GENERAL FUND

Description

The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to Sheriff's law enforcement, detention, and corrections; health and human services; emergency management and communications; parks and leisure services; and the operations of the Property Appraiser, Tax Collector, and Supervisor of Elections.

The General Fund includes operations for both county-wide functions and the unincorporated area. These segments are tracked separately within the fund. The unincorporated area is commonly referred to as the MSTU (Municipal Services Taxing Unit). MSTU expenditures are about 9% of the total (net of reserves and Service Level Continuation Account).

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.

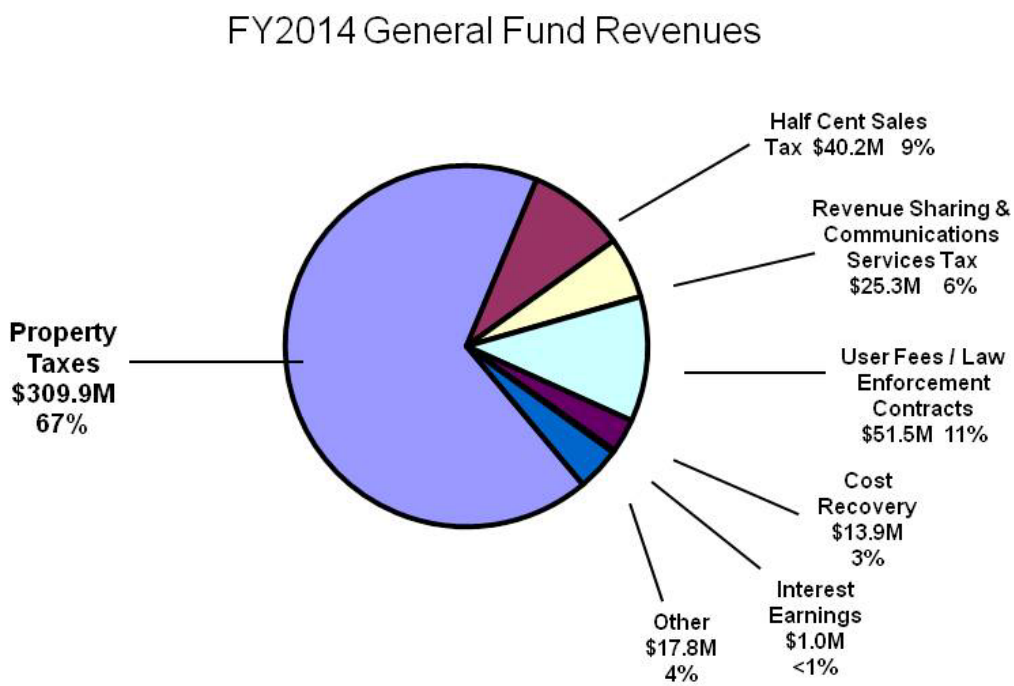
The forecast projects that without corrective action, recurring expenditures would exceed recurring revenues in the General Fund throughout the forecast period. This is primarily due to the aftereffects of the "Great Recession", with continued slow recovery of the real estate market and other sectors of the economy. In addition, caps on taxable value increases and total property tax revenue will inhibit future revenue growth. Major expenditure drivers that exceed normal inflation include personnel costs such as health insurance and state-required pension contributions, and mandated expenses such as Juvenile Detention. Initiatives such as reorganizations and the establishment of the Surface Water Utility Fund have reduced the gaps projected in previous forecasts. There would still be a long-term structural imbalance of approximately $8M increasing to $44M per year over the forecast period absent action to address this problem.

The balancing strategy for the General Fund is to solve the structural imbalance for FY2014 and FY2015 by increasing the county-wide millage rate. This will also reduce the magnitude of the longer term problem. Expenditure reductions or revenue increases may be required in FY2016 or future years to address the remaining structural imbalance which would be $27 million by FY2023. The extent of the changes needed will be dependent on the pace of the economic recovery, particularly the real estate market. Alternatively, the millage rate could be increased by a larger amount to increase the Service Level Continuation Reserve that would be available to offset future economic downturns.

