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Pinellas County

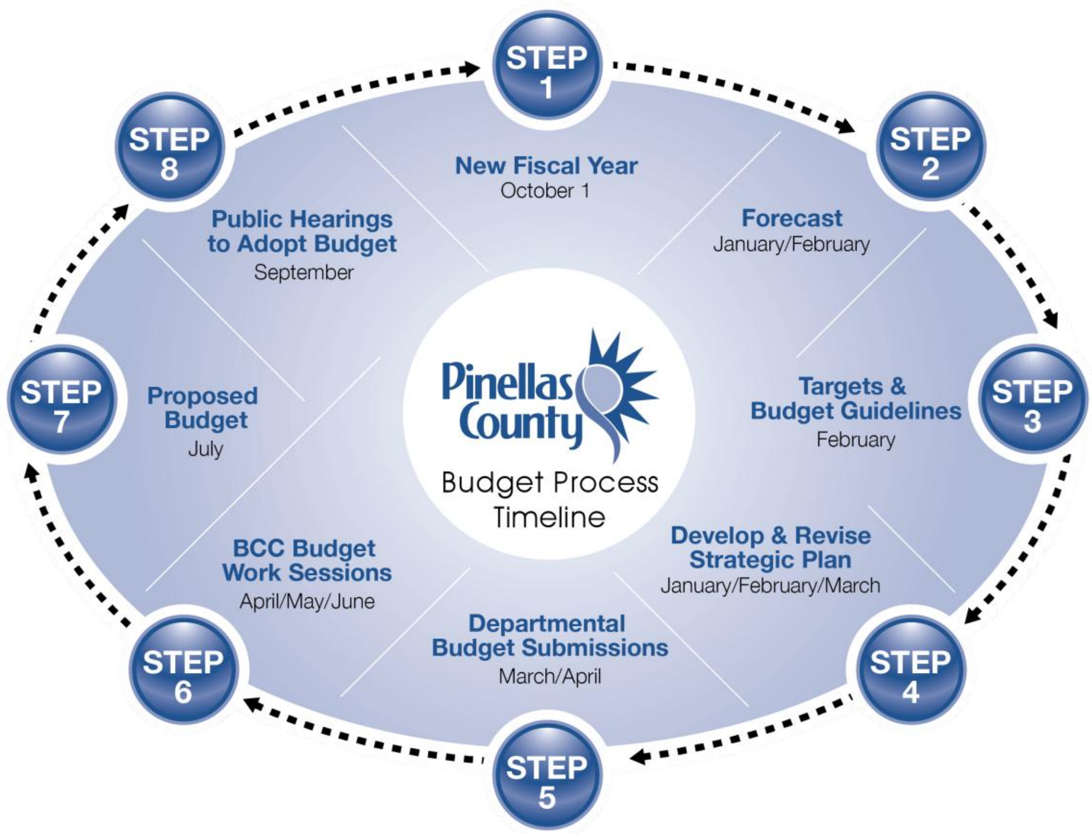
INTRODUCTION

The *Introduction* portion of the Budget Forecast: FY17 – FY22 discusses how the Forecast dovetails with the annual budget process, how the Forecast is developed, and how the Forecast can be used as a planning tool to enhance decision-making. It includes the following sections:

- Forecasting and the Annual Budget Process
- Developing the Forecast
- Purpose of the Forecast
- Using This Document

Forecasting and the Annual Budget Process

The first step in the annual budget process is to update the Forecast in order to develop the budget guidelines for the FY17 budget process.



Several of the County's key funds are included in the Forecast. Each fund is analyzed individually as part of the forecasting process.

Development of Budget Guidelines

The budget guidelines are developed by County Administration based on the results of the Forecast and policy direction from the Board of County Commissioners. If the results of the Forecast for a given fund indicate a shortfall, the budget guidelines would most likely include some kind of corrective action. If a surplus is expected, the guidelines would most likely accommodate proposals for new or enhanced programs or reductions in revenue sources. The

budget guidelines are communicated to the County's departments and agencies for use during their budget development. At this time, all instructions and resources for preparing budget requests are also distributed.

Updating the Forecast

After the Forecast is prepared and presented to the Board of County Commissioners in the January timeframe, the Forecast is updated throughout the fiscal year in parallel with the budget development process.

Developing the Forecast

The Forecast is developed by the Office of Management & Budget (OMB) during November, December and January for presentation to the Board of County Commissioners in January or February.

Developing Projections

The Forecast is built upon an individual assessment of 10 of the County's major funds: the General Fund, Tourist Development Council Fund, Transportation Trust Fund, Capital Projects Fund, Emergency Medical Services Fund, Airport Fund, Water, Sewer, and Solid Waste Funds, and Surface Water Fund.

The process for developing the Forecast includes replacing the projections for FY16 with actual revenue and expenditure information following the close out of the fiscal year as of September 30, 2015. At the same time, the current FY16 revenues and expenditures are projected on a preliminary basis by analyzing the actual revenues and expenditures to date and projecting the remaining months left in the fiscal year. These projections are further refined later in the process as departments provide their projections. The coming FY17 budget year is forecasted based on the best information available at this point in time. The Forecast has a six-year horizon to help determine the long-term financial position of the County's funds as well as the impact of today's budget decisions. The out-years through FY22 are forecast using various projection methods such as trend analysis, linear regression, and moving averages.

Forecast Assumptions

The projections are modeled so that assumptions may vary each year to reflect future impacts of known variables and other anticipated events. The model is also designed to allow the key assumptions to be adjusted so that sensitivity analysis can be performed to demonstrate the impact of changing key assumptions. Additionally, unknown risks that could potentially affect the six-year forecast have been identified and discussed.

