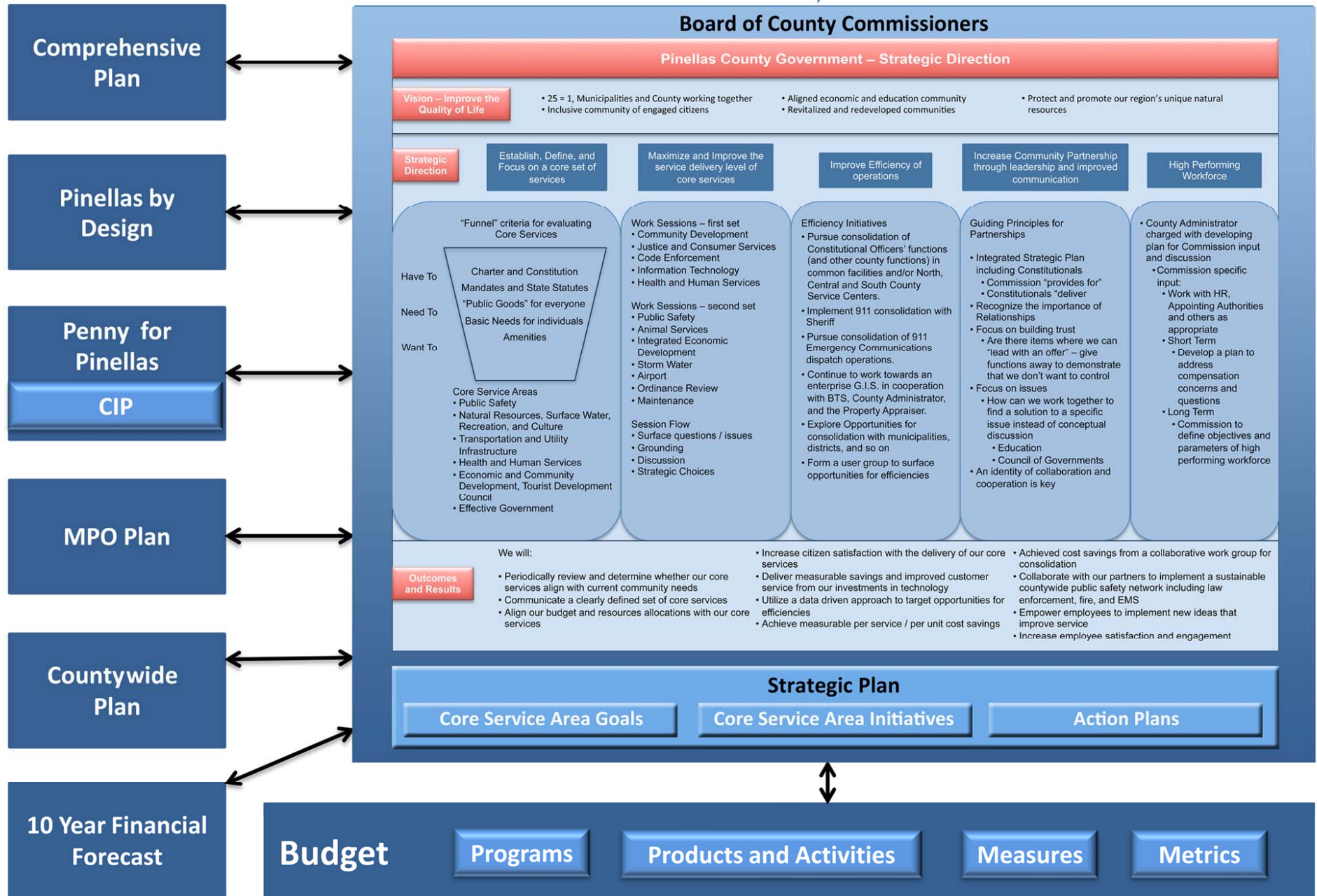


Budget Forecast

FY2015-2024

January 21, 2014



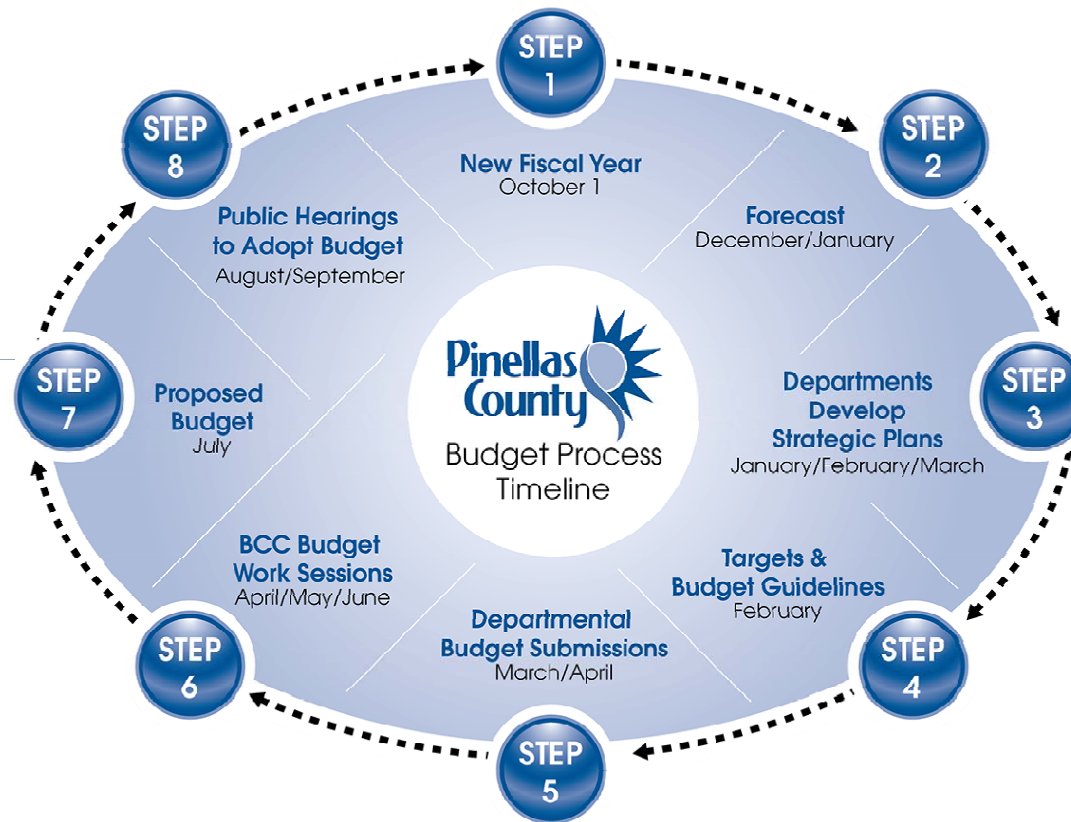
Power of the Forecast

- Helps to identify future challenges, weigh potential options, and craft policy well in advance
- Drives better decision-making
- Valuable tool to understand consequences of policy decisions beyond a one-year budget solution
- Enhanced understanding by internal and external stakeholders
- Assess sustainability of key funds

Refining Forecast

- Expanded range of sources reviewed for economic data
- Increased review of alternative sources for projections such as inflation
- Expanded discussion with County departments on forecast assumptions
- Reviewed past forecasts to validate methodology

Budget Process Timeline

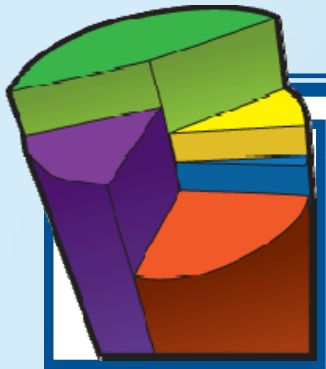


Meeting videos and documentation are available at
www.pinellascounty.org/budget



Outline

- **Forecast Document**
- **Economic Overview**
- **Fund Forecasts**
- **Budget Process**
- **Budget Timeline**

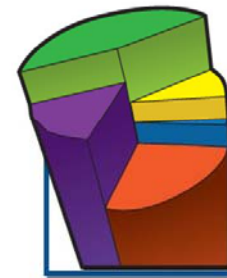


Forecast Document

Forecast Document

- **Economic Overview**
 - National, State, Local
- **Key Assumptions**
 - Revenues & Expenditures
- **Fund Forecast Narratives**
 - Overview, 10-Year Forecast & Balancing Strategies
- **Pro-formas**
 - Graphical View & Details

Budget Forecast FY2015-2024



Pinellas County, Florida
Office of Management & Budget



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to the Budget ←

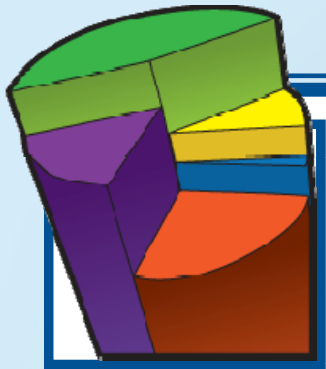
Forecast Document

- Based on the best information we have at this time
- Shows impact of changing key assumptions
- Funds are presented as “in balance” or “not in balance”
 - ❑ Based on current revenues and expenditures
 - ❑ Net of beginning fund balance and reserves
- Identify threats to the forecast



