

FUTURE FISCAL ISSUES

The *Future Fiscal Issues* portion of the FY2014 Budget Message is provided to depict the developing challenges the County faces and how strategies are being developed in advance to deal with the emerging issues. This is important because the ideas that come from the strategic planning process are directly dependent on the fiscal realities of the fiscal forecast.

Collaborative Labs Work Session

On April 18, 2013, the Board of County Commissioners met with County staff and was presented a number of present and future fiscal issues facing Pinellas County. The goal of the work session was to work together to get out in front of fiscal challenges that will be facing the County in the future. To accomplish this goal, the Board and County staff discussed these challenges in great detail and some of the options to mitigate the consequences of the fiscal issues facing Pinellas County. By creating a timeline for action and discussion, the Board was able to give guidance on how to best deal with the issues in the future.

The major fiscal issues discussed were:

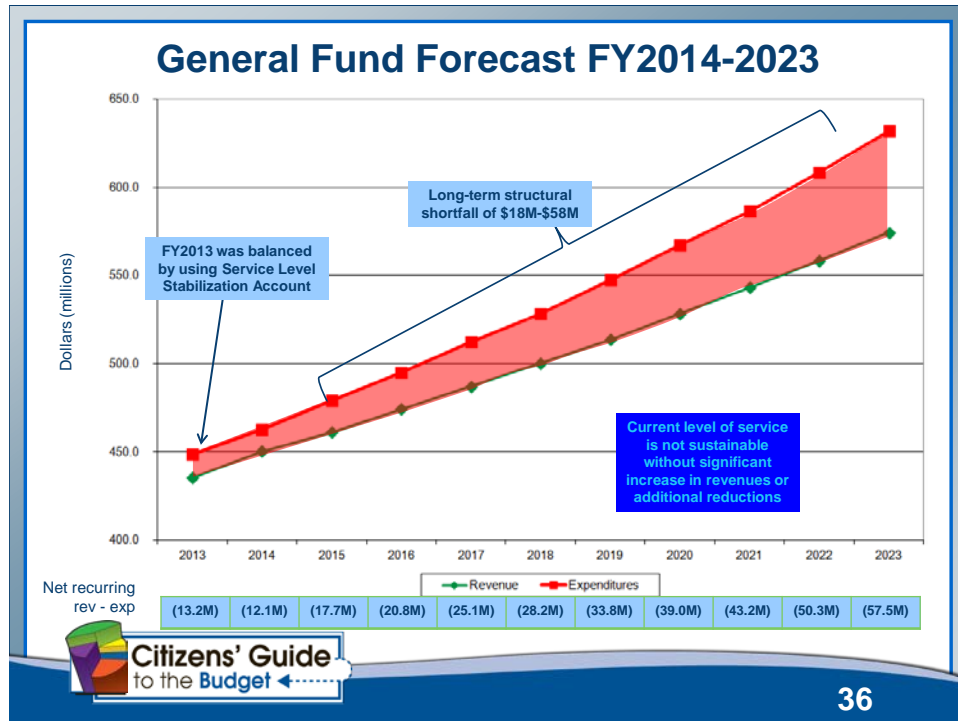
1. General Fund Long-Term Sustainability of Service Levels
2. EMS & Fire District Funding
3. Storm (Surface) Water Utility
4. Transportation Trust Fund
5. Tourist Development Fund

An important point of the discussion was the concept that the funds could not be reviewed in isolation because of linkages between the different areas. Each decision point could have an impact on other decisions. The various challenges could be addressed with multiple overlapping options. In addition, there was a need to be cognizant of stakeholder's capacity for fee and tax increases. There is a need to align revenue options with services. The timing of the possible solutions would also have to be carefully considered.