Forecast Results

Major assumptions driving the revenue and expenditure projections are outlined to ensure a clear understanding for the basis of the results. Shortfalls and surpluses are cumulative in the sense that any individual year's surplus or deficit flows into the next year's fund balance, thus carrying a current year's balance forward. In using the information contained in the projection, it is important to understand that an indicated surplus or deficit reflects the model's assumptions

and demonstrates a potential need for revenue increases, expenditure reductions, or a mix of both.

Purpose of the Forecast

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.

Long-Term Fiscal Sustainability

One of the key purposes of developing a multi-year fund forecast is to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure fiscal sustainability. Forecasting over a six year horizon can serve as a window into the future to diagnose of potential future opportunities and challenges. For example, if a major capital project (i.e. jail expansion) will have a significant impact on the operating budget, that impact can be anticipated several years in advance and strategies can be developed and implemented to manage the negative impact to the budget. Conversely, if debt service on a bond is due to expire in the near future, additional funds may become available to increase service levels to certain programs or other uses.

Enhanced Decision-Making

Another benefit of long-term forecasting is the ability to assess the impact that decisions made in the present can have on future fiscal capabilities. If the Board is considering funding a new or enhancing an existing program, the Forecast can demonstrate the long-term impact to the budget. Similarly, if the Board is considering a new revenue source, the Forecast can show how much revenue could be anticipated over the years. Implementing cost-saving initiatives can also be forecast and evaluated over time. In summary, the Forecast can be a valuable tool in understanding how policy changes can have consequences that last far beyond a one-year budget solution.

Using This Document

The *Executive Summary* section of this document summarizes the key elements of the forecast as a whole over the six-year time horizon. The *Economic Overview* section features an overview of the national, state, and local economies. This section provides important context for the various forecasts in the document. The *Key Assumptions* section discusses the sources of key revenue and expenditure assumptions that were used to develop each of the fund forecasts. This section is followed by the *Fund Forecasts and Pro-Formas* sections which include individual forecasts for 10 of the County's major funds. These forecasts are designed to be succinct and help focus the reader on the important elements in the six-year forecasts for each fund. A *Glossary* has also been included to facilitate understanding of key terms.

EXECUTIVE SUMMARY

Introduction

This is the seventh 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 FY17 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 2.5% to 3.0% annually during the forecast period. The State's economy continues to improve as population growth, tourism, and the housing market all continue to post strong results. As the national economy continues to improve, Pinellas County is poised to take advantage of the broader recovery. The biggest and most visible industry in the County is tourism, which continues to show signs of a strong recovery. For FY17, the property tax base is expected to show positive growth again following five years of decline from FY09 to FY13.

General Fund Forecast

The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to Sheriff's law enforcement, detention, and corrections; human services; emergency management and communications; parks and leisure services; and the operations of the Property Appraiser, Tax Collector, and Supervisor of Elections. The forecast projects that the General Fund is balanced throughout the forecast period.

Tourist Development Council Fund Forecast

The forecast shows the Tourist Development Council Fund is balanced through FY22 based on the assumption that expenditures would be adjusted to reflect any revenue increases or decreases that may occur. Tourist Development Tax revenue has been steadily improving since Spring 2010 and has seen record-setting revenue for the past four years. Tourist Development Tax revenue is estimated to grow by 18.3% in FY16 compared to FY15 as the 6th percent of TDT is added to the collection. Revenue is projected to increase by another 4.5% in FY17, and from FY18 – FY22, revenues are projected to increase by 3.5% annually.

Expenditures are projected to decrease by 17.6% in FY16 as the County's obligation to debt service on Tropicana Field expired in FY15. This revenue has been set aside in reserves for future capital projects, as allowed by statute.

Transportation Trust Fund Forecast

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues beginning in FY16. Fund balance is used each year to offset this variance in the fund; however, the fund balance will be depleted by the end of FY23. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Potential actions to consider are revenue transfers from

the General Fund, imposition of additional local option fuel taxes (beyond the current amounts), or reductions in current service levels.

Capital Projects Fund Forecast

With the planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced over the forecast period through FY20. 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, and bridges are shown in the forecast as "unfunded" for FY20 – FY22. This is a preliminary estimate of projects that would require a funding source whether the Penny is renewed or not. 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 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 through the forecast period. 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.

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 for the Water System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY22. This assumes that the 1.75% annual rate increase through FY19 is extended through FY22. In FY16 and FY17, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Water Funds are structurally balanced through the forecast period.

Sewer Funds Forecast

The forecast for the Sewer System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves, sustain the targeted debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. There is also a 1.0% annual rate increase projected for FY20 through FY22. In FY16 through FY19, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

Solid Waste Funds Forecast

The forecast for the Solid Waste Funds shows that the fund is balanced through the forecast period. Solid Waste tipping fee revenues are expected to grow slightly during the forecasted six-year period. As was expected with the change in WTE service contractor, the cost to operate the WTE plant increased in FY15 and FY16.

Surface Water Special Assessment Funds Forecast

The forecast for the Surface Water Special Assessment Fund indicates the fund is not balanced throughout the forecast period. Beginning in FY17, revenues will not be enough to cover estimated inflationary increases for expenditures. Fund balance is used each year to offset this variance in the fund. It is expected that planned program expenditure savings will be needed to address projected deficits and to maintain adequate reserve levels throughout the forecast period.

