EXECUTIVE SUMMARY

Introduction

This is the fifth year that the ten-year Budget Forecast has been formalized into a stand-alone document. The one change to the format of the document from last year is the combination of the Fund Review and Pro-Forma sections. The first step in the annual budget process is to update the Budget Forecast and seek Board policy direction in order to develop the budget guidelines for the FY2015 budget process. 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.

Economic Overview

The national economy appears to be on track for a sustainable recovery and is anticipated to grow by 2% to 3% annually during the forecast period. The State's economy is showing signs of improvement in population growth, tourism, and the housing market. As the national economy continues to improve, Pinellas County is poised to recover as well. The biggest and most visible industry in the County is tourism, which continues to show signs of a strong recovery with 2013 marking the highest rate of bed tax collection in history. For FY2015, the property tax base is expected to show positive growth again following five years of decline from FY2009 to FY2013. Risks to the economic forecast include a new wave of foreclosures, continued high levels of unemployment and impacts on property values due to the recently enacted flood insurance legislation.

General Fund Forecast

The forecast projects that beginning in FY2015, recurring expenditures exceed recurring revenues in the General Fund. This is primarily due to the continued aftereffects of the Great Recession, with continued slow recovery of the real estate market and consumption based tax revenues. 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. There is a long-term structural imbalance of approximately $4M in FY2015 increasing to $40M per year over the forecast period absent action to address this problem. The balancing strategy for the General Fund is to cover the shortfall in FY2015 by utilizing the Service Level Continuation Account (SLCA) in accordance with the plan approved by the Board of County Commissioners and/or reduce expenditures. Expenditure reductions or revenue increases may be required in FY2016 or future years to address the structural imbalance. The extent of the changes that are needed will be dependent on the pace of the economic recovery, particularly the real estate market.

Tourist Development Council Fund Forecast

The forecast for the Tourist Development Council Fund shows that the Fund is balanced through FY2021 based on the assumption that expenditures would be adjusted to reflect any revenue increases or decreases that may occur. Without the extension of the fourth and fifth percent of the Tourist Development Tax in FY2022, the fund falls out of balance. Beginning in FY2016, the Fund is forecast to have additional capacity once the debt service commitment on Tropicana Field and the Dunedin Spring Training Facility is fulfilled in 2015. The additional capacity in the undesignated budget could be dedicated to new capital outlay, as with the Board approved Salvador Dali Museum funding, to new debt service, beach

renourishment, or to supplement the promotional activities budget among other uses. The Board of County Commissioners and Tourist Development Council will meet later this year to consider these options.

Transportation Trust Fund Forecast

The forecast for the Transportation Trust Fund indicates that the Fund is not in balance during FY2015, resulting in a depletion of fund balance by FY2019. This imbalance primarily results from inflationary pressures on expenditures coupled with the projected reduction in gas tax collections that are based upon the volume of fuel sold. The new surface water assessment, and the associated transfer of operation and maintenance activities related to drainage infrastructure for the unincorporated area, improved the financial outlook for the Transportation Trust Fund. Despite actions taken for FY2014, by FY2017 action will need to be taken to manage this future gap including potential revenue transfers from the General Fund, imposition of additional local option gas taxes, or reductions in current service levels.

Capital Projects Fund Forecast

With a planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced through FY2019. On December 31, 2019, the current "Penny for Pinellas" one-cent local option sales tax expires, eliminating the main source of revenue for the Fund. 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 began in FY2012. The forecast includes repayment of the loan from FY2014 to FY2020. The forecast does not include projections of revenues or expenditures associated with the Penny beyond the current Penny for Pinellas infrastructure sales surtax authorization which ends in FY2020.

Emergency Medical Services Fund Forecast

The forecast indicates that the Fund is not balanced throughout the forecast period. The structural imbalance is driven by slower growth in property tax revenue collections than cost increases in ambulance contractual expenditures and first responder funding requests. Without a millage rate increase and/or expenditure savings, reserves will be exhausted during FY2018. Future balancing strategies will be developed from information gathered in the EMS system operational study presently under review and discussion with our municipal partners.

Airport Fund Forecast

The forecast for the Airport 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.

Water Funds Forecast

The forecast for the Water System Funds shows that the Funds are balanced through the forecast period based on projected rate increases. 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% annual increase in rates from FY2016-FY2024 as recommended in the FY2012 Utilities Rate Study performed by the County's independent rate consultant. These adjustments have not been formally adopted by the BCC. A new comprehensive rate study will commence in FY2014 to analyze the future rate structure.

Sewer Funds Forecast

The forecast shows the Sewer System Funds are balanced through the forecast period based on projected rate increases. The multi-year rate increases approved as part of the FY2012 budget process will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio, and fund capital replacement needs through FY2015. The forecast revenues include an additional 2.75% annual increase in rates from FY2016–FY2024 as recommended in the FY2012 Utilities Rate Study performed by the County's independent rate consultant. These adjustments have not been formally adopted by the BCC. A new comprehensive rate study will commence in FY2014 to analyze future rates.

Solid Waste Funds Forecast

The forecast for the Solid Waste Funds shows that the Funds are balanced through the forecast period. Forecasted revenues are sufficient to provide for the forecasted expenditures over the next ten years, while still maintaining sufficient reserves. The recurring revenues are sufficient to support recurring operations without any increases in tipping fees. Reserves increase during the forecast period and reach 50% of resources in FY2024. The reserves are planned to fund considerable future capital replacement needs in the Solid Waste 25-year plan.

EXECUTIVE SUMMARY