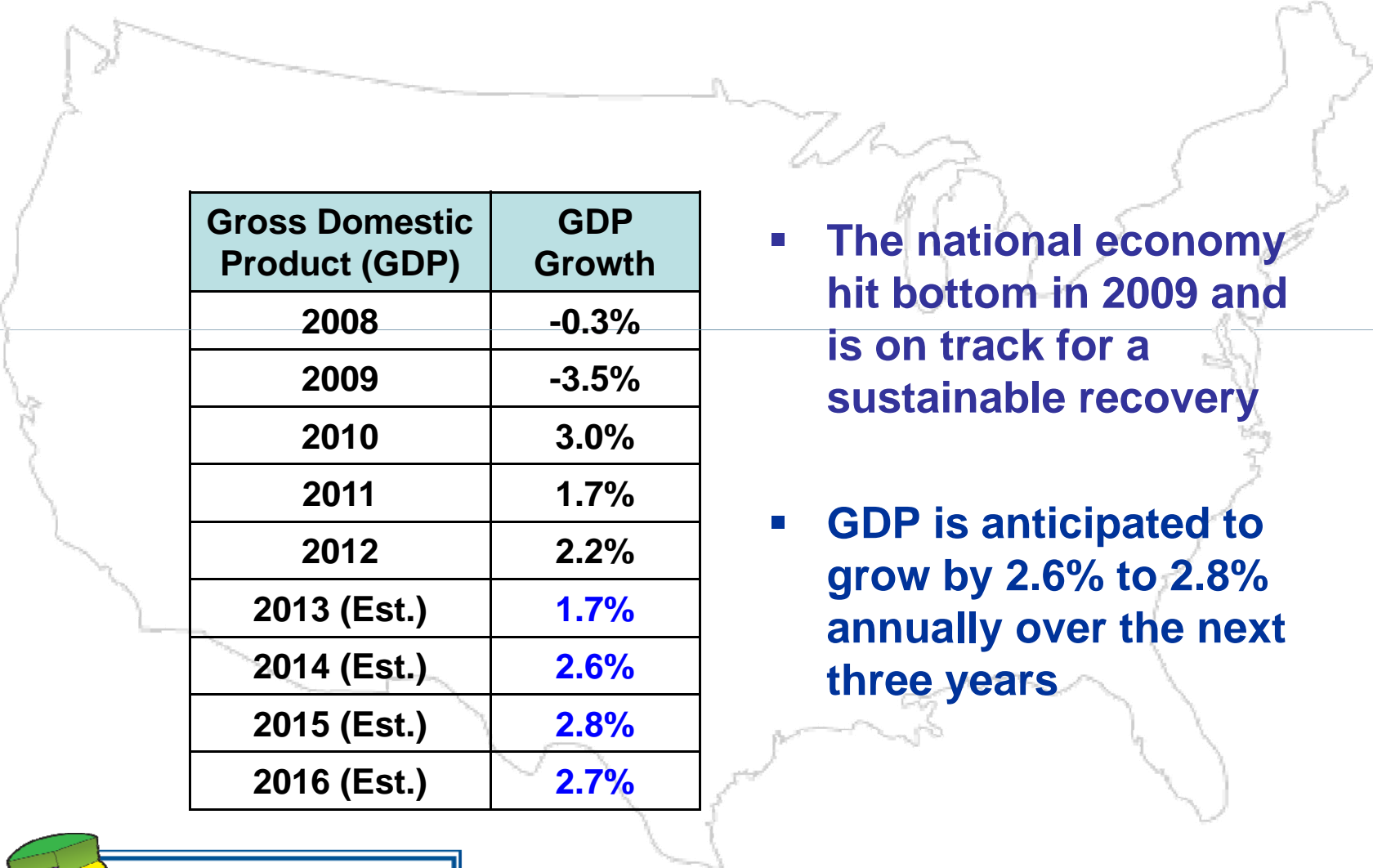
Forecast Document

- Fifth year as a formal document
- Includes nine key funds:
 - General
 - Emergency Medical Services
 - Tourist Development
 - Transportation Trust
 - Capital Projects
 - Airport
 - Water
 - Sewer
 - Solid Waste



Economic Overview

National Economic Outlook



Gross Domestic Product (GDP)	GDP Growth
2008	-0.3%
2009	-3.5%
2010	3.0%
2011	1.7%
2012	2.2%
2013 (Est.)	1.7%
2014 (Est.)	2.6%
2015 (Est.)	2.8%
2016 (Est.)	2.7%

- The national economy hit bottom in 2009 and is on track for a sustainable recovery
- GDP is anticipated to grow by 2.6% to 2.8% annually over the next three years

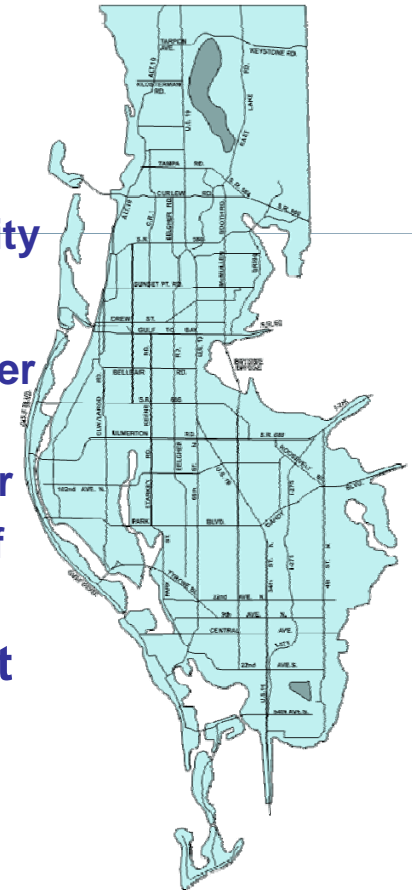


State Economic Outlook

- **Foreclosures continue to threaten the housing market**
 - ❑ About 107,000 new foreclosures were started in 2013, 31% fewer than 2012
 - ❑ Statewide, about 260,000 foreclosures were pending in December
 - ❑ 6.6% of all homes with mortgages are in some stage of foreclosure, more than three times the national average (2.1%)
 - ❑ Florida had eight of the ten highest rates of foreclosure markets in the U.S., with Miami, Jacksonville, Orlando, Palm Bay, Port St. Lucie and Tampa Bay making up the top six
- **Recovery will depend on the job market and the housing market**
 - ❑ Current unemployment rate represents a loss of more than 445,800 jobs from the peak in 2007
 - ❑ Current unemployment rate of 6.4% is well below the peak level of 11.4% in February 2010
 - ❑ Median sales prices of existing homes have rebounded from the bottom in early 2011, but still remain more than \$50,000 below the bubble induced level of late 2006

Local Economic Outlook

- **Tourism continues to lead the county's economic growth**
 - More than 5.5 million overnight visitors in 2013, with an additional 8.7 million “day-trippers”
 - Collected a record \$31.1 million in ‘bed tax’ revenue, 8.2% higher than FY2012
 - Visitors contributed more than \$8.2 billion in economic activity
- **Housing market recovery has been slow**
 - Single family home (SFH) sales were down 13.1% in November compared to November 2012
 - Cash sales accounted for 39.9% of all SFH sales in November
 - Median Sale Price was \$155,000 in November, an increase of 8.4% compared to November 2012
- **Unemployment in November 2013 was 6.0%, the lowest month since June 2008 (6.1%)**

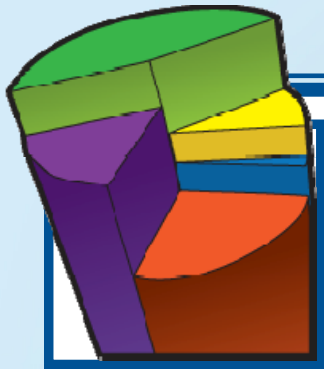


Foreclosure Filings

	2006	2007	2008	2009	2010	2011	2012	2013
Jan	255	506	963	1,263	1,128	421	682	776
Feb	253	469	1,016	1,284	1,383	390	780	639
Mar	315	494	1,035	1,420	1,118	424	937	791
Apr	247	513	1,134	1,407	1,118	448	884	330
May	281	479	1,118	1,275	860	439	931	691
Jun	259	557	1,112	1,236	1,025	535	792	825
Jul	273	650	1,086	1,365	806	544	816	152
Aug	321	642	999	1,142	989	545	870	337
Sept	324	662	1,295	1,215	1,040	588	708	370
Oct	403	899	1,390	1,239	658	720	858	422
Nov	398	894	969	1,120	383	687	712	443
Dec	369	773	1,198	1,487	438	699	606	418
TOTAL	3,698	7,538	13,315	15,453	10,946	6,440	9,576	6,194

**2013
Foreclosure
filings fell
dramatically,
averaging
516 per
month**

Source: Pinellas County Clerk of the Circuit Court



Fund Forecasts

Key Forecast Assumptions

■ Revenues

- County-wide Property Tax Base: Annual growth 3%
- Sales Tax: Increasing 4% in FY2015 – FY2017,
3.5% in FY2018 – FY2024

