, & Culture

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
East Lake Community Library Expansion	$4.1	$0
Palm Harbor Library Expansion	$5.8M	$0
Countywide Park Infrastructure Replacements	$29.0M	$22.0M
Pinellas Trail Repair and Renovation	$3.0M	$3.0M
Heritage Village – Master Plan Implementation	$10.0M	$0
Howard Park Infrastructure	$7.5M	$5.0M
Eagle Lake Park Development	$3.0M	$3.0M
Fort De Soto Park Infrastructure	$7.0M	$5.0M
Countywide Park Boat Ramp Land Acq. & Develop.	$7.5M	$0
Unincorporated Recreation/Community Centers	$16.0M	$1.0M
Community Parks Land Acquisition & Develop.	$10.0M	$6.6M
Total	**$103.0M**	**$45.6M**

Environmental Restoration & Protection

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Regional Stormwater Water Quality Imp. Program	$5.5M	$7.9M
Environmental Habitat Restoration	$2.4M	$2.4M
Weedon Island Preserve Projects	$3.5M	$1.0M
Brooker Creek Preserve Projects	$3.5M	$1.0M
Beach Access Acquisition & Development	$15.0M	$0
Upper Tampa Bay Recirculation & Restoration	$10.0M	$0
Lake Seminole Sediment Removal Project	$8.0M	$8.6M
County Extension Center Building Replacement	$7.5M	$0
Environmentally Sensitive Lands Acquisition	$18.0M	$16.0M
Total	**$73.4M**	**$36.9M**

Drainage & Stormwater Management

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Stormwater Conveyance System Impr. Program	$50.0M	$52.3M
Creek Erosion Control	$8.0M	$8.0M
Drainage Pond Compliance Projects	$5.0M	$3.75M
Drainage Channel Dredging Program	$5.0M	$3.75M
Cross Bayou Drainage & Watershed Impl. Proj.	$5.0M	$0
Total	**$73.0M**	**$67.8M**

Government Service Facilities

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Building Repair & Replacement Projects	$40.0M	$30.0M
Total	**$40.0M**	**$30.0M**

Housing, Jobs, and Human Services

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Affordable Housing Land Assembly Fund	$30.0M	$15.0M
Total	**$30.0M**	**$15.0M**

Courts & Jail Improvements

Projects/Programs	Original FY2006 Allocation	Revised FY2013 Allocation
Courts & Jail Projects	$225.0M	$225.0M
Total	**$225.0M**	**$225.0M**

Additional information regarding current and past Penny for Pinellas programs can be found at the following website: http://www.pinellascounty.org/Penny/

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.

- o 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:

- o Enhance hurricane preparation: Emergency Responders Building; Public Safety Facilities & Central Communications Center; Emergency Shelter Program

- o Take advantage of the availability of key endangered and park land parcels: Endangered Lands Acquisition; Community Park Lands Acquisition

- o Advance project design funding to FDOT: 118th Avenue Expressway

- o Address key infrastructure concerns: Howard Park Bridge Replacement; Eagle Lake Park

Funding for the accelerated projects was anticipated to come from a $150M 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.

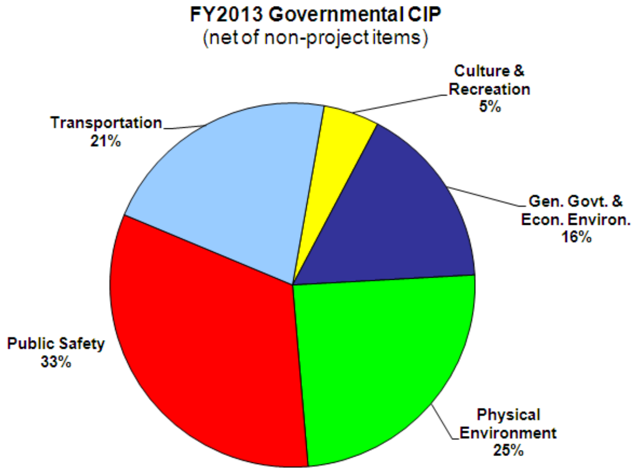
Interfund Loans from Solid Waste R&R Fund
In the absence of a bond issue, a limited interfund loan from the Solid Waste Renewal & Replacement Fund will be necessary to provide liquidity in the Capital Projects fund to cover expenditures related to the accelerated projects. On September 21, 2010, the Board approved a resolution authorizing a loan amount of up to $85 million. The outstanding principal in FY2013 will be $77.5 million (including the FY2013 loan amount of $10 million). The annual rate of interest is a variable rate which is currently less than 1%. Payments on outstanding loan principal are required to begin no later than FY2016 and the loan shall be paid in full no later than December 31, 2019. 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, FY2013, is the basis for actual appropriations authorized by the Board of County Commissioners for capital projects when adopting the Annual Budget. The total FY2013 CIP budget is $445.2M. This amount includes both Governmental and Enterprise projects as well as non-project items such as reserves.