ECONOMIC OVERVIEW & BUDGET BACKGROUND

The *Economic Overview & Budget Background* portion of the Budget Forecast: FY17 – FY22 provides important context for the various forecasts in this document and includes the following sections:

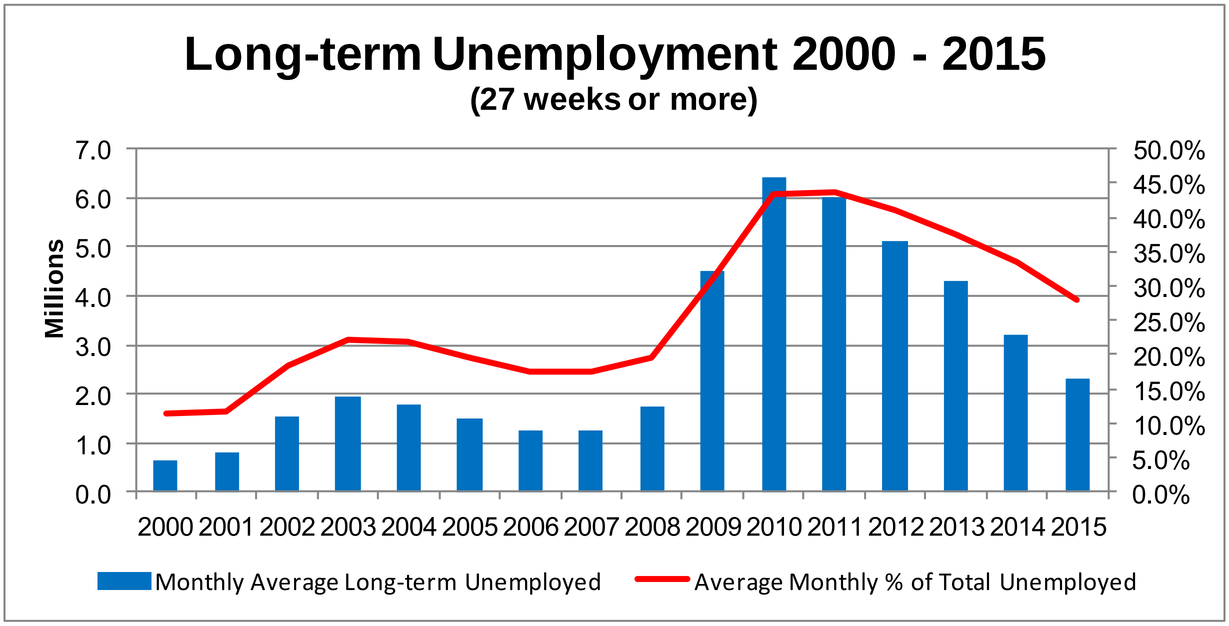
- The National Outlook
  - Employment
  - The National Economy
- The State Economy
  - Florida Outlook
  - Major Economic Drivers
  - Population Growth
  - Tourism
  - Employment Growth and the Labor Market
  - New Construction, Foreclosures, and Home Sales
  - State Budget
  - Gross State Product
  - Personal Income Growth
- The Local Economy
  - Local Outlook
  - Unemployment
  - Tourism
  - Real Estate
  - Residential Real Estate

The National Outlook

Employment

American businesses continued to hire workers during 2015. For 62 consecutive months, the Bureau of Labor Statistics has reported increases in non-farm payrolls, averaging 203,000 workers added per month since October 2010. In the last six years, more than 13.2M jobs have been added. However, at this rather slow pace, it took more than twice as long to replace the jobs lost during the almost two-year long Great Recession.

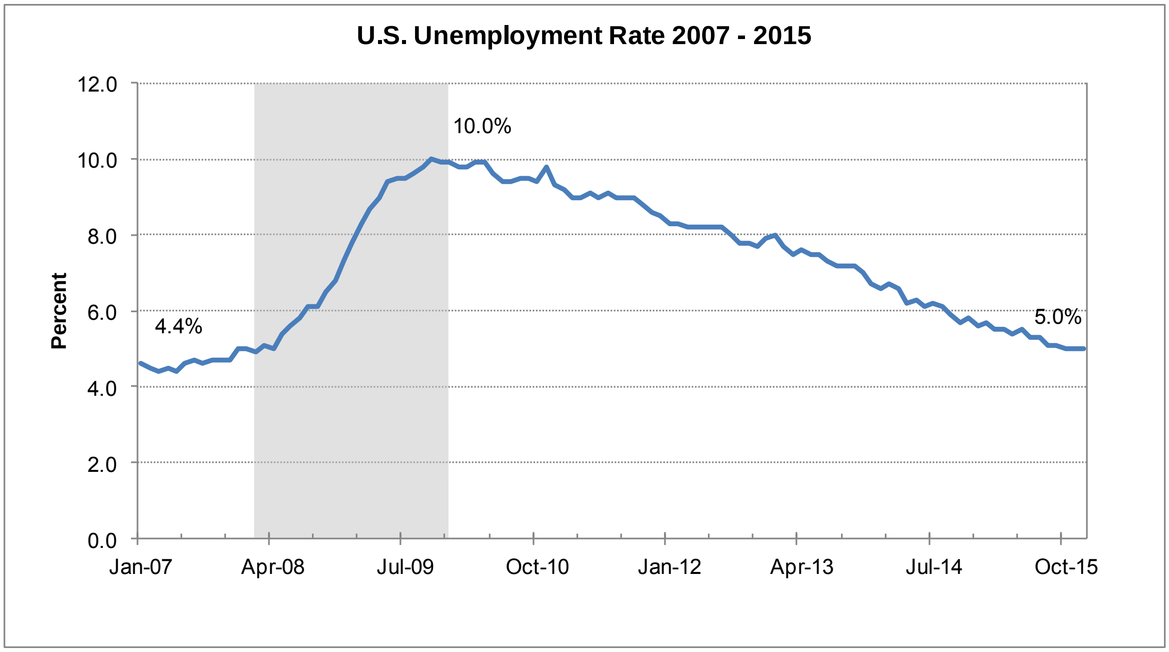
The national unemployment rate, which measures the percentage of those age 16 and older actively looking for employment, continued the nearly consistent drop since October 2009 (10.0%), falling to 5.0% in December 2015. This remains higher than the 'boom years' level of an average of 4.6% in the years immediately preceding the Great Recession, but the numbers do not paint the true employment picture. Long-term unemployment, which is unemployment lasting 27 weeks or longer, continues to plague the labor market. Those who lost their jobs during the recession are having a harder time finding a new job than following recent recessions. Following the recession of 1981-1982, long-term unemployment topped out at 26.0% seven months after the recession ended. Following the recession of 2001, long-term unemployment topped out at 15.9% one year out. The Great Recession of 2008 has had lingering effects, as long-term unemployment remains above the historical levels seen prior to the recession. As the chart below shows, a monthly average of more than 2.3M people were still unemployed after 27 weeks in 2015.



