

TRANSPORTATION TRUST FUND

Description

The County Transportation Trust Fund is a special revenue fund required by Florida Statute 336.022 to account for revenues and expenditures used for the operation and maintenance of transportation facilities and associated drainage infrastructure. Activities include road and right-of-way maintenance (e.g., patching, mowing), bridge maintenance and operation, traffic engineering, traffic signal operation including Intelligent Transportation Systems, traffic control signage and striping, sidewalk repair and construction, and maintenance of ditches, culverts and other drainage facilities. Resources to support these activities are provided from gas taxes collected and distributed on a shared basis to all Florida Counties by the State of Florida, and local option gas taxes levied by the County. The revenue from the proposed surface water assessment fee in the unincorporated area starting in FY2014 will support operation and maintenance activities related to drainage infrastructure for this area, thereby relieving the County Transportation Trust Fund of these expenditures.

Two local option taxes have been imposed by the Board of County Commissioners. The most recent was the one-cent levy (referred to by statute as the "Ninth Cent") that began January, 2007. It is dedicated to the installation, operation, and maintenance of advanced technological traffic signal and messaging systems (Intelligent Transportation Systems). The other local levy is the 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 and levy will expire in 2017.

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. Future revenue is projected to continue its slow decline and not keep pace with inflationary increases for expenditures in this fund. This reflects 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,

The forecast for the Transportation Trust Fund indicates that the fund is not in balance beginning in FY2015. When combined with the expiration of the six-cent local option gas tax in August, 2017, the fund balance will be depleted by FY2018. The removal of operation and maintenance activities related to drainage infrastructure for the unincorporated area improved the financial forecast, but is more than offset by the loss of the six-cent local option gas tax in 2017. If this tax is renewed, action will still be necessary by FY2020 due to an imbalance primarily resulting from inflationary pressures on expenditures coupled with the projected reduction in gas tax collections that are based upon the volume of fuel sold. Potential actions to consider are revenue transfers from the General Fund, imposition of additional local option gas taxes (beyond the current amounts), or reductions in current service levels.

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Revenues

The Transportation Trust Fund consists of three primary funding sources: State shared gas taxes (\$9.4 million), a six cent per gallon local option gas tax (\$12.7 million), and a one cent per gallon gas tax (the “Ninth Cent”) earmarked for the Advanced Traffic Management System / Intelligent Transportation System (\$3.8 million). The remaining revenues of the fund include interest and other miscellaneous revenues such as reimbursements from other governments for the County’s work on municipal and state traffic signal systems.

State Shared Gas Taxes

This resource is the equivalent of three cents per gallon on motor fuel, collected statewide, then redistributed to Florida Counties by a formula related to population, geographic area, and local collections. 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, state shared gas taxes, as well as the other gas taxes, are anticipated to continue to slowly decline over the forecast period.

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. Florida Statutes provide for the option to impose an additional five cents per gallon tax. The proceeds are shared with the municipalities through an interlocal agreement stipulating that the County retains 60% of monthly collections and municipalities share the remaining 40%. This six-cent tax and the interlocal agreement will expire on August 31, 2017.

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. This tax will expire on December 31, 2026.

Expenditures

The Transportation Trust Fund budget supports expenditures totaling approximately \$26.2 million in FY2014. Note that the expenditure figures below reflect the adopted budget whereas the forecast pro-forma includes anticipated lapse based on historical trends.

Transportation Management

This program provides design, construction, operation and maintenance of all traffic control devices for which Pinellas County has legal authority and responsibility per Florida Statute 316, State Uniform Traffic Control. The FY2014 budget for this program is \$10.2M.

As a part of improving traffic signal and traffic control activities, the County is actively pursuing technological enhancements to improve the flow of traffic in Pinellas County. This activity is

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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 FY2014 operating expenses for this program are \$1.7 million. The balance of the available Ninth Cent funds is transferred to the Capital Projects Fund.

Streets and Bridges

This program provides for maintenance and operation of the County's bridges (\$3.6M) and streets (\$3.5M). Key program expenditure areas include inspection, maintenance engineering, management, repair, and maintenance operation.

Vegetation Management and Urban Forestry

Program services include: urban forestry (\$1.6M); vegetation management (\$0.2M) including maintenance of desirable vegetation in ponds and permitted sites, removal and targeted treatment of non-desirable vegetation in the right of way, ditches, ponds, county property, and parks; and mowing and maintenance of arterial corridors and unincorporated portions of the county (\$2.2M).