FY2013 Governmental CIP
The expenditure total (net of non-project items) for the FY2013 Governmental CIP is $201.4M. 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.

Public Safety ($65.8M):
- Public Safety Facilities & Central Communications Center ($48.1M)
- Public Safety Radio System ($4.5M)
- Detention/Correction Program Projects ($6.5M)

Transportation ($43.2M):
- Keystone Road-US 19 to East Lake Road ($4.7M)
- Various Intelligent Transportation/Advanced Traffic Management System projects ($7.5M)
- Gulf Boulevard Improvements ($3.5M)
- Road Resurfacing & Rehab Program ($6.7M)
- Pinellas/Progress Energy Trail Extension ($2.4M)
- La Plaza Bridge ($1.7M)
- Bridge Rehab Program ($1.3M)

Physical Environment ($49.4M):
- Honeymoon Island Improvements ($6.2M)
- Lake Seminole Sediment Removal ($6.1M)
- Stormwater Conveyance System ($3.6M)
- Bee Branch Drainage Improvements ($1.9M)
- Bear Creek Channel Improvements ($2.7M)
- Curlew Creek Channel A Improvements ($6.2M)
- Mobbly Bay Habitat Restoration ($2.0M)

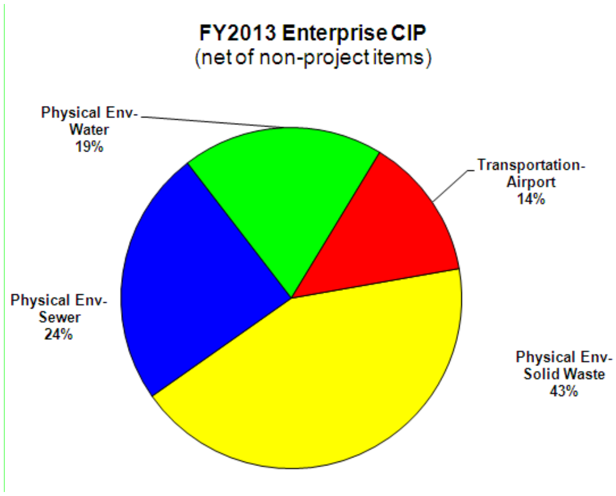
General Government/Economic Environment ($33.0M):
- Centralized Chiller Facility ($6.3M)
- Space Plan Implementation ($1.0M)
- Centralized Traffic Court ($1.4M)

- CJC Parking Garage ($12.4M)

<u>Culture & Recreation ($10.0M):</u>
- Countywide Park Roads & Parking Areas ($1.4M)
- Fort De Soto Bay Pier Replacement ($1.1M)
- Park Utility Infrastructure ($900K)
- Joe's Creek Greenway-Lealman ($460K)
- Fort De Soto Water Circulation Infrastructure ($824K)

FY2013 Enterprise CIP

The expenditure total (net of non-project items) for the FY2013 Enterprise CIP is $91.3M. 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.

<u>Transportation-Airport ($12.4M):</u>
- Terminal Improvements – Phase II ($3.8M)
- Taxiway L Rehab ($6.3M)

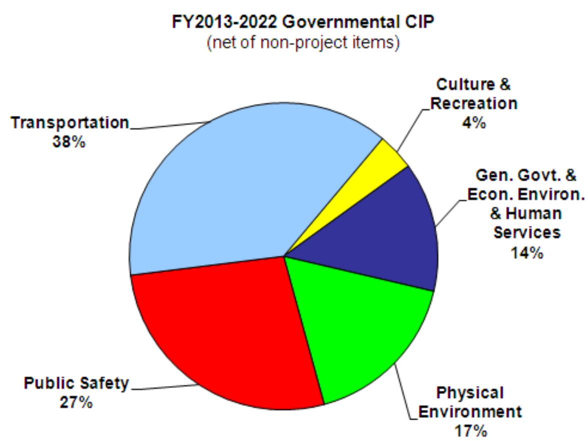
<u>Physical Environment ($78.9M):</u>
- Solid Waste Side Slope Closures ($10.5M)
- Bridgeway Acres Gradient Control System ($4.5M)
- Keller Transfer Pumping Station ($5.4M)
- Logan Station Booster Pump ($1.8M)
- Sewer System UV/Ozone Project ($13.5M)
- South Cross Upgrades ($2.3M)

Overview of Ten-Year CIP Work Plan

In the Ten-Year CIP work plan, only the first year, FY2013, is actually appropriated. The remaining nine years are a work plan that is subject to change as time goes on. In prior years, the CIP was presented as a six-year plan. The plan is now presented as a ten-year plan FY2013-FY2022 consistent with the forecast; however since the Penny is approved through FY2020, the governmental projects within the capital fund are budgeted through FY2020. Several of the enterprise projects are budgeted through FY2022. The total FY2013-2022 CIP budget is $1.54B. This amount includes both Governmental and Enterprise projects as well as non-project items such as reserves.