General Fund Long-Term Sustainability of Service Levels

The FY2014-2023 forecast presented in February 2013 depicted the General Fund with an escalating structural deficit throughout the forecast period. The discussion on the sustainability of the General Fund was based on a number of different interdependent assumptions. First, that the taxable values would not see the same boost from new construction as other counties might due to Pinellas' urban environment. The assumption was that the growth for FY2014 and FY2015 would be 2.5%, followed by 3.0% annual growth from FY2016-FY2023. In addition, personal services costs were projected to increase by 4.0%. Finally, the Board was warned that there were unpredictable factors that should be in the back of all of their minds such as the costs related to the Florida Retirement System and the uncertainty of the Affordable Care Act.

FUTURE FISCAL ISSUES



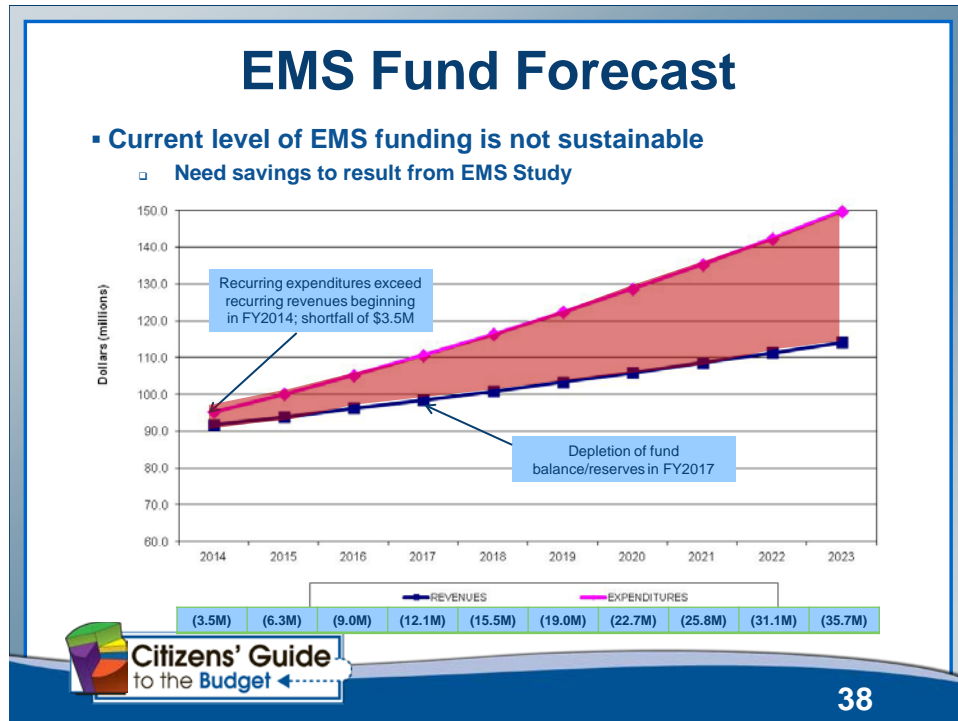
April 18, 2013 BCC Work Session

The takeaway from the discussion on the sustainability of the General Fund was that the County will need to do one or a combination of three things: increase revenue, decrease expenses or become more efficient to help close the gap between expenses and revenue each year. The consensus was that a bit of all three is the best way to address the issue and that a property tax increase would likely be recommended in July of 2013 to do something now to help close the gap for subsequent years.