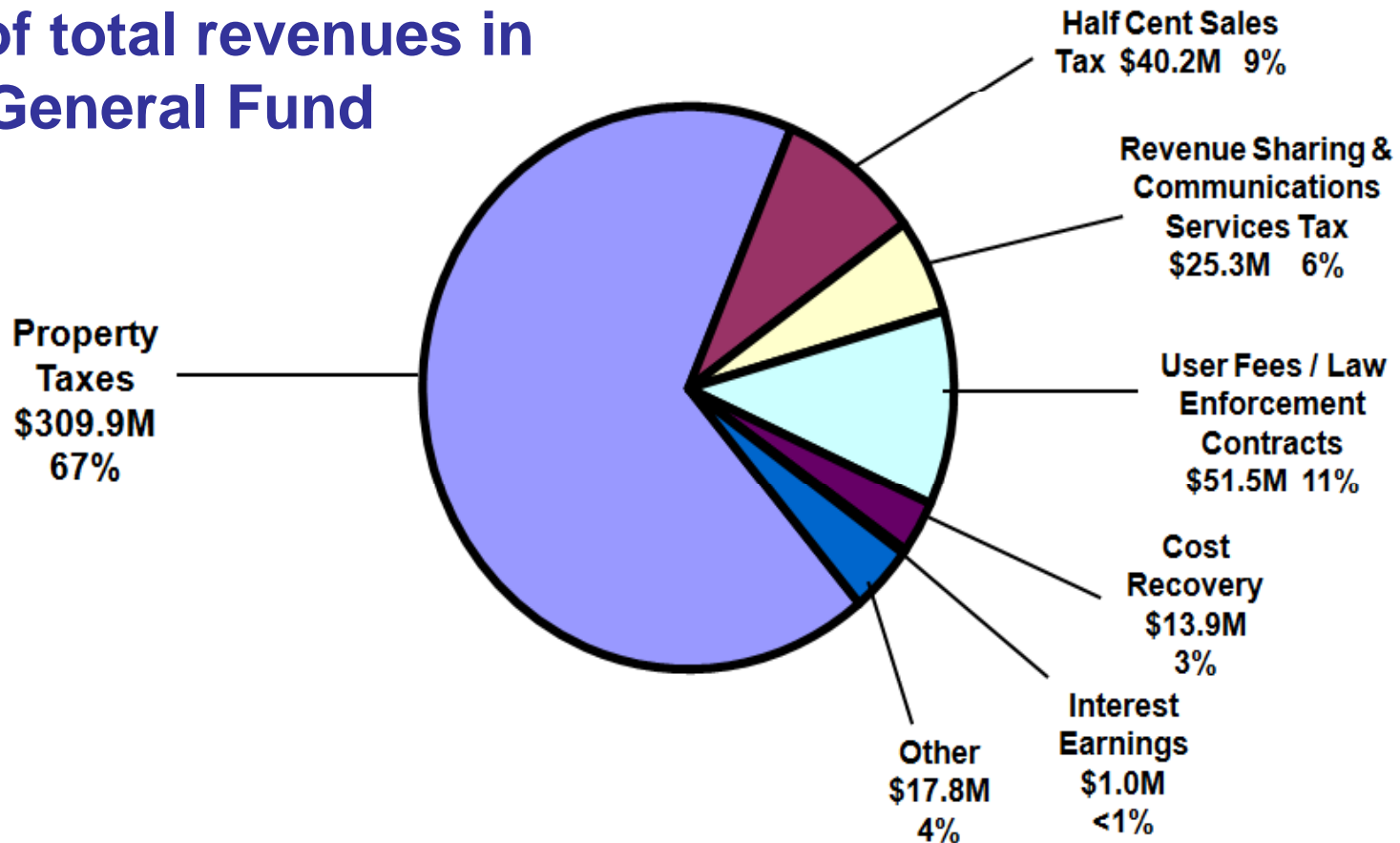
■ Expenditures

- Total Salary and Benefits Costs: Annual growth 4.3%
- General Cost Inflation: Averaging about 2% per year



