

# EXECUTIVE SUMMARY

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## Introduction

This is the sixth year that the Budget Forecast has been formalized into a stand-alone document. This year, we have added the *Surface Water Special Assessment Fund* to the Forecast document. The first step in the annual budget process is to update the Budget Forecast in order to develop the budget guidelines for the FY16 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 2.0% to 3.0% 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. For FY16, the property tax base is expected to show positive growth again following five years of decline from FY09 to FY13. Risks to the economic forecast include a new wave of foreclosures, and continued high levels of unemployment.

## General Fund Forecast

The forecast projects that the General Fund is essentially balanced throughout the forecast period. This does not include the Sheriff's proposed second phase of the salary plan to increase deputies' compensation. If this increase is included, and without corrective action, the fund would have a \$24.6M shortfall by FY21. Additional major expenditures that exceed normal inflation include personnel costs such as health insurance and state-required pension contributions, and mandated expenses such as Medicaid. If increases for these expenditures outpace the forecast, additional revenue and/or expenditure reductions would be required to close the gap.

## Tourist Development Council Fund Forecast

The forecast shows the Tourist Development Council Fund is balanced through FY21 based on the assumption that expenditures would be adjusted to reflect any revenue increases or decreases that may occur. Beginning in FY16, the Fund is forecast to have additional capacity once the debt service on Tropicana Field (September 2015) and the Dunedin Spring Training Facility (February 2016) is paid off. The additional capacity in the undesignated budget could be dedicated to new capital outlay, as with the Board approved Salvador Dali Museum funding, to beach renourishment, or to supplement the promotional activities budget.

## Transportation Trust Fund Forecast

The forecast shows the Transportation Trust Fund is not in balance beginning in FY15, resulting in a depletion of fund balance by FY19. This imbalance primarily results from inflationary pressures on expenditures coupled with the slower increase in gas tax collections than growth in expenditures. The recently implemented surface water special assessment, and the associated transfer of operation and maintenance activities related to drainage

# EXECUTIVE SUMMARY

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infrastructure for the unincorporated area, improved the financial outlook for the Transportation Trust Fund. By FY17, action will need to be taken to manage this future gap such as potential revenue transfers from the General Fund, renewal of existing local option gas taxes, 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 shows the Capital Projects Fund is balanced through FY20. 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. Projects that would need to continue such as sidewalks, paving and bridges are shown in the forecast as “unfunded” for FY20 – FY21. This is a preliminary estimate of projects that would require a funding source regardless if the Penny is not renewed. Additional cash flow necessary in the first half of the six-year period is being addressed through an interfund loan from the Solid Waste Renewal & Replacement Fund. The forecast includes repayment of the loan from FY18 – FY20.

## **Emergency Medical Services Fund Forecast**

The forecast indicates that the Fund is balanced until FY19. The recent savings with Paramedics Plus, along with savings in first responder agreements with the 18 service providers, and increased revenue due to growth in taxable value, helped balance the fund while maintaining a healthy reserve. The current contract with Paramedics Plus expires at the end of FY15 and is currently being rebid to be effective FY16.

## **Airport Fund Forecast**

The forecast shows the Airport 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 shows the Water System Funds are balanced through the forecast period based on projected rate increases. The multi-year rate increases approved as part of the FY12 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY15. The forecast revenues include an additional 1.75% per year annual increase in rates from FY16 – FY19 as recommended in the FY15 Utilities Rate Study performed by the County’s independent rate consultant. In FY15 and FY16, expenditures will exceed recurring revenues as fund balance is drawn down as major capital projects are completed.

## **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 FY12 budget process will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio of 1.50x, and fund capital replacement needs

# EXECUTIVE SUMMARY

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through FY15. The forecast revenues include an additional 1.0% annual increase in rates projected for FY17 – FY19 as recommended in the FY15 Utilities Rate Study performed by the County's independent rate consultant.

## **Solid Waste Funds Forecast**

The forecast shows the Solid Waste Funds are balanced through the forecast period. Forecasted revenues are sufficient to provide for the forecasted expenditures over the next six 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 65.8% of resources in FY21. The reserves are planned to fund considerable future capital replacement needs in the Solid Waste 25-year plan.

## **Surface Water Special Assessment Funds Forecast**

The forecast shows the Surface Water Fund is not balanced through the forecast period. Beginning in FY16, the CPI increases to the assessment fee are insufficient to match inflationary increases in expenditures. As a result, the time required to achieve the level of service approved by the Board may be extended. It is expected that revenue increases beyond the CPI will be needed to address projected deficits and to maintain adequate reserve levels throughout the forecast period.