GENERAL FUND

Revenues

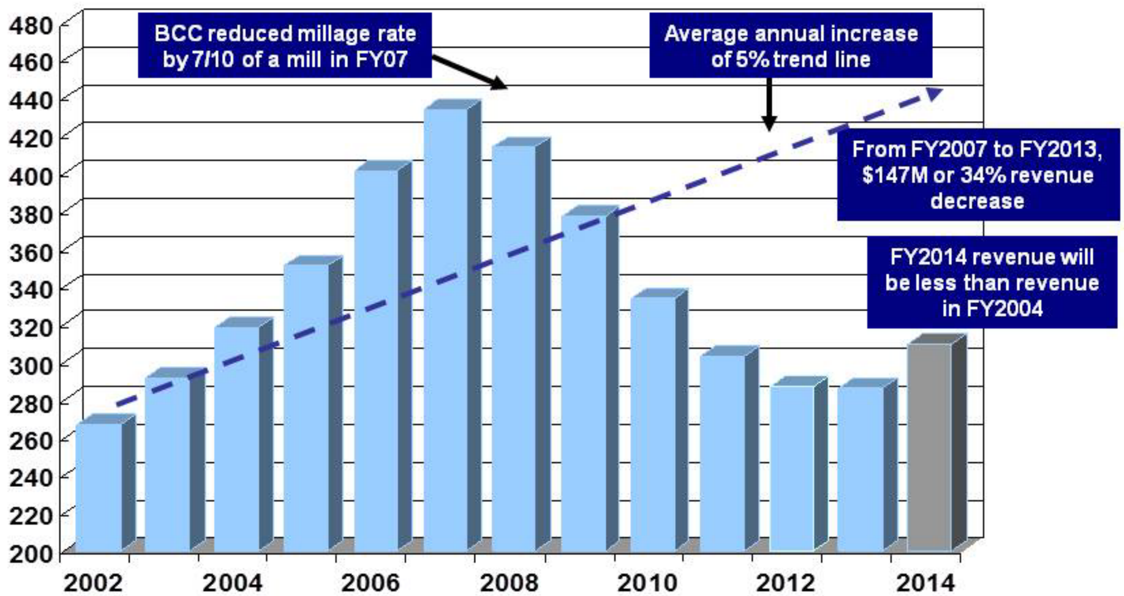
Property Taxes are the single largest source of General Fund revenues, accounting for more than two-thirds of the total. The four primary funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise about 82% of the revenue. The remaining 18% is derived from a variety of resources, including User Fees, Grants, Interest, and Cost Recovery from other County funds.



Property Taxes

The decline in property tax revenue from FY2008 to FY2012 exceeded the increases that occurred from FY2004 though FY2007. The FY2014 budgeted revenue is less than the revenue collected in FY2004. 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-FY2014) in millions



The combined General Fund property taxes for countywide and MSTU are expected to generate $309.9M in FY2014. The total property tax revenue will be less than FY2004, and is $124M, or 29%, less than the FY2007 peak revenue.

The negative impact from slow growth in 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 FY2014 are still 5% under the peak year of FY2006. This tax is expected to generate $40.2M in FY2014.

State Revenue Sharing

The third major General Fund source, State Revenue Sharing, which is 3% of total General Fund revenues, is also primarily based on the State's sales tax revenue. It is estimated that the County will recognize $14.7 million from this source in FY2014. This is 17% less than the FY2006 peak year revenue.