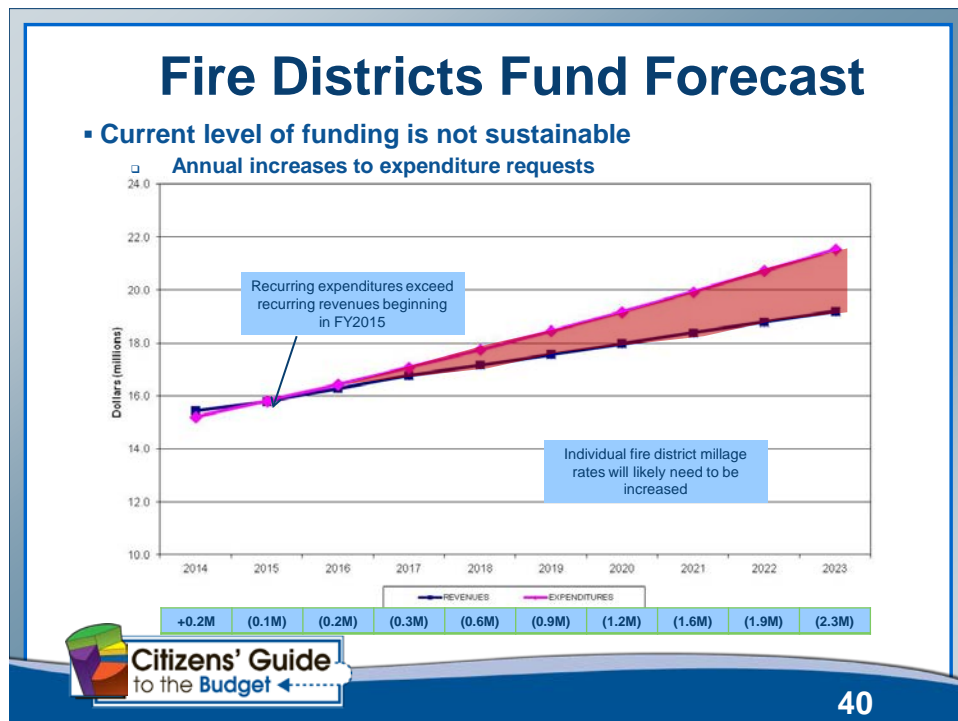
EMS & Fire District Funding

The next future fiscal issue discussed was the sustainability of the forecasted funds of the EMS and Fire Districts. Both showed a pattern of long-term unsustainable funding given their current structure. Again, assumptions for each were made clear before discussion ensued. For the EMS Fund, revenue from property tax had projected growth of 2.5% in FY2014 and FY2015, followed by 3.0% growth annually starting in FY2016. Additionally, revenue from user fees was projected to increase 2.0% per year. First responder costs were estimated to increase by 5.0% and ambulance contract costs were expected to increase by 6.0% annually.

FUTURE FISCAL ISSUES



April 18, 2013 BCC Work Session



April 18, 2013 BCC Work Session

The Fire fund forecasts were made under the assumption of 2.0% growth in FY2014 and FY2015, followed by 2.5% growth starting in FY2016. In addition, contractual payments are

FUTURE FISCAL ISSUES

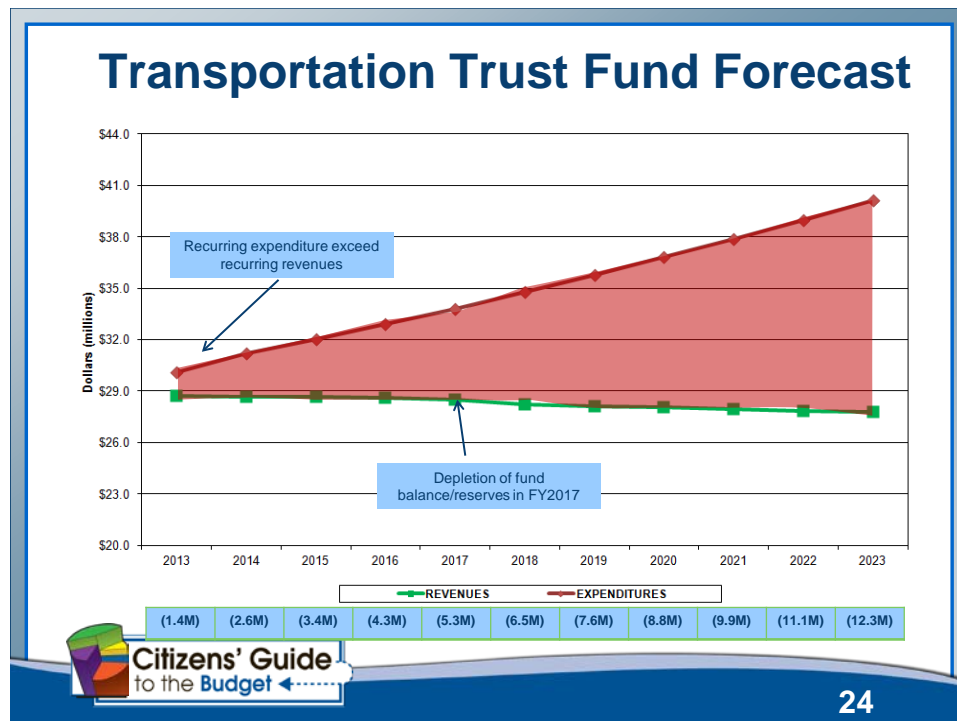
projected to increase 4.0% annually through the forecast period. Both the EMS and Fire District funds show a deficit each year based on the above assumptions.