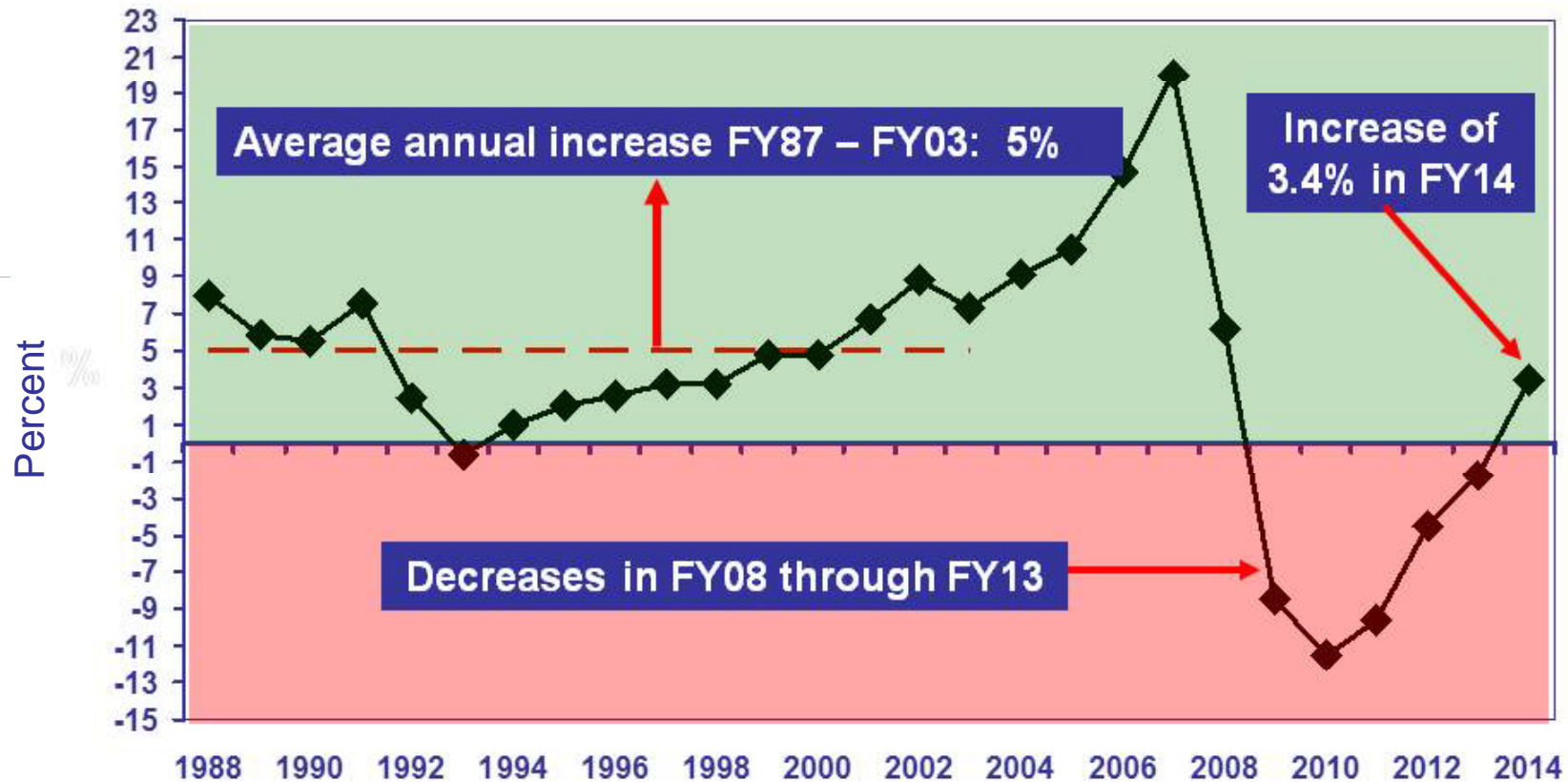
General Fund Revenues

Property taxes comprise
2/3 of total revenues in
the General Fund

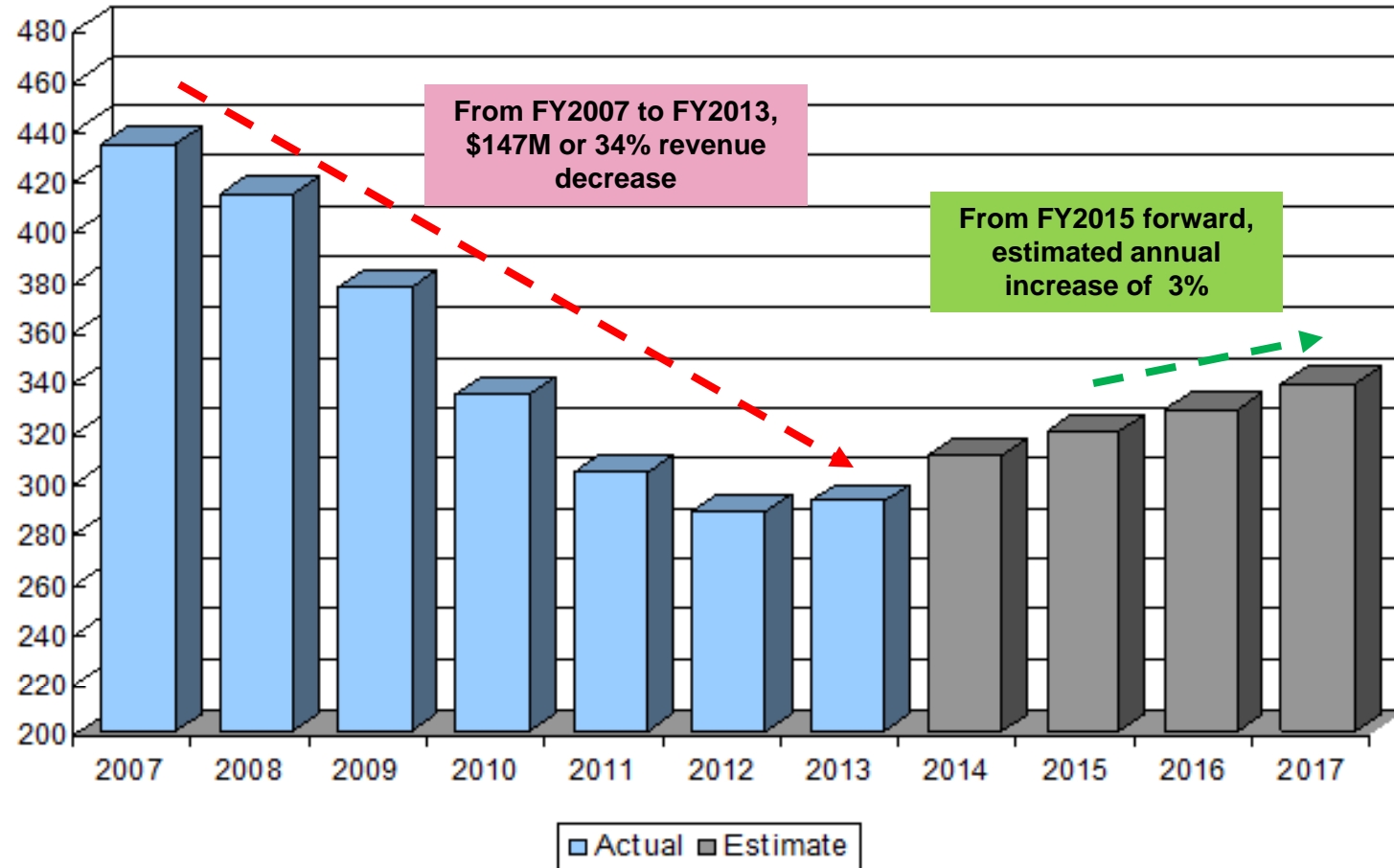


Source: FY2014 Adopted Budget (excludes Beginning Fund Balance)

Countywide Taxable Values Annual Rate of Change



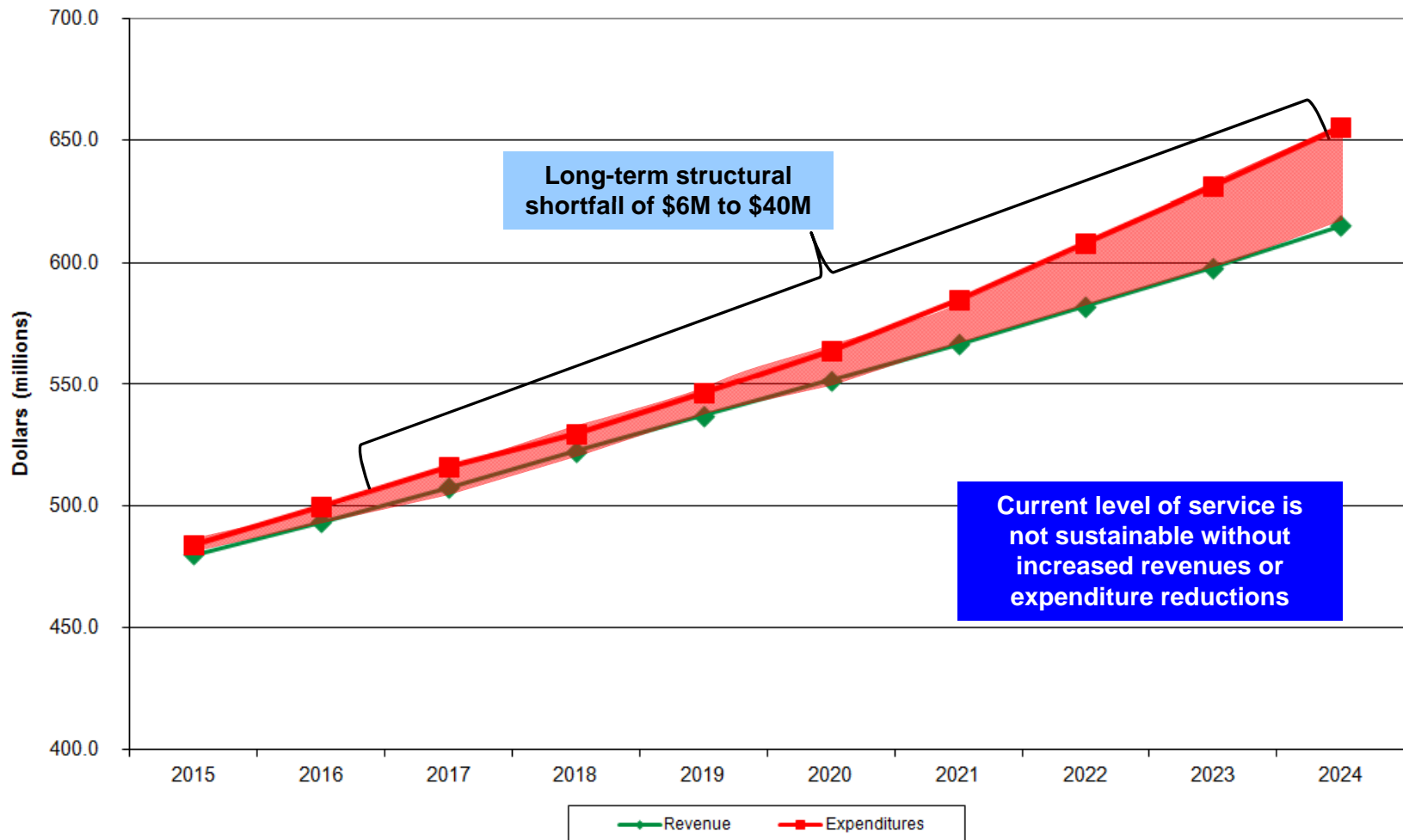
General Fund Property Tax Revenue in \$ millions



General Fund Forecast

- Actions taken in FY2014 essentially balanced fund through FY2015
- Still a long-term structural shortfall
- Current level of service is not sustainable
- Balancing strategies
 - ❑ Reduce/eliminate programs
 - ❑ Evaluate compensation options
 - ❑ PILOT or Return on Equity from enterprise funds
 - ❑ Increase millage rate
 - ❑ Service Level Continuation Account

General Fund Forecast



Net recurring
rev - exp

(3.9M)

(6.3M)

(8.7M)

(7.2M)

(9.5M)

(12.6M)

(18.1M)

(25.7M)

(33.2M)

(40.0M)



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EMS Fund Forecast

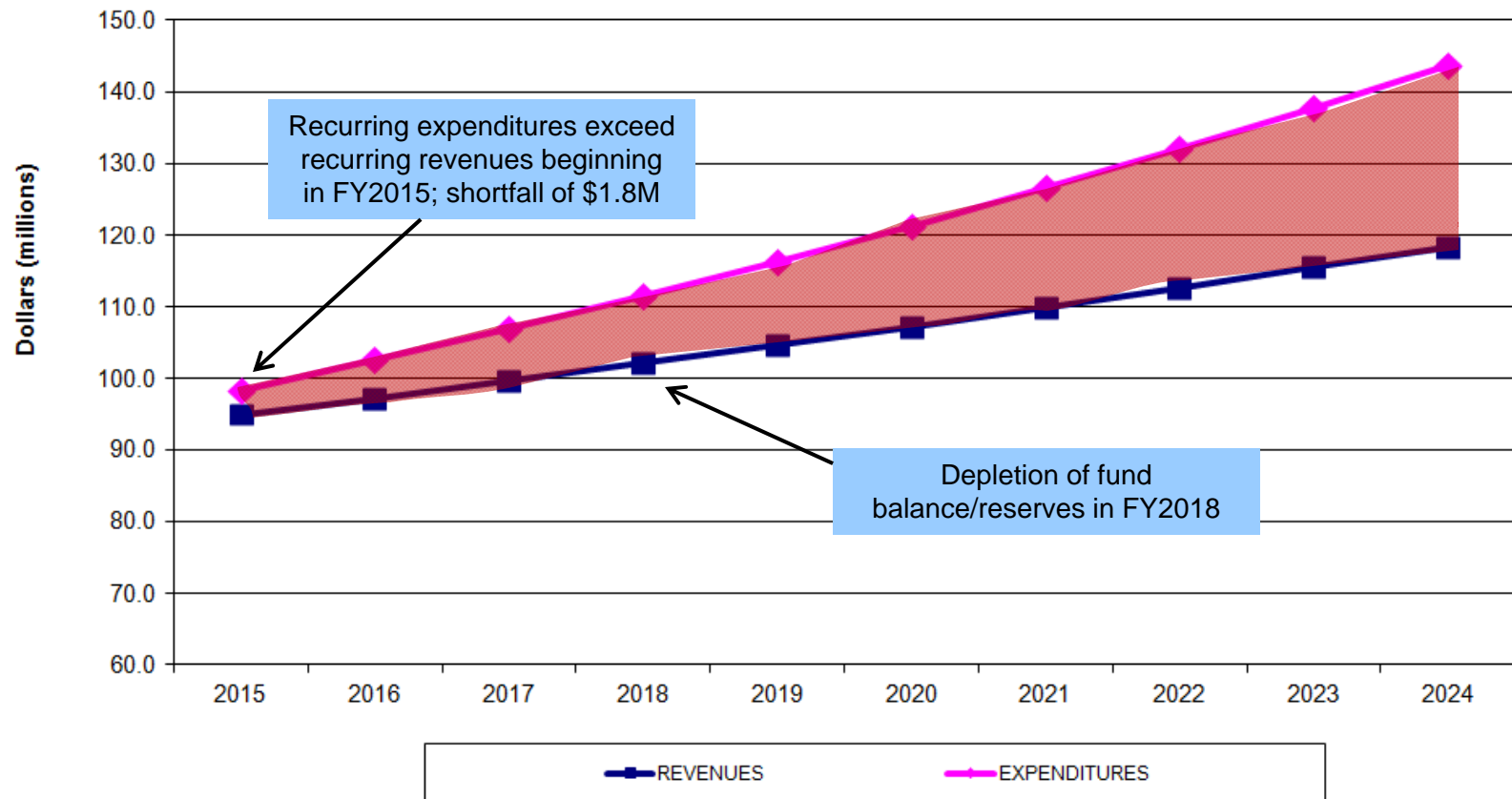
- **Fund is not balanced through the forecast period**
 - ❑ Projected gap of \$3.4M in FY2015
 - ❑ Reserve would drop below 25% policy level in FY2015
 - ❑ The fund balance will be depleted by FY2018
 - ❑ Millage increases would be necessary to sustain same level of service with current delivery model

