

CAPITAL PROJECTS FUND

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.

Summary

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 Great 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 through FY2020. The current "Penny for Pinellas" one cent local option sales tax ends December 31, 2019. Projects that would need to continue such as sidewalks, paving, bridges, etc. are shown in the forecast as "unfunded" for the remainder of FY2020 and FY2021-FY2023. This is a preliminary estimate of projects that would require a funding source regardless if the Penny is not renewed. During several years of the forecast, expenditures exceed revenues due to project schedules. Additional cash flow required to fund projects is being addressed through an interfund loan from the Solid Waste Replacement & Renewal Fund. The forecast includes repayment of the loan from FY2014 to FY2020.

Revenues

The major revenue components of the Capital Projects Fund are the Penny for Pinellas, Grants, 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.

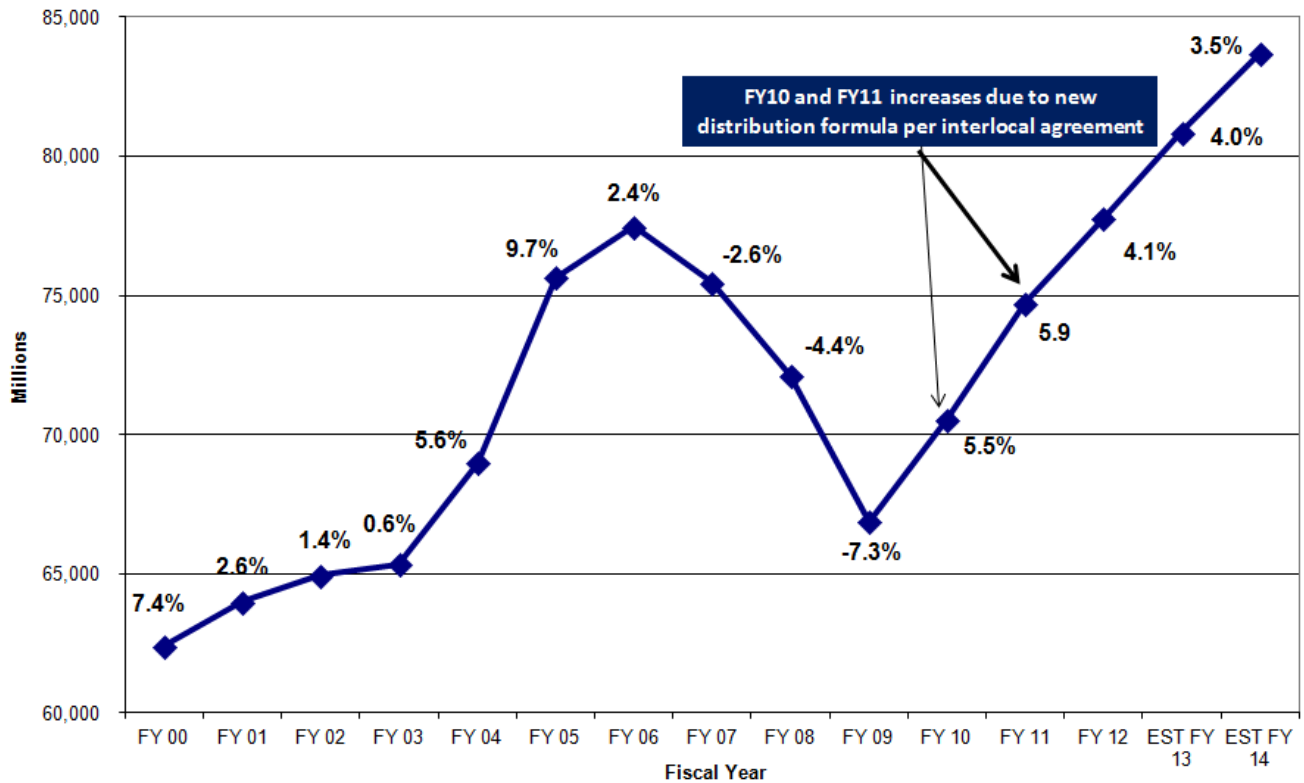
The Penny became effective February 1, 1990 for an initial period of ten years and has been extended by referendums in 1997 and 2007 for two additional ten year periods (until December 31, 2019). In accordance with statutory requirements, and interlocal agreements with each municipality in Pinellas County, 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.