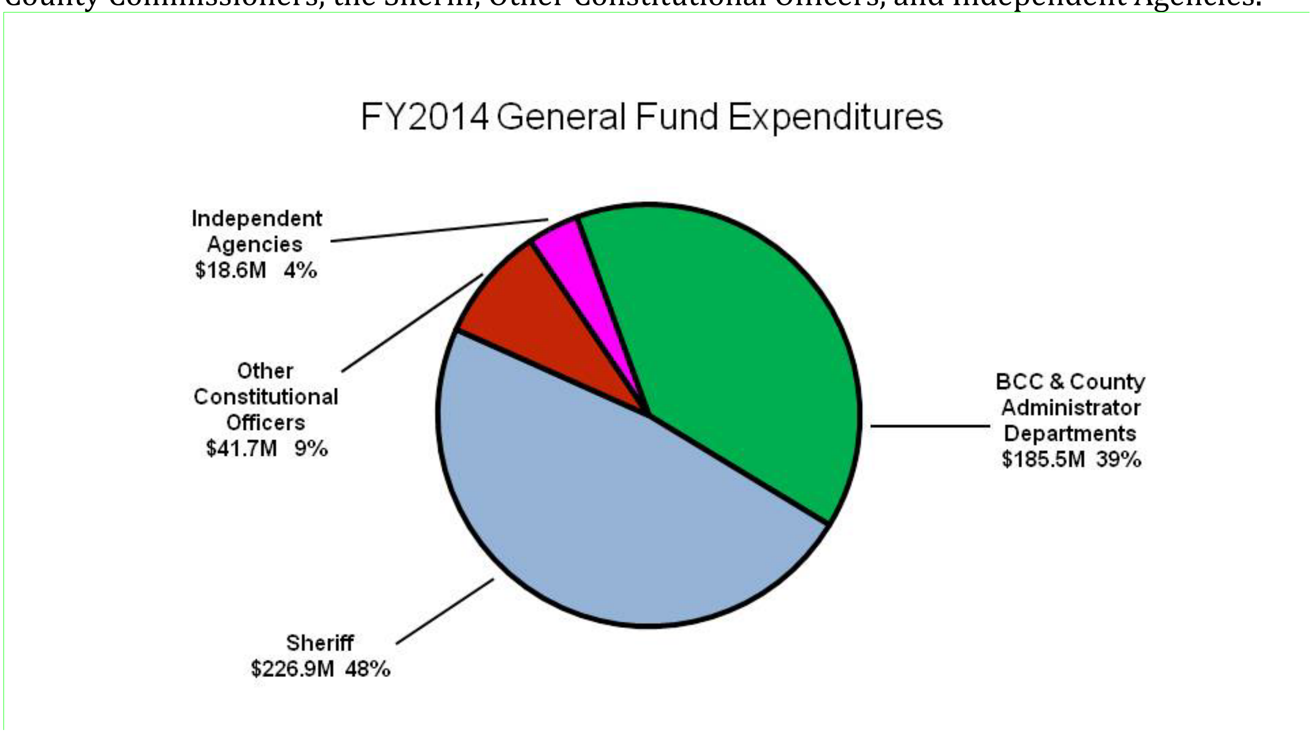
Communications Services Taxes
The fourth major revenue in the General Fund is the Communications Services Tax (CST). The CST is expected to generate $10.6M in FY2014, down from a peak of $13.2M in FY2007. The County's CST rate is 5.22%, which is the maximum allowed under current State law. Pinellas County's 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 FY2014 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 for FY2014 total $464.8M (net of reserves and Service Level Continuation Account) and can be summarized in four groups: the Board of County Commissioners, the Sheriff, Other Constitutional Officers, and Independent Agencies.



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 $185.5M or 39% of total FY2014 General Fund expenditures (net of reserves and Service Level Continuation 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 $226.9M or 48% of total FY2014 General Fund expenditures (net of reserves and Service Level Continuation Account). Detention and Corrections programs comprise 43% 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 13 municipalities. This includes St. Pete Beach, for which a contract was approved during FY2013. 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 $41.7M or 9% of total FY2014 General Fund expenditures (net of reserves and Service Level Continuation 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. The General Fund provides about 80% of the Tax Collector and 84% of the Property Appraiser total budgets. 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 22% 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. The Board funds 100% of the Supervisor's budget, excluding occasional State or Federal grants.

Independent Agencies
These agencies are $18.6M, or 4%, of total FY2014 General Fund expenditures (net of reserves and Service Level Continuation 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, 6% of the Public Defender's budget, and 1% of the State Attorney's budget are funded by Pinellas County. This funding includes some local programs 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 FY2014, the County will contribute an estimated total of $7.0M 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.

Transfers
Transfers between funds include ongoing or non-recurring items. For example, an ongoing transfer to the Employee Health Benefits Fund is budgeted to address unfunded liabilities for Other Post Employment Benefits (OPEB). FY2014 includes the second of eight $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, FY2014 Operating Expenses includes $0.1M in cost allocation charges from BTS for the Security Vulnerability Assessment 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.

Medicaid
In the state of Florida, counties are responsible to help offset the cost of Medicaid incurred by the state. Traditionally, the amount counties must pay to the state has been based on usage. This process created many billing and cost allocation problems because it was difficult to determine if a Medicaid patient was a resident of a certain county or just happened to be in a particular area when medical services were needed. Additionally, some counties, including Pinellas, are disproportionately hit with a higher cost because of the areas' demographics. Pinellas has a large number of hospitals and nursing homes which was resulting in an unsustainable bill from the state for Medicaid costs.

In an effort to reduce administrative costs and streamline the process of collecting county funds to help offset the state cost of Medicaid, Senate Bill 1520 was passed. The bill set an annual base amount for all Florida county contributions. The base amount is codified in the legislation for FY2014 at $269.6 million and for FY2015 at $277 million. The base amount will then change by 50% of the change in the estimated state Medicaid expenditures for the next five years (FY15-16 through FY19-20). After FY19-20 the base will change annually based on 100% of the change in the estimated state Medicaid expenditures from year-to-year. Further, counties now split the costs not by usage, but rather by an incremental shift toward enrollment over the next 7 years.