- **Balancing strategies**
 - ❑ Work with municipalities and districts to address long term financial sustainability
 - ❑ Strategy is expected to include both revenue increases and expenditure reductions



EMS Fund Forecast

Current level of EMS funding is not sustainable



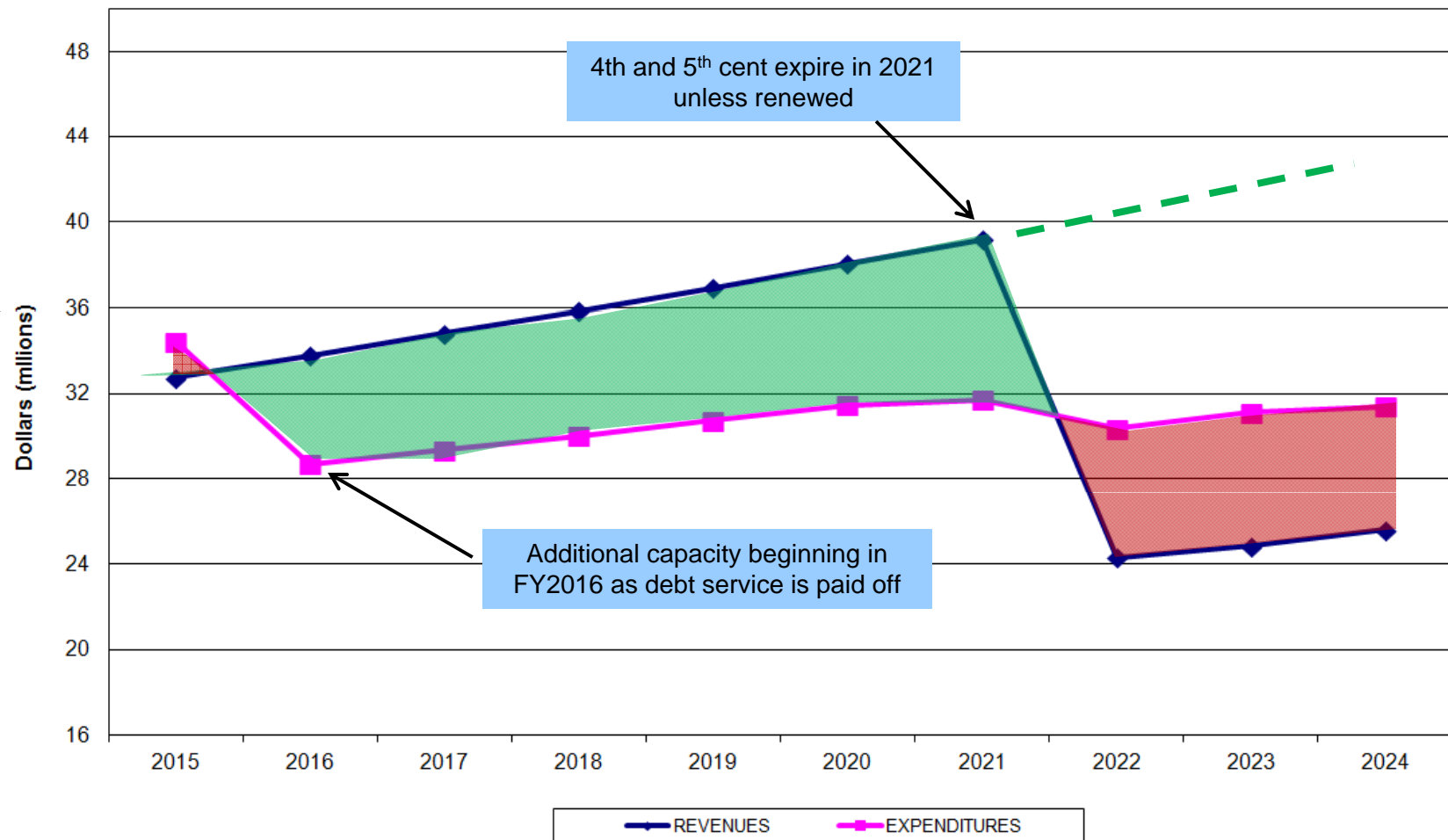
Citizens' Guide
to the Budget

Tourist Development Fund Forecast

- **Fund is balanced from FY2016 through to FY2021**
 - Planned use of fund balance in FY2015 for additional promotional activities
 - From FY2016 through FY2021, the fund will have additional capacity
 - The County's portion of debt service on Tropicana Field and the Dunedin Spring Training Facility will be paid off
 - Includes \$500K annual capital outlay commitment to Dali museum from FY2016 to FY2020
 - The 4th and 5th cent 'bed tax' will expire at the end of FY2021 if not reauthorized
- **Balancing strategies**
 - Adjust promotional activities
 - Beach renourishment funding



Tourist Development Fund Forecast



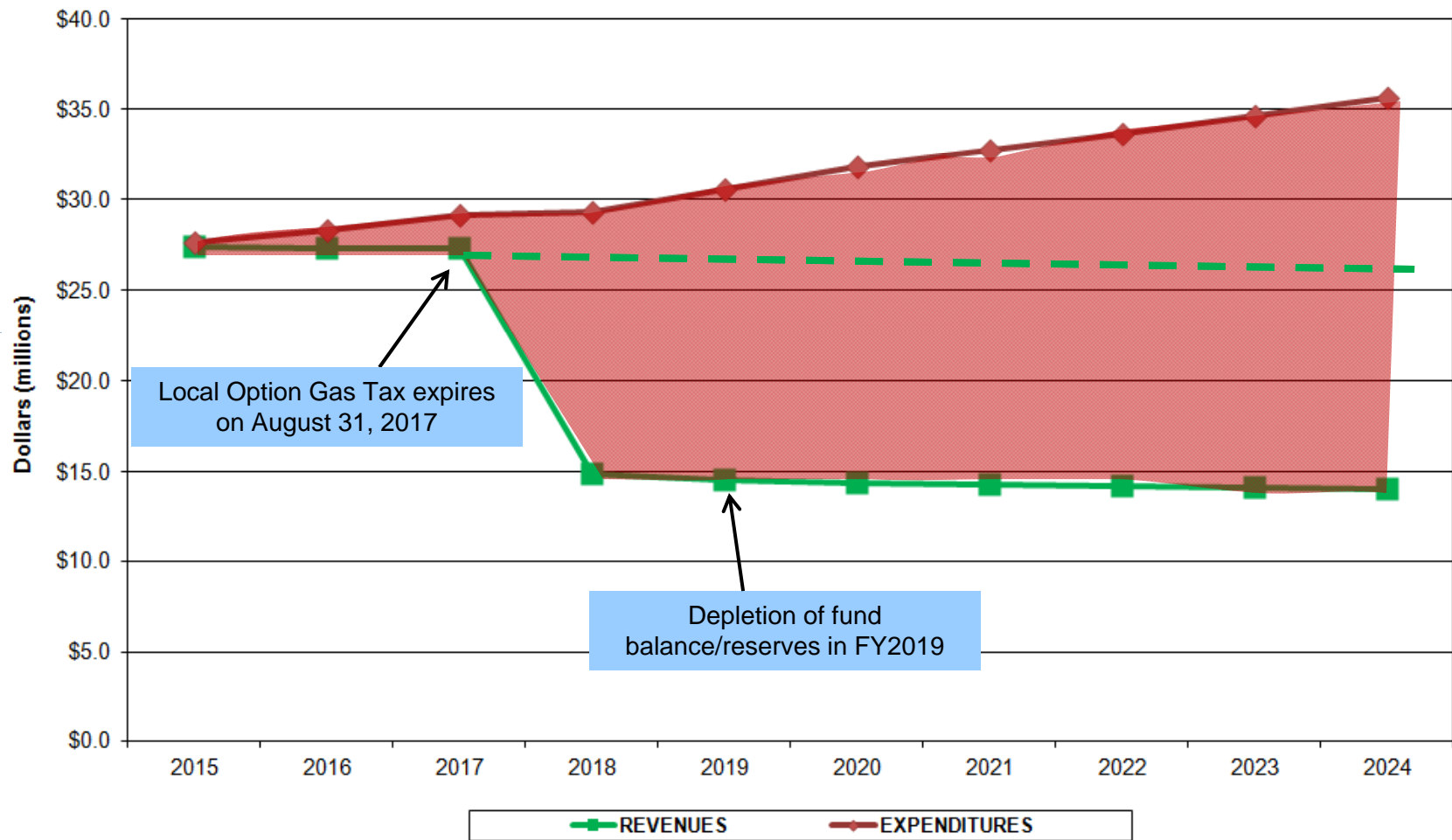
Transportation Trust Fund Forecast

- Fund is not in balance beginning in FY2015 resulting in depletion of fund balance by FY2019
 - ❑ Costs are steadily increasing
 - ❑ Revenue slowly decreasing
 - ❑ Local Option Gas Tax expires in FY2017 unless renewed by BCC
 - If renewed, additional action still needed by FY2021