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.

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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 and FY2014 the Penny is anticipated to increase 4.0% and 3.5% respectively, which is consistent with the general improvement in the economy. The chart below shows the fluctuation in annual growth rates experienced since FY2000.

Penny Revenue Collections (FY2000-FY2014)



Grants

The second largest source of revenue in the Capital Projects fund is grants. The FY2014 budget includes \$34.6M in local, state, and federal grants from agencies like the Southwest Florida Water Management District and the Florida Department of Transportation. Grant 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.

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The FY2014 Budget includes a transfer of \$25.5M 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 FY2014 will be \$40.5 million (\$15M in FY2010 and \$25.5M in FY2014). 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 cash flow needed for capital projects in general and the Centralized Chiller Facility project which is being funded by the General Fund. The loan amount for capital projects consists of \$15M in FY2010, \$14.5M in FY2014, and \$44.5M in FY2015-FY2020. The principal payments for the \$74.0M loan for capital projects are budgeted for FY2015 – FY2020.

The principal payments for the Centralized Chiller project are budgeted for FY2014-FY2020. The total cost for the chiller project referred to as the Downtown District Cooling Project is estimated to be \$15.5M, of which \$1.5M of design costs were 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 balance of the project funding will be a loan amount for \$11M in the FY2014 budget. This project will fund the design and construction of new underground chilled water distribution piping connecting a new centralized chiller facility and County-owned buildings in the downtown Clearwater campus. Additionally, the project will fund the increased chilled water capacity and underground piping to non-County entities who agree to reimburse the County for the capital investment and to pay for chilled water service delivery. The County will provide chilled water at a service rate comprised of actual thermal energy consumed (measured by flow and temperature) and the operational and administrative costs to generate the chilled water for a specified period. Fully funding this project is estimated to reduce annual recurring costs by \$1M, provide a future CIP cost avoidance of \$3.8M, and generate approximately \$250K of annual revenue.

The General Fund transfer in FY2014 for \$2.5 million covers the cost of three 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 third item is \$650K for the Municipal Services Taxing Unit (MSTU) Paving project beginning in FY2014 to address the needs of secondary roads in unincorporated neighborhoods.

The FY2014 transfer of \$2.1M 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.

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The FY2014 transfer of \$3.3M from the Tourist Development Council Fund (half of the proceeds of the 3rd cent) funds beach nourishment projects in the Coastal Management program.

The Transportation Impact Fee Fund is used to account for Transportation Impact Fees collected throughout the County, thus assuring that new development bears a proportionate share of the cost of capital expenditures necessary to meet transportation needs of the County. The transfer of \$1.3M from the Transportation Impact Fee Fund in FY2014 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 FY2014 Budget 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 \$74M to provide necessary liquidity in the Capital Projects Fund related to the cash flow required to fund projects and \$11M 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 \$3.0M by non-recurring funds in the General Fund.