Environmental Services

Program services include management, operation and maintenance of the county-wide stormwater conveyance system. Unincorporated area stormwater conveyance system activity is proposed to be funded via surface water assessment fees starting in FY2014. Additional program activities include: permitting of docks; dredge and fill activities; removal of derelict vessels; placement and maintenance of aids to navigation in local waters; and coastal management activities. The FY2014 budget for this program is \$2.7M.

Capital Improvement Project Impacts

Some capital improvement projects have the potential to require increased operating expenditures when completed. The forecast includes estimated operating expenditures to support completed capital improvement projects. This impact averages \$1.0M annually.

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 \$2.2 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 budgeted FY2014 reserve level of \$15.6 million in the Transportation Trust Fund is approximately 36%, 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

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accounting standards (GASB Statement 54) for FY2012. This reserve level will gradually be reduced as expenditures exceed revenues.

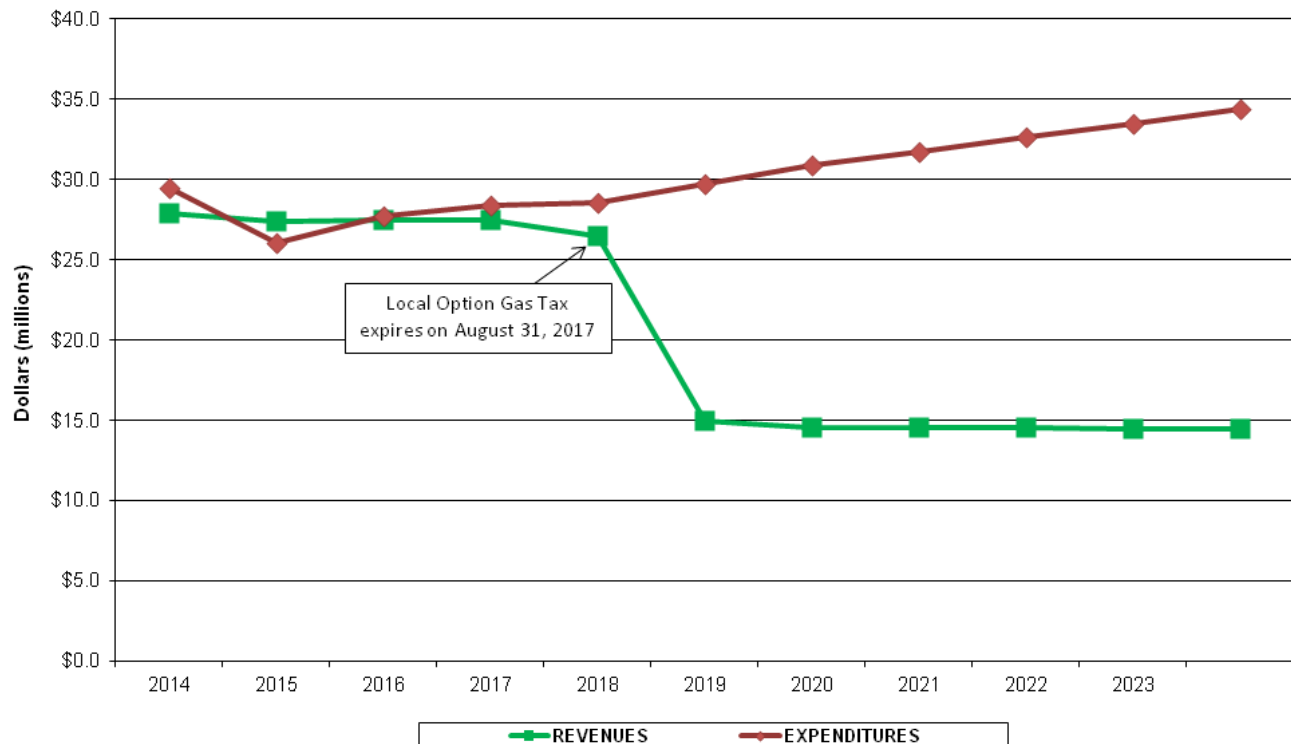
Ten-Year Forecast

Key Assumptions

As discussed, the main revenue sources for this fund are state shared gas taxes and local option gas taxes. The ten-year forecast assumes that the current, six-cent local option gas tax levy will not be extended beyond its current expiration date of August 31, 2017. The “Ninth Cent” levy is in effect until year 2026. Revenue growth assumptions have been based on the State's Revenue Estimating Conference forecast of gallons of motor fuel pumped annually in Florida. The State's annual average growth rate is 1.6%. These taxes are based on gallons pumped 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 a continuing gradual decline in gas tax revenues.