- Balancing strategies
 - ❑ Revenue subsidy from General Fund
 - ❑ Imposition of additional local option gas taxes
 - ❑ Reductions in program service levels

Transportation Trust Fund Forecast

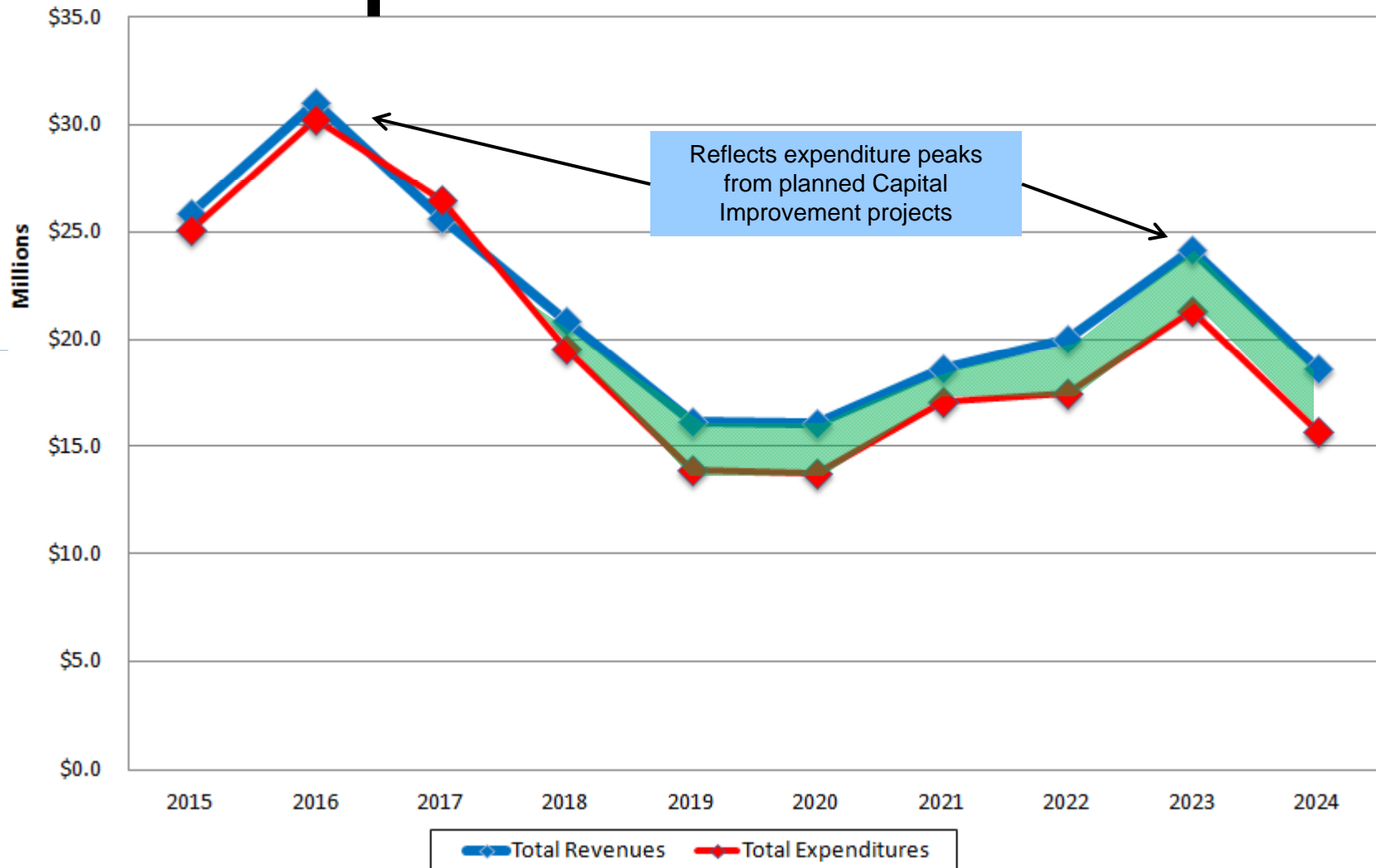


Airport Fund Forecast

- Fund is balanced through the forecast period
 - Assumptions:
 - Capital projects budget will be adjusted to reflect the timing and amounts of any grants revenue
 - Airport's operating budget would be adjusted to match revenues
 - Redevelopment of former golf course area assumed to begin in FY2018
 - Fluctuations in revenues and expenditures are caused by the timing of capital projects
- Balancing strategies
 - Continue to adjust operating and capital expenditures to match revenues



Airport Fund Forecast



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to the Budget

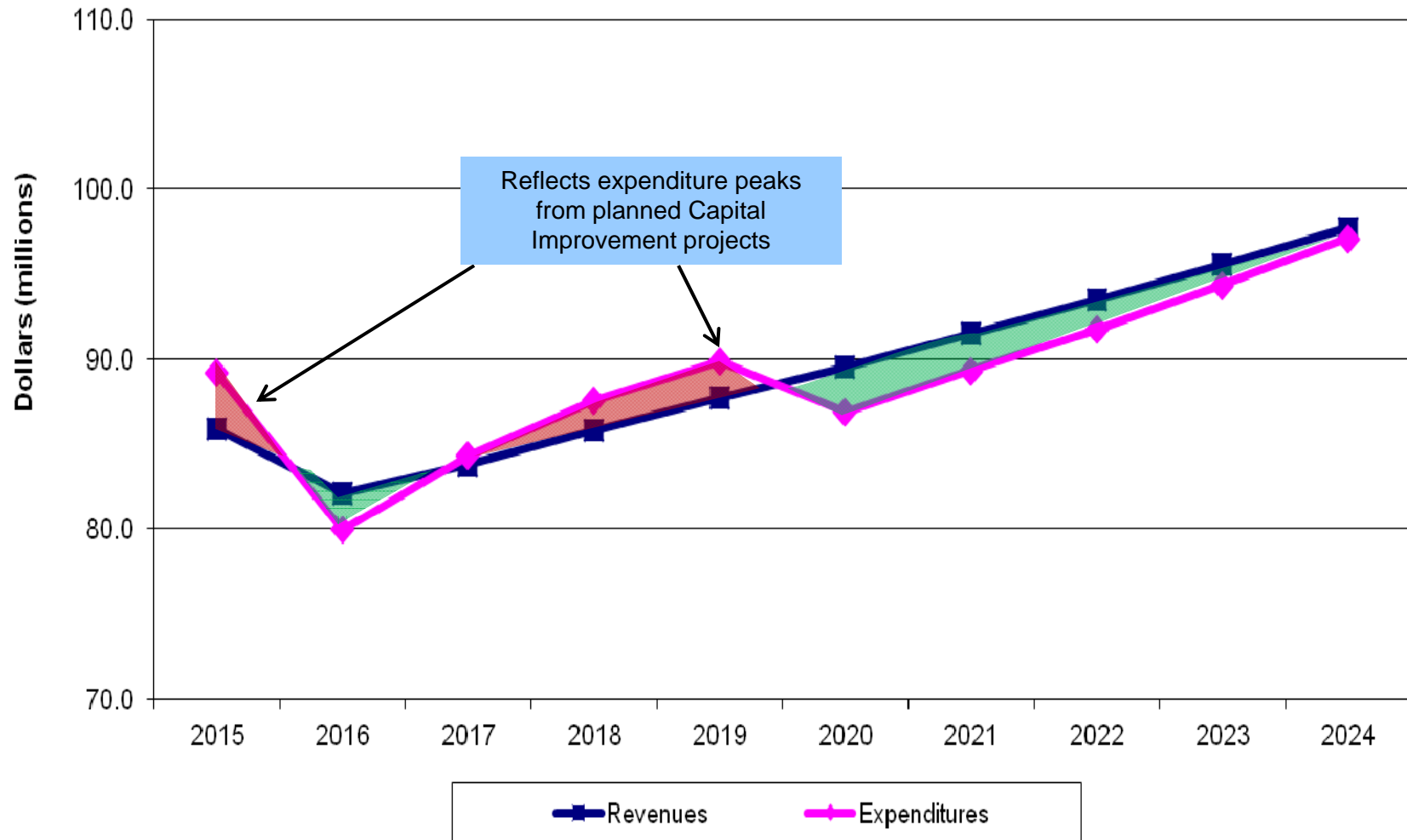
Water Funds Forecast

- **Fund is balanced through forecast period**
 - Rate increases adopted in FY2011 for FY2012-FY2015 are required to provide sufficient revenues to maintain reserves and fund capital replacement needs
 - Rate increases from FY2016-FY2024 are assumed at 2% annually based on blend of growth and consumption, inflationary cost increases, and capital needs