Annual Pinellas County Medicaid Cost Projections Based on New Billing Changes

Year	Projected Annual Cost	Annual % Change	% Change vs. FY 2013
FY2013-14	$17,915,301	7.24%	-
FY2014-15	$18,407,041	2.74%	9.98%
FY2015-16	$17,433,302	(5.29%)	4.69%
FY2016-17	$16,346,374	(6.23%)	(1.54%)
FY2017-18	$15,194,727	(7.05%)	(8.59%)
FY2018-19	$14,015,030	(7.76%)	(16.35%)
FY2019-20	$12,755,799	(8.98%)	(24.11%)

This shift from usage to enrollment will save Pinellas County a significant amount of money yearly for our Medicaid contributions over time. As enrollment becomes more of a factor each year, the county will pay significantly less to the state for Medicaid contributions. The impact of this change is significant in terms of the forecast as demonstrated in the chart below, because the original forecast assumed that costs would be increasing.

Medicaid Costs including backlog payments ($'s in million)

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Orig. Forecast	$23.31	$21.55	$22.30	$23.12	$24.08	$22.56	$23.62	$ 24.73	$ 25.89	$ 27.10	$ 28.38
New Est.	$21.77	$20.45	$20.94	$19.96	$18.88	$15.19	$14.02	$ 12.76	*$ 13.36*	*$ 13.98*	*$ 14.64*
Difference	$ (1.54)	$ (1.10)	$ (1.36)	$ (3.16)	$ (5.20)	$ (7.37)	$ (9.60)	$(11.97)	*$(12.53)*	*$(13.12)*	*$(13.74)*

The cost savings for switching to enrollment from usage is a result unique to Pinellas County. While the county still has a high Medicaid enrollment number as compared to many other Florida counties, usage is a much less favorable billing practice for Pinellas County because of our county's excellent, but large number of hospitals and nursing facilities. These facilities attract a great number of Medicaid patients from areas other than Pinellas County which use to drive up our Medicaid contribution costs to the state. The new enrollment billing procedure takes away this variable and our annual Medicaid contribution cost is now much easier to predict and will slowly come down over the next seven years significantly.

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 rates for FY2014. The FY2014 countywide millage rate is 5.2755 mills, and the MSTU rate is 2.0857 mills.

As explained in the Key Forecast Assumptions section of this document, the forecast is that taxable values will continue positive annual growth of 3% in FY2015 and later years, which is 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 4.0% growth for FY2014 and a 3.5% annual growth for the FY2015-FY2023 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.

Communications Services Tax revenue is forecast to continue a slow decline throughout the forecast period, decreasing 0.5% per year.

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

Key Assumptions - Expenditures

The forecast assumes a continuation of current (FY2014) 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 in FY2015 and future years.

However, certain expenses such as electricity and fuel, and state-mandated Medicaid charges result in the General Fund's Operating Expense growth differing somewhat from the 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 FY2014 and $1.5M per year for FY2015 through FY2020.

No new programs funded by non-routine grants are included in the forecast. The assumption is that any such expenditure 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.