The surface water assessment proposed for the unincorporated area beginning in FY2014 relieves the Transportation Trust Fund of \$5.4M in recurring expenditures related to operating and maintenance of drainage infrastructure in the unincorporated area. By implementing this strategy, the erosion of fund balance is delayed by two years. However, based on the historical and future reduction patterns, current gas tax revenues are not predicted to keep up with projected inflationary expenditure demand on transportation operation and expenditure needs.

County Transportation Trust Fund Forecast FY2014 - FY2023



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Key Results

Beginning in FY2015, Transportation Trust Fund expenditures exceed revenues throughout the forecast period, which causes a gradual erosion of fund balance. When the six-cent local option gas tax expires in 2017, the fund assumes a negative cash position as a result of the elimination of over \$12M in revenue. If this levy is extended at its current level, the fund will still assume a negative cash position during FY2020. Therefore, 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.

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 combination of extending and imposing 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. Diesel fuel is not subject to this tax. The County's estimated share of one cent of this local option gas tax is now approximately \$1.9 million, which is 60% of the \$3.2 million in proceeds which would be generated countywide.

1 cent	2 cents	3 cents	4 cents	5 cents
\$1.9M	\$3.8M	\$5.7M	\$7.6M	\$9.5M

For comparison purposes, other Florida Counties that impose greater local option taxes than Pinellas County's seven cents are shown in the following table.

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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

Of Florida's 67 counties:

** 24 levy more than 7 cents*

** 27, including Pinellas, Pasco, And Hillsborough, levy 7 Cents*

** 16 levy less than 7 cents*

Source: 2012 Local Government Financial
Information Handbook - October, 2012

An additional one to five cents is not likely to have a measurable impact on the sale of fuel, as normal price differences and fluctuations routinely exceed this amount. For this reason, there would be little incentive for consumers to redirect their fuel purchases to Hillsborough or Pasco counties if they maintain their current seven cent fuel tax rates. The additional five cents may be used for the construction of new roads, the reconstruction or resurfacing of existing paved roads, the paving of existing graded roads, or other expenditures that are needed to meet immediate local transportation problems or are critical for building comprehensive roadway networks. Routine maintenance of roads is not considered an authorized expenditure. The additional one to five cents could be levied by a majority plus one vote of the Board, or by approval in a countywide referendum. The same voting threshold applies to extending the current, six-cent levy, beyond its current expiration date in 2017.

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

Forecast Assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Ninth Cent Gas Tax	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
State Shared Gas Taxes	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Local Option Gas Taxes	-0.5%	-0.5%	-0.5%	-0.5%	n/a	n/a	n/a	n/a	n/a	n/a
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	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
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%
Transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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%