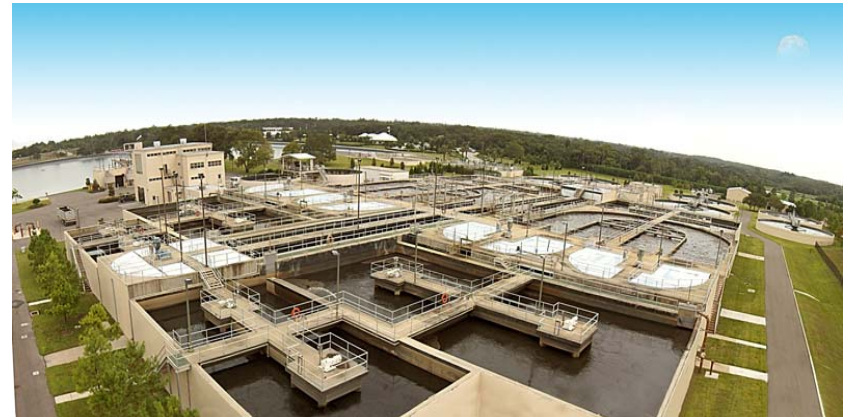
- **Balancing strategies**
 - Implement recommended rate increases
 - A new comprehensive rate study will commence during FY2014
 - Continue to adjust operating and capital expenditures to match revenues

Water Funds Forecast

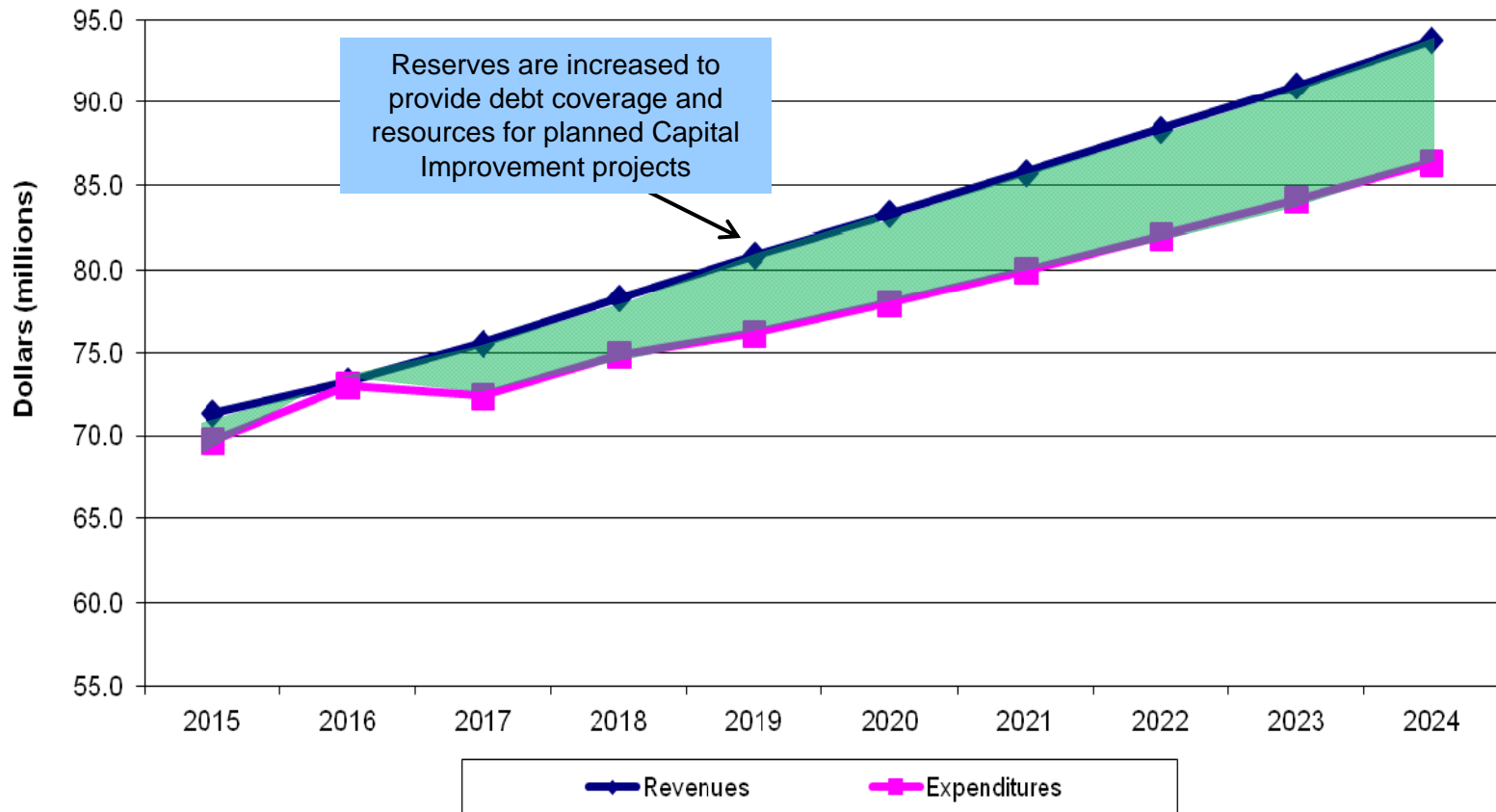


Sewer Funds Forecast

- Fund is balanced through forecast period
 - Rate increases adopted in FY2011 for FY2012-FY2015 are required to provide sufficient revenues to maintain reserves, sustain debt service coverage ratios, and fund capital replacement needs
 - Rate increases from FY2016-FY2024 are assumed at 2.75% annually based on blend of growth and consumption, inflationary cost increases, capital needs, and minimum amount of reserves for debt service coverage
- Balancing strategies
 - Implement recommended rate increases
 - A new comprehensive rate study will commence during FY2014
 - Continue to adjust operating and capital expenditures to match revenues



Sewer Funds Forecast



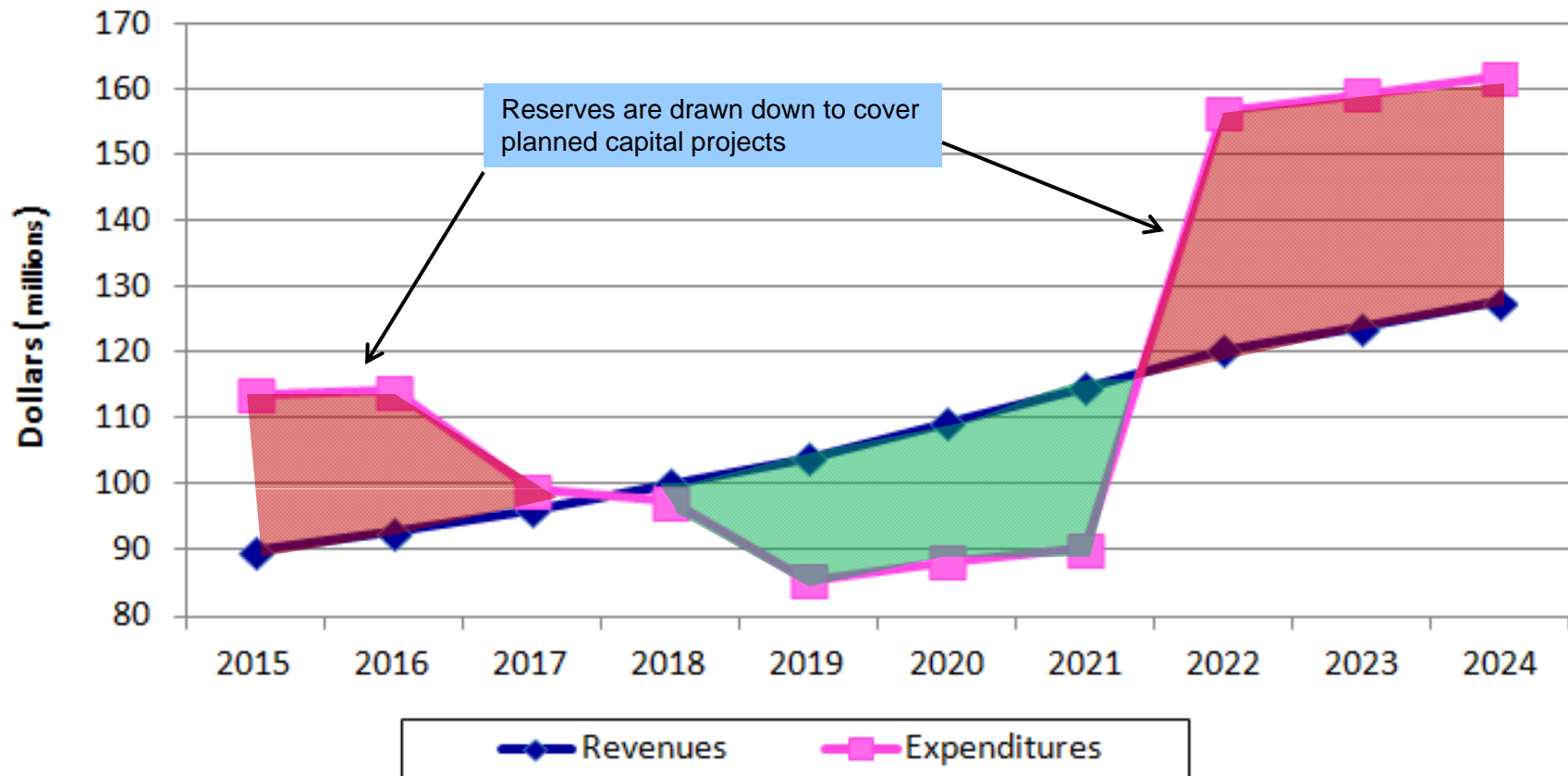
Solid Waste Funds Forecast

- With the use of fund balance for non-recurring capital projects, the fund is balanced through forecast period
 - Solid Waste tipping fees and electricity sales have declined with the slower economy, but remain sufficient to fund operations and reserves through FY2024
 - Reserves are being accumulated for future capital replacement needs consistent with the 25 year capital plan