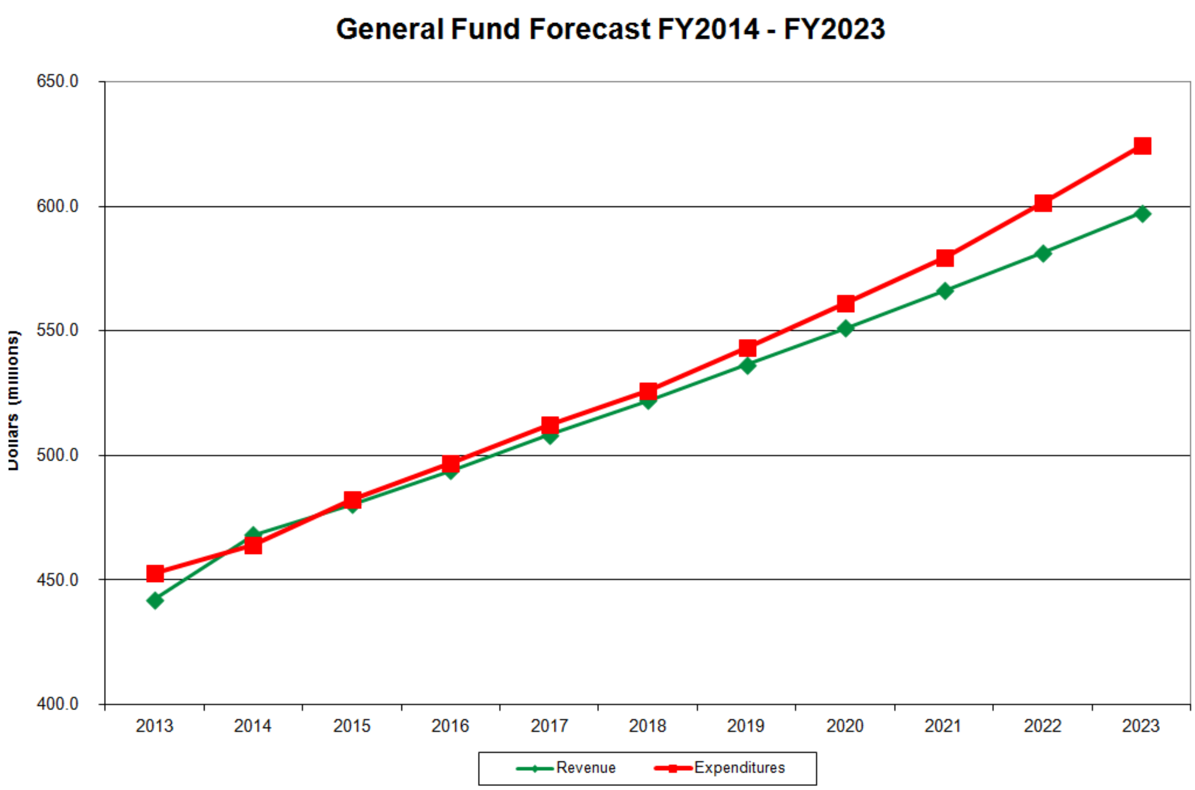
GENERAL FUND

Key Results

The February forecast projected that without corrective action, in FY2014 recurring expenditures would exceed recurring revenues in the General Fund by an estimated $8.3M. This structural gap would increase to approximately $44M by the end of the forecast period without action to address this ongoing problem.

Forecast Budget Gap Without Corrective Action									
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
($8.3M)	($13.9M)	($15.9M)	($18.3M)	($19.1M)	($22.8M)	($26.6M)	($30.1M)	($36.8M)	($43.8M)

The balancing strategy for the General Fund is to solve the structural imbalance for FY2014 and FY2015 by increasing the county-wide millage rate. This will also reduce the magnitude of the longer term problem. Expenditure reductions or revenue increases may be required in FY2016 or future years to address the remaining structural imbalance which would be more than $20 million by FY2023. The extent of the changes needed will be dependent on the pace of the economic recovery, particularly the real estate market. Alternatively, the millage rate could be increased by a larger amount to create a Service Level Continuation Account that would be available to offset future economic downturns.



Forecast Budget Gap With Corrective Action									
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
+3.8M	($1.7)	($2.6M)	($4.1M)	($3.9M)	($6.8M)	($10.0M)	($13.4M)	($20.2M)	($27.2M)

Potential Risks

REVENUE FACTORS

Taxable Values

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

The timing of the valuation of property for tax purposes is important. The FY2014 values certified on July 1, 2013 reflect the market conditions through the end of the 2012 calendar year. Therefore, increases or decreases in value after January 1, 2013 will not impact the FY2014 tax base.

A change of 1% in the FY2014 countywide taxable value would result in a $2.8M change in revenue at the FY2014 millage rate of 5.2755. Similarly, a change of 0.1 mills in the rate using the FY2014 taxable value would result in a $5.3M 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. As the real estate market returns to a pattern of growth, Save Our Homes will limit the amount of the increased value that is subject to property taxes.