FY2013-2022 Governmental CIP

The expenditure total (net of non-project items) for the FY2013-2022 Governmental CIP is $884.8M. The pie chart below shows the percentage distribution of expenditures amongst the functional areas of the CIP.



Major project highlights in the **Governmental Ten-Year CIP** are listed below by functional area and estimated year of commencement. The focus of this list are the out years of FY2013 through FY2022 as the FY2013 projects are covered in more detail in the "Overview of the One-Year CIP" section.

<u>Transportation ($336.9M):</u>
- 118th Avenue Expressway (FY2014)
- Gulf Boulevard Improvements (FY2013)

<u>Public Safety ($241.5M):</u>
- Jail Expansion & Court Improvements (FY2013)

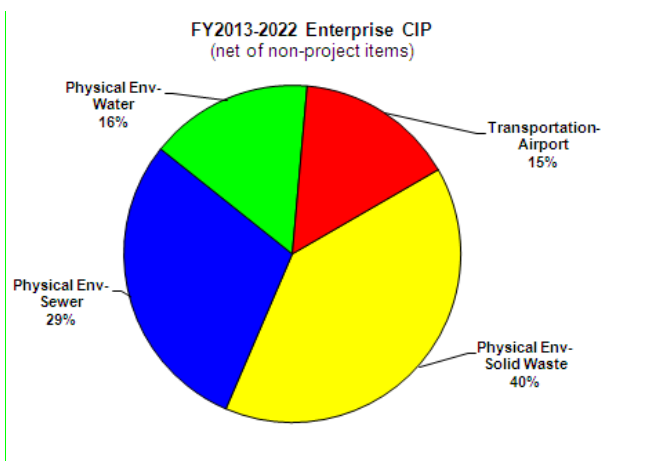
<u>Physical Environment ($151.2M):</u>
- Pass-A-Grille Beach Nourishment (FY2013)
- Treasure Island Nourishment (FY2013)
- Upham Beach Stabilization (FY2013)
- Sand Key Nourishment (FY2013)
- Regional Stormwater Quality (FY2013)

<u>General Government/Economic Environment/Human Services ($120.6M):</u>
- Affordable Housing Land Assembly Program (FY2017)
- CJC Security System Upgrade (FY2013)
- CJC Judicial Consolidation (FY2014)
- STAR Center AHU Center Upgrades (FY2012)

<u>Culture & Recreation ($34.6M):</u>
- Wall Springs McMullen (FY2016)
- Pinellas Trail Improvements (FY2013)

FY2013-2022 Enterprise CIP

The expenditure total (net of non-project items) for the FY2013-2022 Enterprise CIP is $424.0M. The pie chart below shows the percentage distribution of expenditures amongst the functional areas of the CIP.



Major project highlights in the **Enterprise Ten-Year CIP** are listed below by functional area and estimated year of commencement. The focus of this list are the out years of FY2013 through FY2022 as the FY2013 projects are covered in more detail in the "Overview of the One-Year CIP" section.

<u>Physical Environment-Utilities ($359.3M):</u>
- WTE Air Pollution Control Upgrade (FY2013)
- Landfill Gas Collection Flaring System (FY2015)
- Lake Tarpon ASR Construction (FY2014)
- Sludge Thickening Improvements (FY2014)
- Water Mains Installations (FY2013)

Transportation-Airport ($64.7M):

- Cargo Apron Construction (FY2018)
- New General Aviation Taxiways/Ramps (FY2017)
- New T-Hangars (FY2018)
- Airco Site Development (FY2017)

Overall, there are more than 300 projects or program areas that comprise the ten-year CIP. A complete listing of CIP expenditure allocations is included in the "CIP by Fund & Function Report" in Exhibit C. In addition, a summary of changes between this year's CIP and last year's CIP can be found in Exhibit D. The detailed FY2013-2022 CIP document will be available once approved on the County's website at:
http://www.pinellascounty.org/budget/.

Pinellas County