- Balancing strategies
 - Continue to adjust operating and capital expenditures to match revenues

Solid Waste Funds Forecast

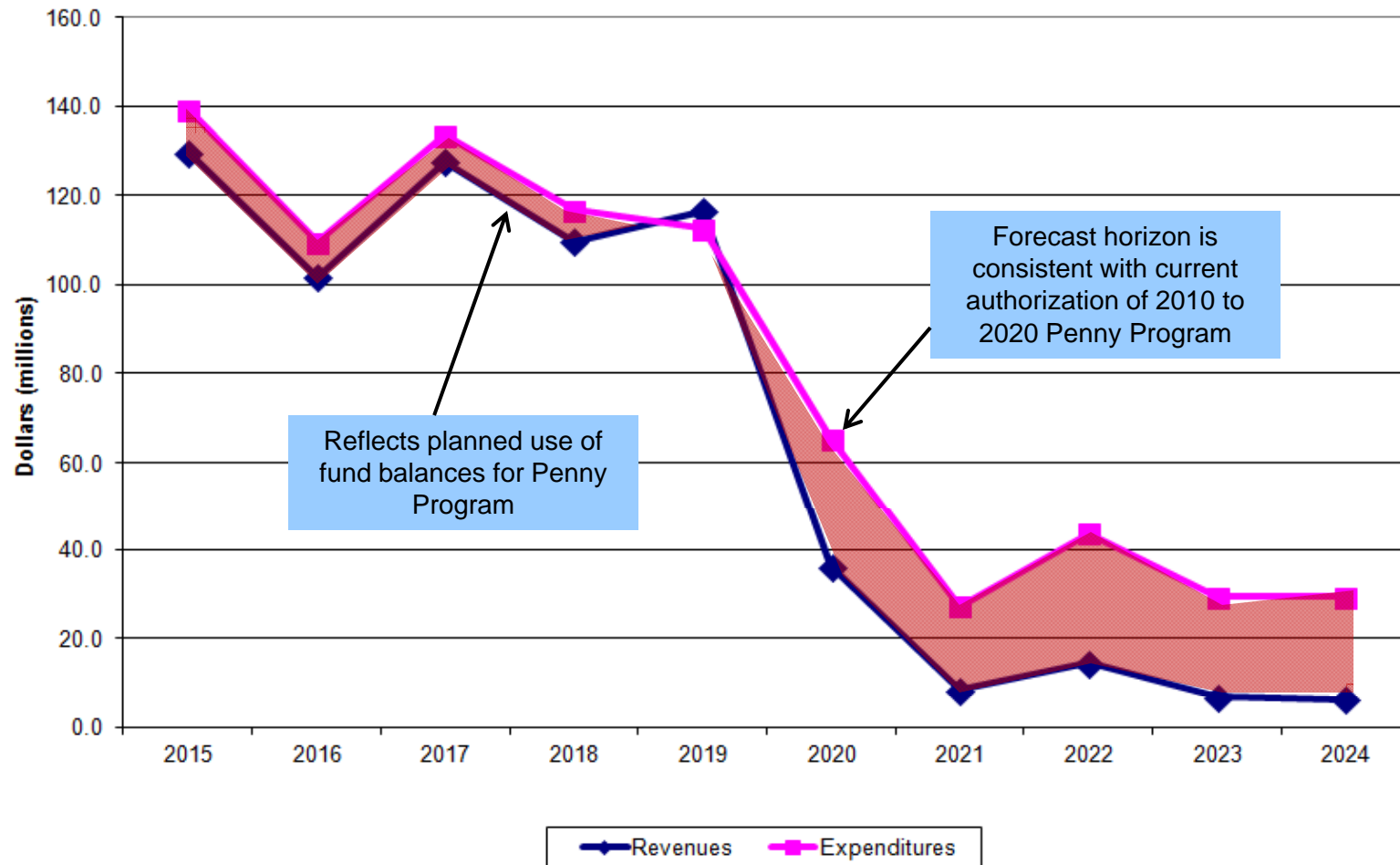


Capital Projects Fund Forecast

- **Fund is balanced through the forecast period**
 - Cash flow needs to accommodate timing of projects in the ten-year Penny Program are being addressed through interfund loans from Solid Waste R&R Fund
 - BCC authorized up to \$85M from Solid Waste R&R Fund
 - Penny Program originally anticipated \$150M bond issue for cash flow purposes
 - Forecast includes repayment of loan from FY2014 to FY2020
- **Balancing strategies**
 - Address cash flow through short-term borrowing previously approved by BCC
 - Monitor revenues such as Penny for Pinellas and make any changes necessary to the 2010 to 2020 Penny Program allocations
 - Monitor potential expenditure impacts from construction and material price increases

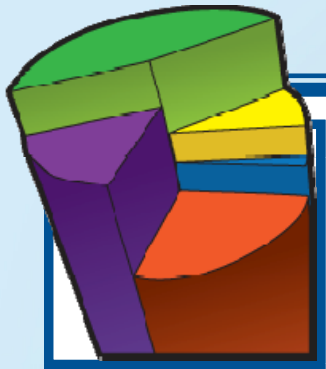


Capital Projects Fund Forecast



Potential Impacts to the Forecast

- New federal or state mandates
- Impact of flood insurance rates on property values
- Property tax exemptions, Save Our Homes impact
- Slower than expected economic growth
- Climate change – frequency & intensity of storms
- Utility rate increases required
- Reauthorization of Penny, Tourist Taxes, Gas Taxes
- Referendum on Greenlight Pinellas transportation tax



FY2015 Budget Process

FY2015 Budget Process

- Departments continue development of strategic plans
 - Plans linked to program-based budgets with sustainable levels of service
- Limit growth in the budget to inflation
- Continue streamlining and seek efficiency reductions
 - Reductions will help offset a portion of the shortfall(s)
- Continue to evaluate new funding sources and cost savings
- Focus on ability to sustain programs given new –norm for revenue growth
- Constitutionals and Independents have individual budget work sessions with the Board
- Community outreach



FY2015 Budget Process

- **BCC focus on policy decisions regarding:**
 - ❑ Tax policy
 - ❑ Funding for Constitutionals and Independent Agencies
 - ❑ New revenue sources
 - ❑ Continue to evaluate existing fee schedule
 - ❑ Review any proposed streamlining and efficiency reductions
 - ❑ Prioritize funding based on achieving Board's strategic vision



Budget Timeline

January

January 21:

FY2015 – 2024 Budget Forecast
presented to BCC

February

February 7:

OMB conducts FY2015
Budget kickoff meeting

February 28:

Department Strategic Plans due
to OMB

Budget Timeline

March

March 17:

FY2015 Operating Budget submissions due to OMB (except Constitutional Officers)

March 28:

FY2015 CIP Budget submissions due to OMB

April

April 17:

Budget Information Session – Strategic Initiatives Updates

April 24:

Budget Information Session - Independent Agencies

Budget Timeline

May

May 1:

Budget submissions for
Constitutional Officers due to
OMB

Budget Information Session –
Independent Agencies

May 15 and 22:

Budget Information Sessions –
Constitutional Officers

June

June 1:

Property Appraiser delivers
preliminary Estimates of
Taxable Values

June 12:

Budget Information Session -
Capital Improvement Program
Review of User Fees
Update on Water, Sewer, and
Surface Water Rates

Budget Timeline

July

July 1:

Property Appraiser certifies
Estimates of Taxable Values

July 15:

County Administrator presents
FY2015 Proposed Budget

July 22:

BCC Feedback Regarding
FY2015 Proposed Budget

July 31:

Finalize proposed millage rates for
inclusion in the TRIM notice

August

August 4:

Property Appraiser is notified
of proposed millage rates for
development of TRIM notices

August 22:

TRIM notices mailed to all
property owners



Budget Timeline

September

September 11:

1st Public Hearing – BCC
adopts tentative FY2015
millage rates and budgets

September 23:

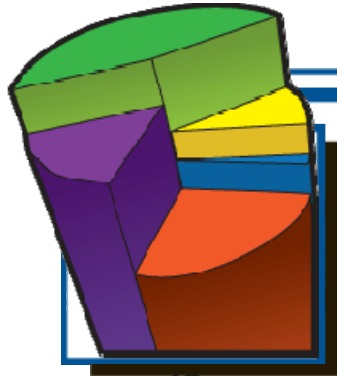
2nd Public Hearing – BCC
adopts final FY2015 millage
rates and budgets

October

October 1:

Beginning of fiscal year
2015





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Budget Forecast FY2015-2024



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Office of Management & Budget