Potential Property Tax Exemptions

The major proposed amendments to the State Constitution related to property taxes on the November, 2012 general election ballot were defeated, but it is conceivable that one or more of them will be revisited in the future. The proposals that were defeated included increasing exemption amounts for low-income seniors, increasing the amount of the tangible personal property exemption, reducing the cap on the annual change in taxable values for non-homesteaded property, eliminating the "recapture rule" for assessed values that are less than market value, and granting an additional initial homestead exemption of 50% of market value to homeowners who had not had a homestead exemption in Florida in the previous 3 years. The Legislative staff estimated the cumulative impact of the proposals would have been a revenue loss to local governments of nearly $1 billion statewide by FY2016. The Florida Association of Counties estimated 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 or referendums 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. There are two basic methods of annexation in Florida: annexation by referendum and voluntary annexation. According to a Pinellas Planning analysis, from FY2001 through FY2011 approximately 8,000 acres representing $1.2 billion in taxable value was removed from the MSTU through these processes. Annexation activity, both referendum and voluntary, was significantly lower during fiscal years 2008 through 2011 than in the previous seven years. As property values begin to rise again there may also be an increase in proposed annexations. 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 Communications Services Tax - 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% to 4.0% annual growth in the Sales Tax forecast for FY2014 generates about $1.5M to $1.9M 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, 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 first time in five years, the State did not face a significant budget gap for its FY2014 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.

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 $4.0M.

Similarly, there has been repeated pressure from the telecommunications industry to reduce the scope of services that are subject to the Communications Services Tax (CST). Legislation approved in 2012 had a negative statewide impact on local CST revenues of more than $25M. A State commission studying the CST recommended structural changes that if adopted could lead to even greater reductions in revenue.

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 FY2014 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 FY2014, 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 2013 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. Having reached a fully funded level, 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.

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. There is continuing uncertainty concerning the effect of Federal health insurance reform on costs and services, including any related mandates to programs such as Medicaid.

Medicaid

The legislation approved in 2013 reduced the County's projected Medicaid expenditures for the next several years. Future Legislatures could take actions that would increase the County's costs above the forecast amounts.

Pinellas County Health Program

For many years, the Health and Community Services Department has administered the Pinellas County Health Program for the delivery of healthcare services for low-income residents of Pinellas County. To help supplement funding available from the Pinellas County General Fund, the department has received grants and has entered into leveraging agreements with local healthcare providers. These agreements have resulted in an accumulation of donated, non-recurring funds that are held in restricted trust for purpose of partially funding the services provided through the Pinellas County Health Program. Although Health and Community Services continues to seek out alternative revenue sources, without a replenishment of these funds, it is anticipated that they will be completely depleted by the end of fiscal year 2014. This loss of funding will result in an annual operating deficit for the Pinellas County Health Program of approximately ten million dollars.

The Health and Community Services Department has been directed to design programs and services around community needs and target efforts and resources to the populations who need the greatest number of services. The Department is designing programs and targeting resources to combat the negative contributing factors to prolonged poverty: insufficient access to health care, low educational outcomes, high unemployment rates, insufficient stock of quality affordable housing, high crime rates, insufficient access to fresh foods, and poor transportation.

In order to break the cycle of poverty, you need to address all of the barriers to achieving self-sufficiency. In order to meet the goal of implementing these coordinated multi-pronged initiatives that address the individual and the communities in which they reside, the department estimates that this could require ten million dollars in additional resources for services plus ten to fifteen million dollars for infrastructure and capital improvement projects. These are preliminary estimates and are dependent on the BCC approving the delivery service model.

Unfunded Mandates
No new State or Federal mandates have been included in the forecast. As the State deals with future 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.

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, 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 several years was the creation of a Service Level Stabilization Account (SLSA) in the General Fund. The SLSA represented non-recurring funds generated by taking reductions in FY2010, 2011, and 2012 over and above what was necessary to balance the budget. The SLSA was used to cover shortfalls in the General Fund, providing flexibility in the budget to avoid making reductions to the point where revenues bottomed out. This allowed us to bridge to the time when the budget situation has stabilized and is beginning to improve.