Source: U.S. Bureau of Labor Statistics

Another factor dragging on the job market is the number of workers who are employed, thus not in the monthly unemployment figure, but working fewer hours than they would like. The 'underemployed' as they are known, are those who are employed in a part-time status for 'economic reasons.' Immediately following the end of the Great Recession, there were an average of almost 9.0M part-time workers who desired to work full-time but could not due to a lack of available work. The number of workers in this group has fallen to a monthly average of 6.4M in 2015. Another 3.7M people were classified as either 'marginally attached to the labor force' or 'discouraged' meaning they had not looked for work in the past four weeks, despite being willing and able to work. These individuals were not counted in the labor force, thus not adding to the monthly unemployment rate.

The economic damage for this segment of the labor force is enormous. In many cases, retirement savings have been depleted to pay monthly bills such as mortgage payments, insurance, utilities and food. The tight financial situation many families find themselves in, including working families, means there are fewer non-essential purchases being made and financial ruin is a real possibility.



Source: U.S. Bureau of Labor Statistics/FRED (shaded area indicates recession)

Year	Average Unemployment %
2006	4.6%
2007	4.6%
2008	5.8%
2009	9.3%
2010	9.6%
2011	8.9%
2012	8.1%
2013	7.4%
2014	6.2%
2015	5.3% (December 5.0%)
2016	4.8%
2017	4.7%
2018	4.7%

Source: BLS/Federal Reserve Bank of Philadelphia
Survey of Professional Forecasters, November 13, 2015

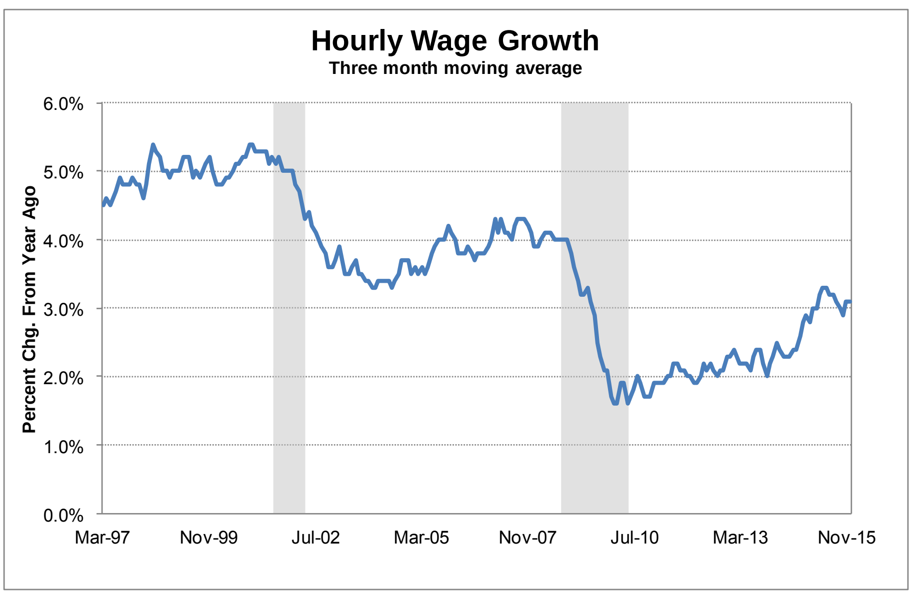
The National Economy

As measured by the Gross Domestic Product (GDP), the U.S. economy continued its slow-but-steady pattern of growth through the third quarter of 2015. Most economists agree that the national economy hit bottom in 2009 and that we are on track for a sustainable recovery. Over the next three years, it is projected the U.S. economy will grow between 2.4% and 2.8% per year for the next three years.

Gross Domestic Product (GDP)	GDP Growth
2006	2.7%
2007	1.8%
2008	-0.3%
2009	-2.8%
2010	2.5%
2011	1.6%
2012	2.2%
2013	1.5%
2014	2.4%
2015 (Est.)	2.4%
2016 (Est.)	2.6%
2017 (Est.)	2.5%
2018 (Est.)	2.8%

Source: U.S. Bureau of Economic Analysis/FRED
Estimates: Federal Reserve Bank of Philadelphia
Survey of Professional Forecasters, November 13, 2015

While the national economy appears to have stabilized, the lack of wage growth experienced by workers until recently, in addition to the on-going financial concerns across much of Europe and Asia, still poses a significant threat to the recovery, both nationally and globally.



Source: Federal Reserve Bank of Atlanta (shaded area indicates recession)

Inflation also plays a role impacting the outlook for consumer spending, which makes up almost 70.0% of the GDP. The Consumer Price Index, the generally accepted measure of overall inflation, rose by 1.6% in 2014, virtually unchanged compared to the 1.5% rise for 2013. Short-term projections for the CPI are a 2.1% average annual increase through 2017, with long-term projections of 2.3% annual average increases through 2022. The Federal Reserve, at their December meeting, raised the U.S. Federal Funds rate from 0.0%, which had been maintained

since July 2009, to 0.25%. Indications are that the Fed will continue to monitor inflation, job growth, and other economic indicators as future rate increases are considered.