Surface Water Utility

The issue was briefly discussed at the collaborative workshop but was limited because of the separate work session that was to be held April 30, 2013. Discussion of the surface water assessment can be found in the separate section *Surface Water Utility Fee* in the FY2014 Budget Message.

Transportation Trust Fund

Another future fiscal concern discussed was the sustainability of the Transportation Trust fund. Consistent with the other funds, an assumption of a 4.0% annual increase in personal services and a 2.0% increase in annual operating expense were used to project expenditures. Revenue for the fund is based on the gas tax. Revenues from the gas tax have been falling each year as automobiles become more fuel efficient. The gas tax is based on how many gallons of gas are purchased and a 0.5% decrease annually is assumed over the forecasted period.



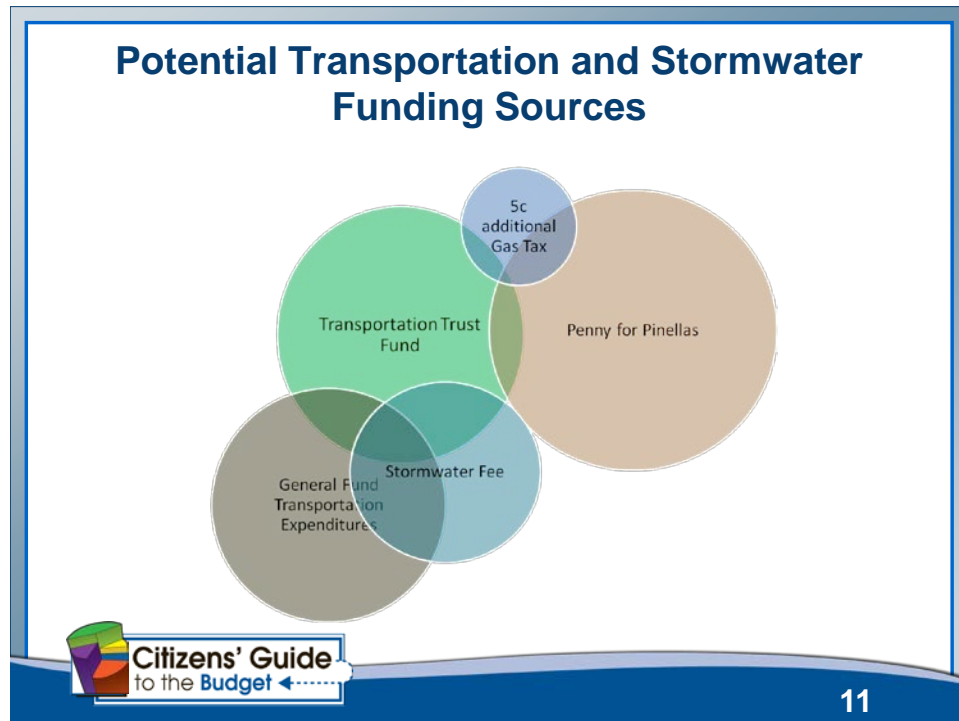
April 18, 2013 BCC Work Session

The sustainability of the current service levels of the Transportation Trust fund were even more severe than others discussed at the workshop. As the chart above shows, revenues are projected to fall each year over the length of the forecast, while expenditures continue to increase. The discussion led to two options. One would be to dramatically reduce service levels to balance the shortfall and the other option was to impose a new local option gas tax. Both solutions are ultimately not sustainable as revenue will still decrease over time as automobiles become even more efficient. The issue facing the Pinellas County Transportation Trust fund is