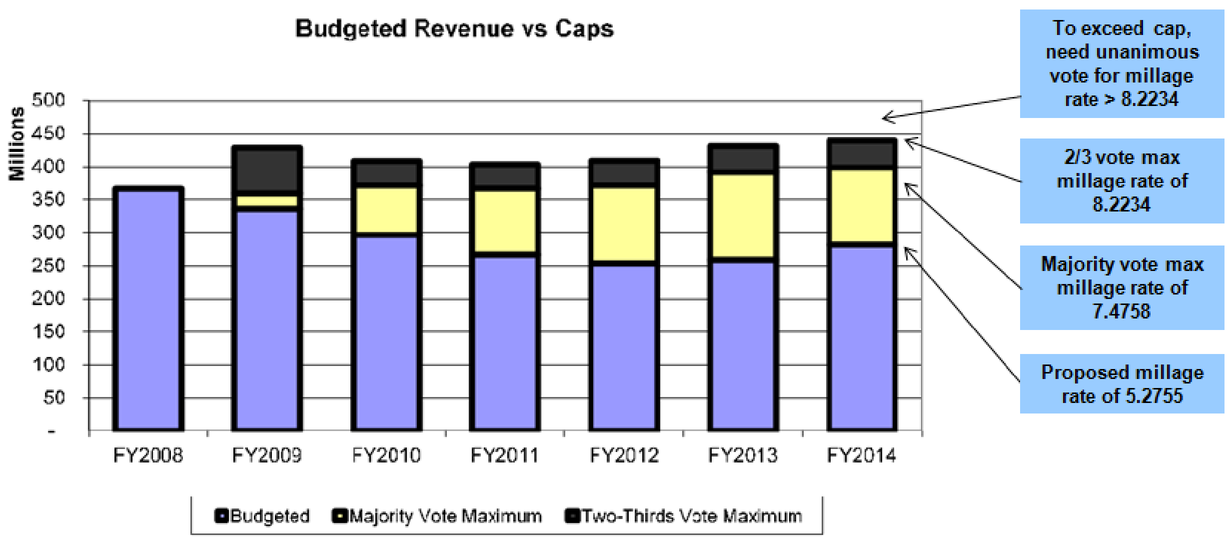
For FY2014, the remaining balance in the SLSA has been reallocated to a Service Level Continuation Account (SLCA). This account will provide budgeted reserves to maintain sustainable levels of service in response to anticipated declines in revenues.

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. Between FY2007 and FY2011, reductions of over $182 million were made in General Fund agencies, and budgeted positions decreased by 1,618 or 25%. An additional $18.3 million in budget reductions were taken in FY2012. As a

result of these and other changes, the total FY2014 General Fund budget of $568,656,070 is comparable to the FY2005 budget of $556,054,060.

Revenue increases are another option. 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. Super-majority votes of the Board are required if proposed property tax revenue exceeds caps based on 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 increased as property tax revenues decreased. There is currently a wide spread between the FY2014 millage rate of 5.2755 and the cap limit of 8.2234.



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 FORECAST
Fund 0001

Forecast Assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Property Taxes - Countywide *	3.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Property Taxes - MSTU *	2.9%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Half Cent Sales Tax	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Revenue Sharing	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Communications Svc Tax	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Charges for Services	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Transfers from Other Funds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES										
Personal Services	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Expenses	-3.1%	2.3%	1.1%	1.1%	-1.5%	1.2%	1.2%	2.8%	2.9%	2.9%
Capital Outlay	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Grants & Aids	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Projected Economic Conditions / Indicators:										
Consumer Price Index, % change	*1.5%*	*1.8%*	*1.7%*	*2.0%*	*1.9%*	*2.1%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
FL Per Capita Personal Income Growth	*2.0%*	*2.2%*	*2.2%*	*1.8%*	*1.4%*	*1.5%*	*1.7%*	*1.6%*	*1.6%*	*1.6%*
Estimated New Construction % of tax base	*0.5%*	*0.5%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*