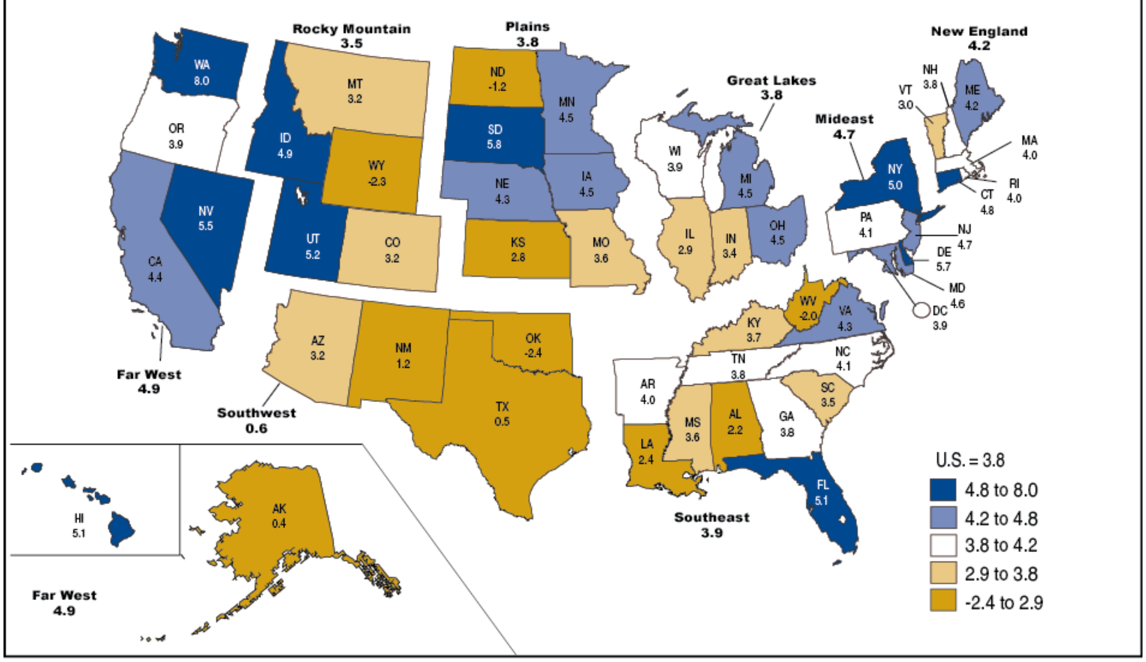
The State Economy

The information below for the State's economy is derived partially from the December 28, 2015 report Florida: An Economic Overview *by the Florida Legislature Office of Economic and Demographic Research.*

Florida Outlook

With the national recession more than five years behind us, Florida's economy is continuing to show sustained improvement. Growth rates are beginning to return to levels seen during 'normal' periods, but it will still take several years to make up for the years of negative growth; particularly in the real estate sector.

Chart 1. Percent Change in Real GDP by State, 2015:I-2015:II, Seasonally Adjusted at Annual Rates

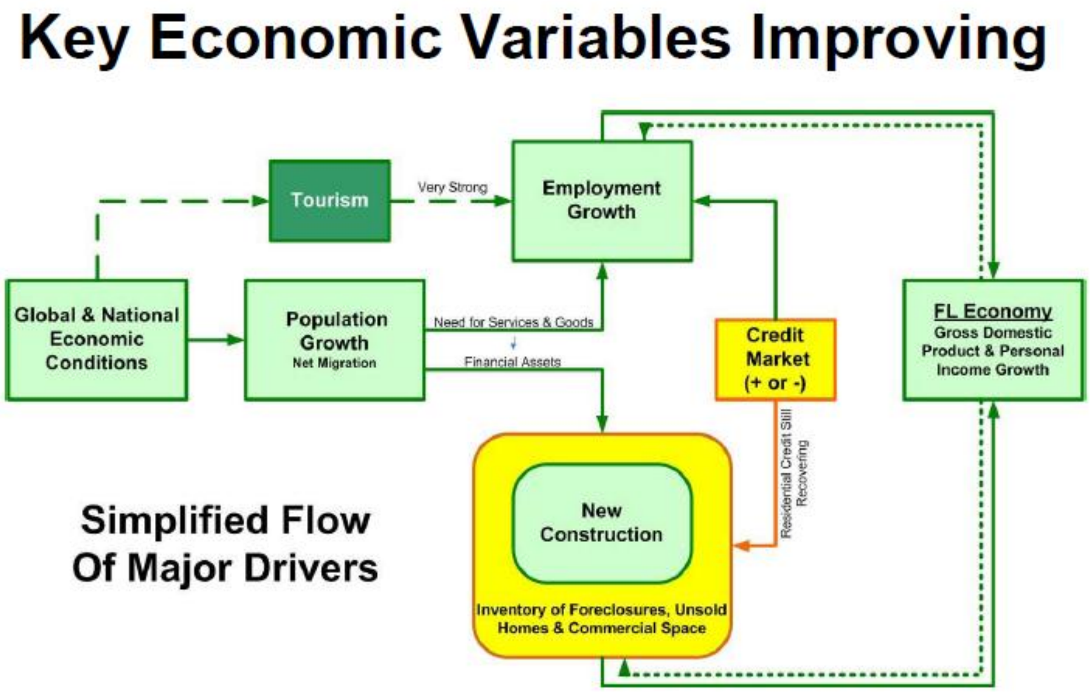


U.S. Bureau of Economic Analysis

For 2014, Florida had the 11th fastest growing economy, with a 2.7% year-over-year change. That rate of growth almost doubled to 5.1% in the second quarter of 2015 compared to the first quarter, making it the 6th fastest growing state, and well above the national average of 3.8% growth.