FUTURE FISCAL ISSUES

not unique to the County. The challenge is being faced on a national level and guidance should be provided in the next National Transportation Bill. Until that happens, the team agreed to weigh the options of increasing revenue and cutting service levels during the budget formulation this year.

The discussion of Storm (Surface) Water and Transportation Trust Fund demonstrated the interdependencies of the issues. It is illustrated in the following graphic.



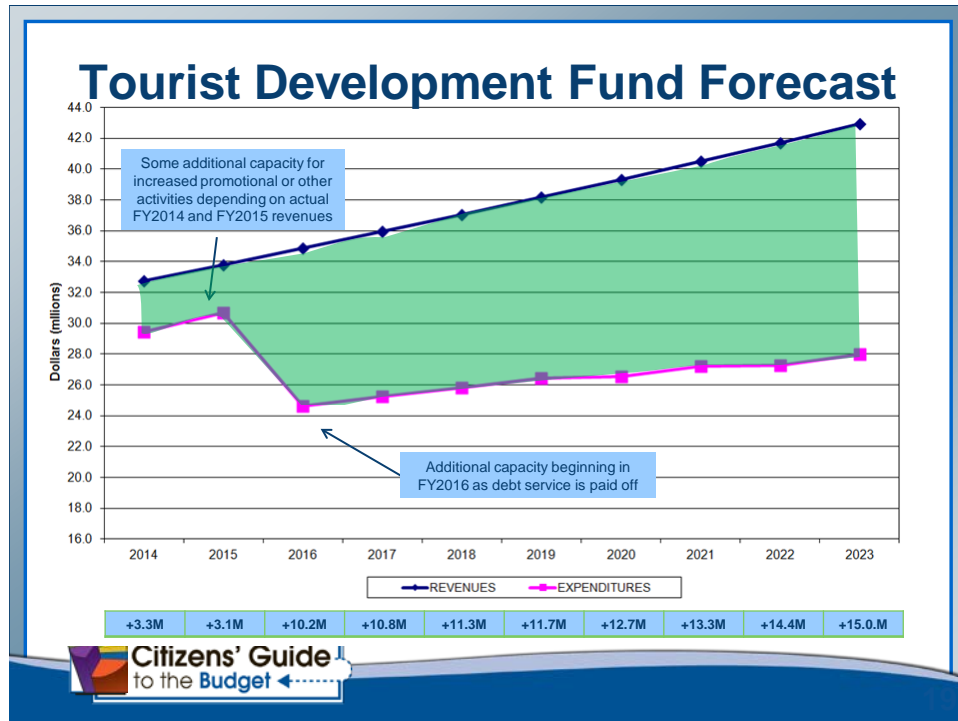
April 18, 2013 BCC Work Session

The idea of imposing an additional 5-cent local option gas tax was introduced, but was dismissed. In examining the impact of a stormwater (surface water assessment) fee, it was demonstrated that it would have a positive impact on the Transportation Trust Fund and the General Fund.

Tourist Development Council (TDC) Fund

Not all Future Fiscal Issues are doom and gloom. With the impending expiration of the County's debt service payments for Tropicana Field and the Dunedin Spring Training facility in FY2015, the County will have opportunities to finance the construction/renovation of various sports facilities, increase promotional activities and/or beach nourishment, or support other projects to attract more visitors to Pinellas County. At the April meeting, revenues were projected to increase 5.0% in both FY2013 and FY2014, with increases of 3.0% each year throughout the remainder of the forecast period. As with the other funds, personal services are projected to increase by 4.0% annually.

FUTURE FISCAL ISSUES



April 18, 2013 BCC Work Session