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Fund 1001

(in \$ thousands)	Actual 2012	Budget 2013	FORECAST										
			Estimated 2013	Estimated 2014	Estimated 2015	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
BEGINNING FUND BALANCE	14,772.2	13,963.0	16,043.6	14,446.8	15,839.7	15,603.2	14,730.0	12,703.6	(2,051.4)	(18,381.6)	(35,597.8)	(53,706.9)	(72,736.9)
REVENUES													
Ninth Cent Gas Tax	3,749.3	3,757.7	3,797.0	3,778.0	3,759.1	3,740.3	3,721.6	3,703.0	3,684.5	3,666.1	3,647.8	3,629.5	3,611.4
State Shared Gas Taxes	9,319.0	9,242.0	9,488.2	9,440.8	9,393.6	9,346.6	9,299.9	9,253.4	9,207.1	9,161.1	9,115.3	9,069.7	9,024.4
Local Option Gas Tax ***	12,497.0	12,596.5	12,713.6	12,650.0	12,586.8	12,523.8	11,422.8	-	-	-	-	-	-
Interest	42.2	50.0	32.0	32.0	158.4	312.1	441.9	381.1	-	-	-	-	-
Other revenues	2,399.0	1,505.4	1,640.6	1,465.0	1,494.3	1,524.1	1,554.6	1,585.7	1,617.4	1,649.8	1,682.8	1,716.4	1,750.8
Transfer from other Funds	-	1,744.2	244.2	-	-	-	-	-	-	-	-	-	-
Adjust Other Revenue to 98%				47.3	52.2	58.0	63.0	62.1	51.1	52.1	53.1	54.2	55.3
TOTAL REVENUES	28,006.5	28,895.8	27,915.6	27,413.1	27,444.3	27,505.0	26,503.9	14,985.3	14,560.1	14,529.0	14,498.9	14,469.9	14,441.8
% vs prior year		3%	-1%	-2%	0%	0%	-4%	-43%	-3%	0%	0%	0%	0%
TOTAL RESOURCES	42,778.7	42,858.8	43,959.2	41,859.9	43,284.0	43,108.2	41,233.9	27,689.0	12,508.8	(3,852.5)	(21,098.8)	(39,237.1)	(58,295.1)
EXPENDITURES													
Personal Services	11,079.6	13,982.1	13,106.6	10,998.8	11,438.8	11,896.3	12,372.2	12,867.0	13,381.7	13,917.0	14,473.7	15,052.6	15,654.7
Operating Expenses *	9,024.6	12,383.3	12,126.9	11,177.6	11,378.8	11,572.2	11,803.7	12,028.0	12,280.5	12,526.1	12,776.7	13,032.2	13,292.8
Capital Outlay	68.9	157.0	181.3	190.3	193.7	197.0	201.0	204.8	209.1	213.3	217.5	221.9	226.3
Grants & Aids	14.5	26.7	18.4	32.7	33.3	33.9	34.5	35.2	35.9	36.6	37.4	38.1	38.9
Full Cost Allocation	1,883.4	1,923.2	1,923.2	1,688.8	1,705.7	1,739.8	1,792.0	1,845.8	1,901.1	1,958.2	2,016.9	2,077.4	2,139.7
Transfers to other Funds	3,000.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0	2,156.0
Expenditure Lapse 1% **				(224.0)	(230.4)	(237.0)	(244.1)	(251.3)	(259.1)	(266.9)	(275.1)	(283.4)	(292.1)
Potential Issues:													
CIP Operating Impacts					1,005.0	1,020.0	415.0	855.0	1,185.0	1,205.0	1,205.0	1,205.0	1,205.0
TOTAL EXPENDITURES	25,071.0	30,628.3	29,512.4	26,020.2	27,680.8	28,378.2	28,530.2	29,740.4	30,890.3	31,745.3	32,608.1	33,499.8	34,421.4
% vs prior year		19%	15%	-12%	6%	3%	1%	4%	4%	3%	3%	3%	3%
ENDING FUND BALANCE	17,707.7	12,230.5	14,446.8	15,839.7	15,603.2	14,730.0	12,703.6	(2,051.4)	(18,381.6)	(35,597.8)	(53,706.9)	(72,736.9)	(92,716.5)
ASSUMING NO ACTION TAKEN TO RESOLVE SHORTFALLS													
Ending balance as % of Resources		29%	33%	38%	36%	34%	31%	-7%	-147%	924%	255%	185%	159%
TOTAL REQUIREMENTS	42,778.7	42,858.8	43,959.2	41,859.9	43,284.0	43,108.2	41,233.9	27,689.0	12,508.8	(3,852.5)	(21,098.8)	(39,237.1)	(58,295.1)
REVENUE minus EXPENDITURES (NOT cumulative)	2,935.5	(1,732.5)	(1,596.8)	1,392.9	(236.5)	(873.2)	(2,026.3)	(14,755.0)	(16,330.2)	(17,216.2)	(18,109.1)	(19,029.9)	(19,979.6)
note: non-recurring expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
net recurring rev- exp	2,935.5	(1,732.5)	(1,596.8)	1,392.9	(236.5)	(873.2)	(2,026.3)	(14,755.0)	(16,330.2)	(17,216.2)	(18,109.1)	(19,029.9)	(19,979.6)

* Operating Expenses net of Full Cost Allocation

** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.

*** Local Option Gas Tax expires August 31, 2017.