Major Economic Drivers

In addition to global and national economic conditions, there are several major drivers that are key to the performance of Florida's economy. Those drivers include population growth, tourism, employment growth, and new construction.



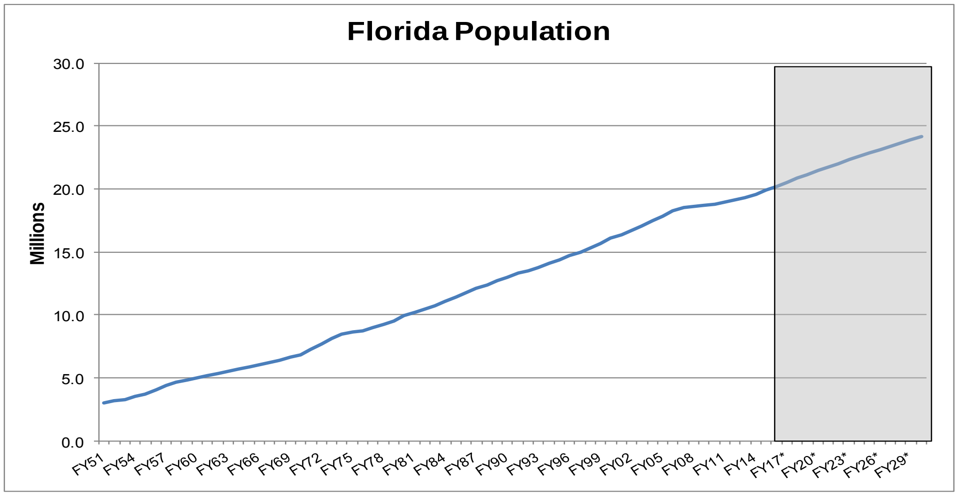
Source: Florida Legislature Office of Economic and Demographic Research

Population Growth

Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth, and impacting the amount of new construction activity. The national economic contraction as a result of the Great Recession significantly slowed Florida's population gains, but this was not unexpected. It is projected that 94.3% of the state's population growth through 2030 will come from positive net migration.

Florida's long-term population growth rate between 1970 and 1995 was over 3.0%. The annual growth rate hovered between 2.0% and 2.6% from the mid 1990's to 2006, and then began slowing to less than 0.5% in 2009 and 0.6% in 2010.

Between 2015 and 2020, Florida's population is projected to grow by an average of 1.52%, more than twice the national average of 0.75%. While this is still significant growth, from 2000 to 2006 Florida averaged a net annual increase in population of 361,942. From 2007 to 2015, the average growth in population was down to 171,052 annually, a 52.7% decrease. Between 2015 and 2020, population is forecast to increase an average of 311,405, between 2020 and 2025 by an annual average of 285,460, and by an annual average of 254,294 between 2025 and 2030. Despite this lower growth rate, Florida surpassed New York to become the third most populous state, and is projected to have broken the 20.0M mark in 2015.

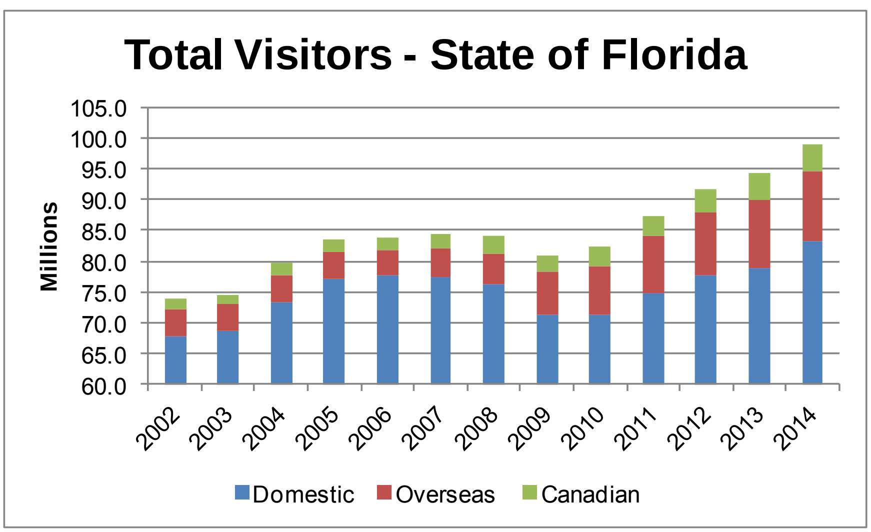


Source: Florida Demographic Estimating Conference, December 1, 2015 (shaded area indicates projections)

By FY30, Florida's population is expected to grow by more than 5.3M people from the FY10 level. The majority of this gain, at 57.6%, will come from those 60 and older, with those under 18 accounting for 13.3% of this gain, and those aged 25-39 representing 18.6% of the growth.