Ten-Year Forecast

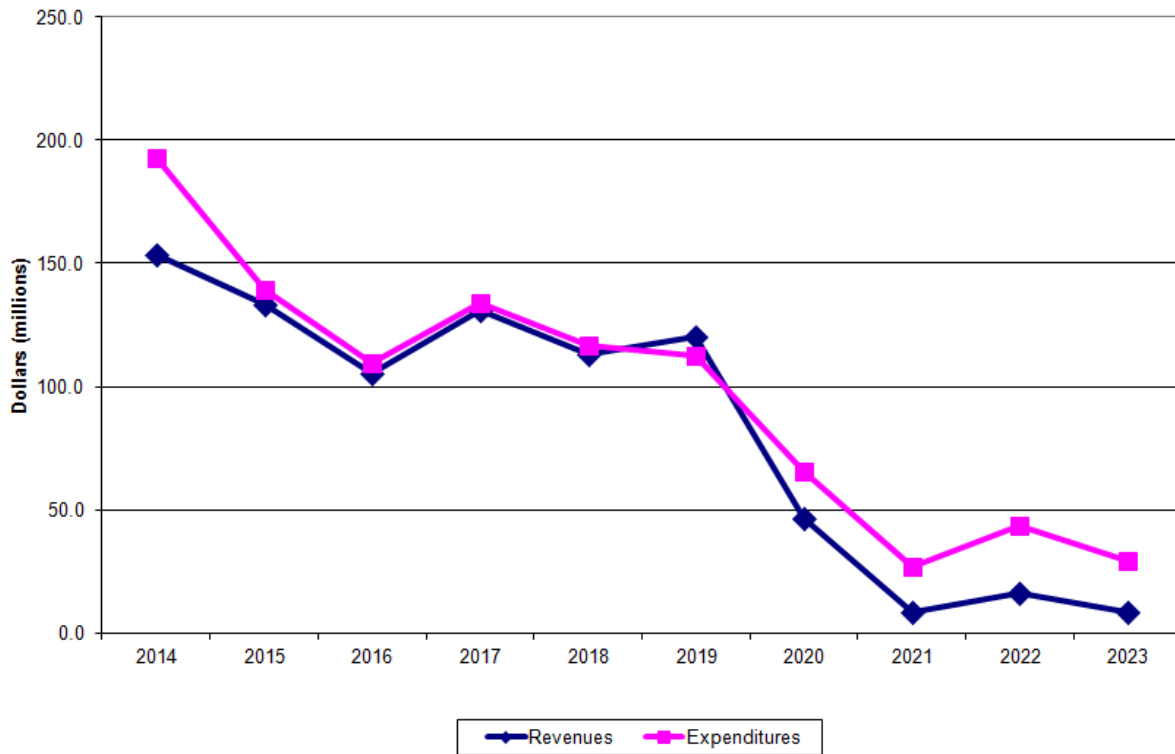
Key Assumptions

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 FY2014 to FY2020. However, the growth rate in the Capital Projects Fund for the Penny sales tax is the same at 3.5% growth for FY2014 but less at 3.0% growth from FY2015 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.

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Capital Projects Fund Forecast FY2014-FY2023



Key Results

The forecast for the Capital Projects Fund shows that the fund is balanced over the forecast period. During several years of the forecast, expenditures exceed revenues due to project schedules. Additional cash flow required to fund projects is being addressed through an interfund loan from the Solid Waste Replacement & Renewal Fund. The graph includes revenues projected to be received each year; however existing fund balance is also a source of funding projects. 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 FY2014 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 inflationary risks for 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.

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Balancing Strategies

The forecast for the Capital Projects Fund shows that the fund is balanced over the forecast period through FY2020. The current “Penny for Pinellas” one cent local option sales tax ends December 31, 2019. Projects that would need to continue such as sidewalks, paving, bridges, etc. are shown in the forecast as “unfunded” for the remainder of FY2020 and FY2021-FY2023. This is a preliminary estimate of projects that would require a funding source regardless if the Penny is not renewed.

CAPITAL PROJECTS FUND FORECAST
Fund 3001

Forecast Assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Infrastructure Sales Tax	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%			
Ninth Cent Gas Tax (from Transp Trust)	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%			
Impact Fees (from Special Revenue Fund)	-18.0%	10.0%	10.0%	10.0%	11.7%	0.0%	0.0%			
Grants	88.6%	-62.4%	-45.8%	108.4%	-70.1%	195.9%	-75.2%			
Transfer from TDC Fund	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%			
Reimbursements	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										
<i>n/a</i>										
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%