*** Property Tax percentages are changes in Taxable Value**

GENERAL FUND FORECAST
Fund 0001

(in $ millions)	Actual 2012	ORIGINAL BUDGET 2013	Estimated 2013	Estimated 2014	Estimated 2015	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
			FORECAST										
BEGINNING FUND BALANCE	**126.8**	**115.3**	**128.2**	**109.0**	**95.7**	**92.5**	**88.4**	**82.8**	**77.4**	**69.1**	**57.6**	**44.2**	**24.0**
REVENUES													
Property Taxes -Countywide	258.4	259.0	261.4	281.6	290.0	298.7	307.7	316.9	326.4	336.2	346.3	356.7	367.4
Property Taxes - MSTU	29.0	27.6	27.8	28.3	28.9	29.6	30.3	31.1	31.9	32.7	33.5	34.3	35.2
Half Cent Sales Tax	37.0	38.2	38.6	40.2	41.6	43.1	44.6	46.2	47.8	49.5	51.2	53.0	54.9
Revenue Sharing	14.3	9.2	14.3	14.7	15.1	15.5	15.9	16.3	16.7	17.1	17.5	17.9	18.3
Communications Svc Tax	10.8	10.7	10.7	10.6	10.5	10.4	10.3	10.2	10.1	10.0	10.0	10.0	10.0
Building Permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants (fed/state/local)	13.5	5.9	10.5	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8
Interest	0.8	1.0	0.6	1.0	1.0	1.9	2.7	2.5	2.3	2.1	1.7	1.3	0.7
Charges for Services	68.5	63.5	65.0	66.6	68.6	69.6	70.9	72.5	74.2	75.9	77.7	79.4	81.4
Other revenues	13.4	12.1	13.1	12.9	12.3	12.5	12.8	13.1	13.4	13.7	14.0	14.3	14.6
Adjust Property Taxes to 96%	-	-	-	3.3	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2
Adjust Major Revenue to 98%	-	-	-	2.1	2.2	2.2	2.2	2.3	2.4	2.4	2.5	2.6	2.6
Adjust Other Revenue to 97%	-	-	-	1.8	1.8	1.9	1.9	2.0	2.0	2.0	2.1	2.1	2.2
TOTAL REVENUES	**445.7**	**427.2**	**442.0**	**468.0**	**480.4**	**494.0**	**508.1**	**522.1**	**536.4**	**551.0**	**566.1**	**581.4**	**597.3**
% vs prior year	*20%*		*-1%*	*6%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
TOTAL RESOURCES	**572.5**	**542.5**	**570.2**	**577.0**	**576.1**	**586.5**	**596.5**	**604.9**	**613.8**	**620.1**	**623.7**	**625.6**	**621.3**
EXPENDITURES													
Personal Services	63.7	65.4	64.6	67.6	70.3	73.1	76.0	79.0	82.2	85.5	88.9	92.5	96.2
Operating Expenses	98.2	102.3	107.1	103.8	106.2	107.4	108.6	107.0	108.3	109.6	112.7	116.0	119.4
Capital Outlay	1.5	0.9	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Grants & Aids	15.9	19.1	18.6	20.0	20.6	21.0	21.5	22.0	22.5	23.0	23.6	24.2	24.8
Transfers	258.4	257.6	261.6	273.7	285.4	295.6	306.6	318.4	330.7	343.4	356.6	371.3	386.6
Debt Service	-	0.3	-	-	-	-	-	-	-	-	-	-	-
Service Level Stabilization Acct	**-**	**9.4**	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Service Level Continuation Acct			-	**10.7**									
Non-recurring expenditures	**1.6**	**-**	**2.6**	**1.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenditure Lapse 1% *		-	-	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)
Potential Issues:													
Non-recurring Transfers to CIP	0.6	1.5	1.5	**1.5**	1.5	1.5	1.5	1.5	1.5	1.5	-	-	-
BTS non-recurring project costs	3.7	4.3	4.3	**3.2**	-	-	-	-	-	-	-	-	-
Homeless Initiatives (G&A)	0.7	-	-	-	-	-	-	-	-	-	-	-	-
CIP Operating Impacts (cumulative)	-	-	-	-	0.4	0.4	0.4	0.5	0.5	0.5	(1.2)	(1.3)	(1.3)
TOTAL EXPENDITURES	**444.3**	**460.8**	**461.2**	**481.3**	**483.6**	**498.1**	**513.7**	**527.5**	**544.7**	**562.5**	**579.5**	**601.6**	**624.5**
% vs prior year	*320%*		*4%*	*4%*	*0%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*	*4%*	*4%*
ENDING FUND BALANCE ASSUMING NO ACTION TAKEN TO RESOLVE SHORTFALLS	**128.2**	**81.7**	**109.0**	**95.7**	**92.5**	**88.4**	**82.8**	**77.4**	**69.1**	**57.6**	**44.2**	**24.0**	**(3.2)**
Ending balance as % of Resources	*22%*	***16%***	***19%***	***17%***	***16%***	***15%***	***14%***	***13%***	***11%***	***9%***	***7%***	***4%***	***-1%***
TOTAL REQUIREMENTS	**572.5**	**542.5**	**570.2**	**577.0**	**576.1**	**586.5**	**596.5**	**604.9**	**613.8**	**620.1**	**623.7**	**625.6**	**621.3**
REVENUE minus EXPENDITURES *(NOT cumulative)*	1.4	(33.6)	(19.2)	(13.3)	(3.2)	(4.1)	(5.6)	(5.4)	(8.3)	(11.5)	(13.4)	(20.2)	(27.2)
note: non-recurring expenditures	**6.6**	**15.2**	**8.4**	**17.1**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**-**	**-**	**-**
net recurring rev- exp	**8.0**	**(18.4)**	**(10.8)**	**3.8**	**(1.7)**	**(2.6)**	**(4.1)**	**(3.9)**	**(6.8)**	**(10.0)**	**(13.4)**	**(20.2)**	**(27.2)**

** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.*
FY12 ad valorem and other revenue adjusted for delinquent taxes and tax redemptions