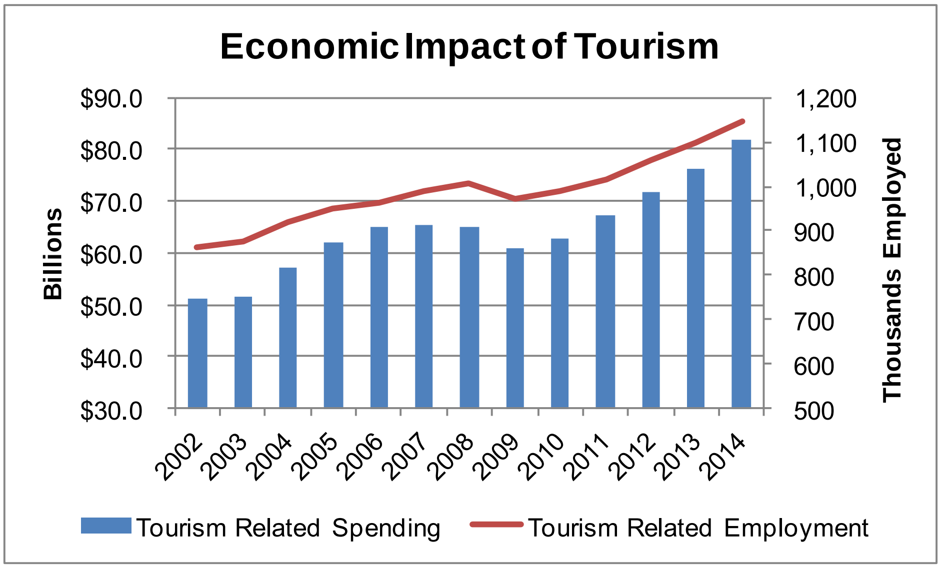
Tourism

The tourism industry is another key driver of Florida employment growth and economic strength. Like other sectors of the economy, tourism was hit hard by the recession as job losses and uncertainty coupled with other stresses caused potential visitors to be more conservative in their spending and cut back on travel plans. The industry was also impacted by the negative publicity that resulted from the 2010 Deepwater Horizon oil spill in the Gulf of Mexico (although actual beach damage in Florida was limited to the Panhandle area). During 2011, the impact of these factors declined. Tourism growth is now on a steady upward trajectory, with five straight years of year-over-year growth in total visitors. Through the third quarter of 2015, visitors increased by 5.5% compared to the same period in 2014. If the fourth quarter matches the first three, Florida will have experienced a sixth straight year of visitor growth.



Source: VisitFlorida.com

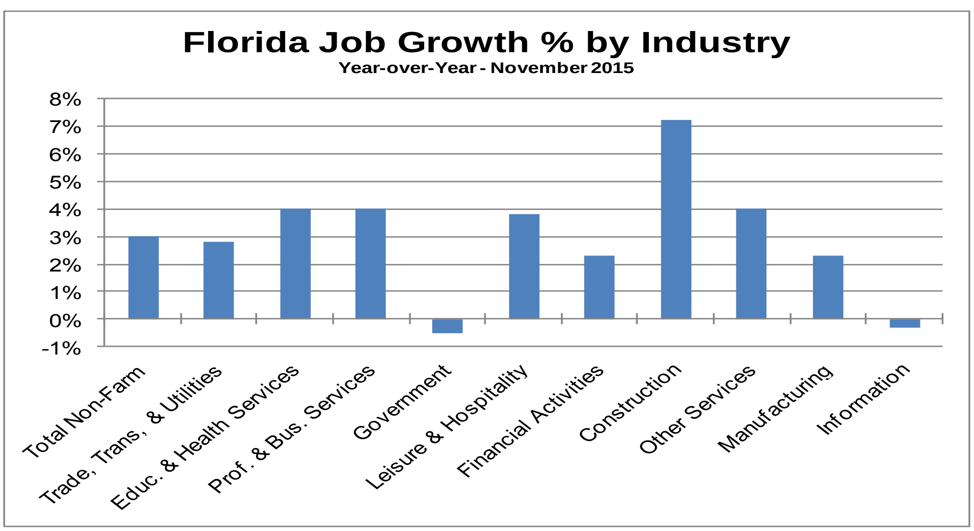
As would be expected, tourism and travel related spending in Florida has increased along with visitors. According to estimates provided by Visit Florida, the tourism marketing corporation for the state of Florida, if current performance continues through the fourth quarter, 2014 tax revenue from tourism and travel related sales will have grown for the sixth consecutive year to more than $5.0B. The jobs associated with the Leisure and Hospitality industry have been one of the top gainers in growth. According to Visit Florida, more than 1.1M jobs are tourism related, a number that has grown steadily along with the number of visitors and spending.



Source: VisitFlorida.com

Employment Growth and the Labor Market

Nonfarm employment increased by 239,600, or 3.0%, over the last 12 months. This growth was led by professional & business services (48,000 jobs, 4.0% year-over-year), education & health services (46,900 jobs, 4.0%), trade, transportation, & utilities (45,600 jobs, 2.8%), and leisure & hospitality (42,300 jobs, 3.8%). Construction (7.2% growth), financial activities (2.3% growth), and manufacturing (2.3% growth) also showed strength over the past year.