CAPITAL PROJECTS FUND FORECAST
Fund 3001

(in \$ thousands)	FORECAST												
	Actual 2012	Budget 2013	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	51,309.0	118,398.1	82,455.7	56,105.2	16,621.1	10,927.8	6,859.3	4,162.9	458.9	7,826.2	(11,188.4)	(29,809.5)	(57,233.6)
REVENUES													
Infrastructure Sales Tax (Penny for Pinellas)	77,759.2	75,882.4	80,869.6	83,700.0	86,211.0	88,797.3	91,461.3	94,205.1	97,031.2	32,980.9			-
Grants	11,288.6	32,993.0	18,325.5	34,563.7	12,997.8	7,045.0	14,685.3	4,385.0	12,973.5	3,220.0	162.0	8,173.5	1,199.8
Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Ninth Cent Gas Tax (Transfer from Transportation Trust Fund)	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
Transportation Impact Fees (from Special Revenue Fund)	1,054.7	1,640.7	1,640.7	1,345.4	1,479.9	1,627.9	1,790.7	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Transfer from General Fund	847.8	1,800.0	1,800.0	2,450.0	2,450.0	2,450.0	2,450.0	2,450.0	2,450.0	2,450.0	950.0	950.0	950.0
Transfer from TDC Fund	2,651.3	3,242.4	3,242.4	3,286.7	3,040.4	3,131.6	3,225.5	3,322.3	3,422.0	3,524.6	3,630.4	3,739.3	3,851.4
Sutherland Bayou Marina Mitig. Pymnt	29.7												
Sale-Surplus County Land	36.6												
Interest	256.3	213.8	1,453.9	376.7	166.2	218.6	205.8	124.9	13.8	234.8	(335.7)	(894.3)	(1,717.0)
Other revenues	117.1		3,932.6	8.4	8.6	8.7	8.9	9.1	9.3	9.5	9.6	9.8	10.0
Interfund Loan-Solid Waste-Chiller	-		-	11,000.0									
Interfund Loan-Solid Waste	-	10,000.0	-	14,500.0	25,000.0	-	15,000.0	4,500.0	-	-	-	-	-
TOTAL REVENUES	97,041.3	127,928.3	113,420.7	153,386.9	133,509.9	105,435.2	130,983.5	113,152.4	120,055.8	46,575.8	8,572.4	16,134.4	8,450.2
% vs prior year													
TOTAL RESOURCES	148,350.3	246,326.4	195,876.4	209,492.1	150,131.0	116,363.0	137,842.7	117,315.3	120,514.7	54,401.9	(2,616.0)	(13,675.1)	(48,783.4)
EXPENDITURES													
Capital Projects	65,862.8	196,559.4	139,741.2	191,296.0	132,588.5	102,889.5	127,055.6	95,248.0	91,123.1	19,484.5	1,207.5	17,152.5	3,284.5
Unfunded										25,102.0	25,986.0	26,406.0	26,136.0
Debt Service on Interfund Loan	31.8	280.0	30.0	75.0	114.7	114.2	124.2	108.4	65.4	3.8			
Payment on SW Loan-Chiller		1,500.0	-	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	2,000.0			
Payment on SW Loan					5,000.0	5,000.0	5,000.0	20,000.0	20,000.0	19,000.0			
TOTAL EXPENDITURES	65,894.6	198,339.4	139,771.2	192,871.0	139,203.2	109,503.7	133,679.8	116,856.4	112,688.5	65,590.3	27,193.5	43,558.5	29,420.5
ENDING FUND BALANCE	82,455.7	47,987.0	56,105.2	16,621.1	10,927.8	6,859.3	4,162.9	458.9	7,826.2	(11,188.4)	(29,809.5)	(57,233.6)	(78,203.9)
TOTAL REQUIREMENTS	148,350.3	246,326.4	195,876.4	209,492.1	150,131.0	116,363.0	137,842.7	117,315.3	120,514.7	54,401.9	(2,616.0)	(13,675.1)	(48,783.4)
REVENUE minus EXPENDITURES (NOT cumulative)	31,146.7	(70,411.1)	(26,350.5)	(39,484.1)	(5,693.3)	(4,068.5)	(2,696.3)	(3,704.0)	7,367.3	(19,014.5)	(18,621.1)	(27,424.1)	(20,970.3)
net recurring rev- exp	31,146.7	(70,411.1)	(26,350.5)	(39,484.1)	(5,693.3)	(4,068.5)	(2,696.3)	(3,704.0)	7,367.3	(19,014.5)	(18,621.1)	(27,424.1)	(20,970.3)

Note: Current Penny ends 12-31-19. Projects that would need to continue such as sidewalks, paving, bridges, etc. are shown as "unfunded" for the remainder of FY20, FY21-FY23.