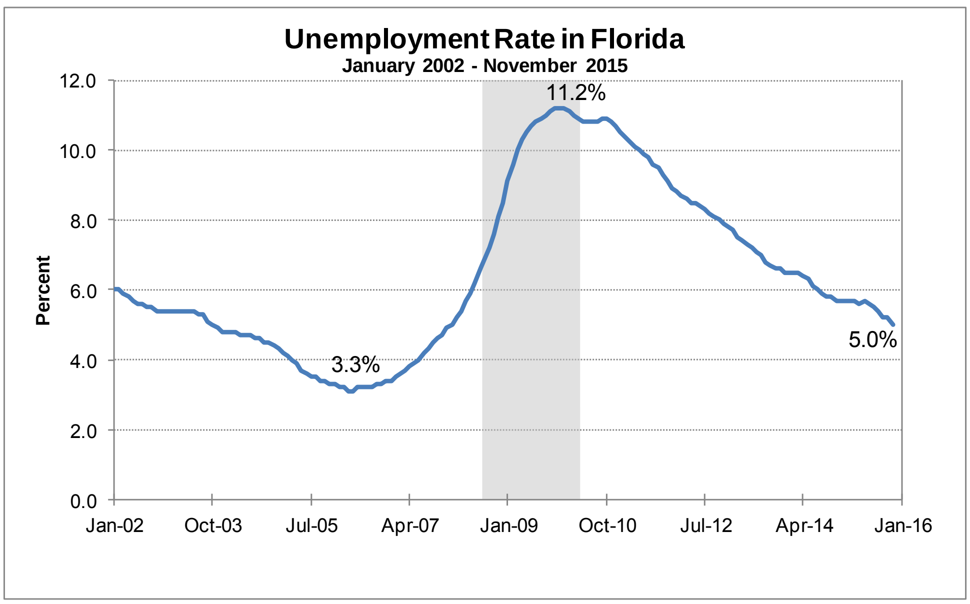


Source: Florida Department of Economic Opportunity

November 2015 saw 22 metro areas have positive job growth, with Tampa-St. Petersburg-Clearwater (40,500 jobs, 3.3%), Orlando-Kissimmee-Sanford (39,900 jobs, 3.5%) and Ft. Lauderdale-Pompano Beach-Deerfield Beach (27,000 jobs, 3.4%) leading the way.

In the years leading up to the Great Recession, unemployment in Florida started increasing from the very low rates of 3.3% in early 2006 to 4.5% in November 2007. As the economic slowdown turned into a recession in December 2007, Florida's unemployment rate rose from 4.7% to a high of 11.2% in November/December/January 2009/2010, five months after the official end of the recession. Since that time, the rate has fallen to 5.0% in November 2015, which matches the national unemployment rate and places Florida in 26th place.

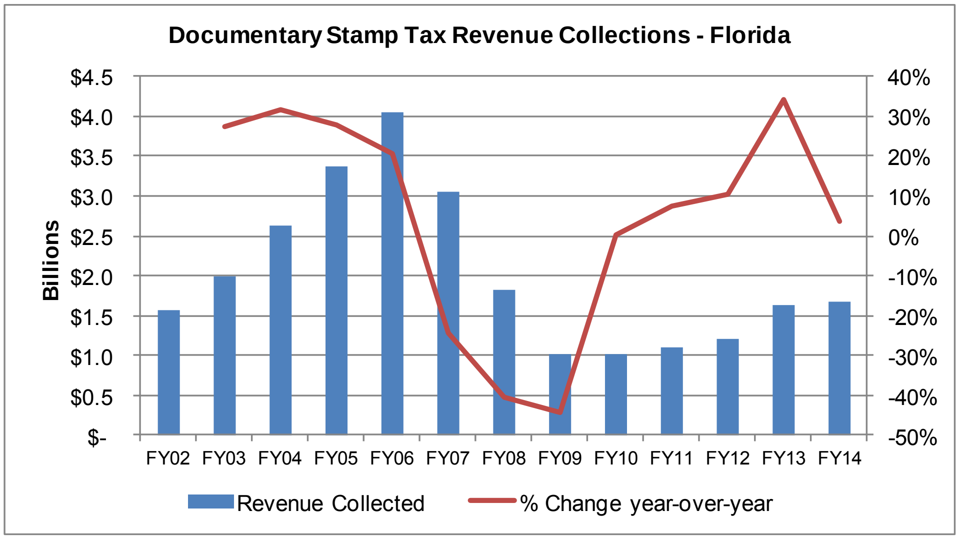
Florida's current unemployment numbers represent about 486,000 out-of-work Floridians actively looking for employment, less than half of the worst of the Great Recession when more than 750,000 Floridians were out of work for 47 consecutive months, with an average of over 917,000 per month during that time.



Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis (shaded area indicates recession)

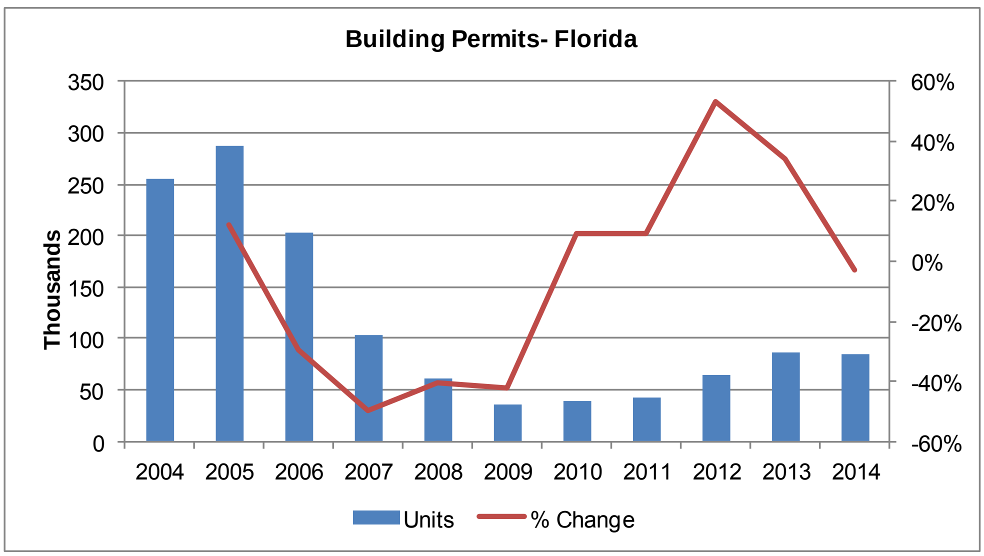
<u>New Construction, Foreclosures, and Home Sales</u>

Florida's housing market continues to show signs of improvement. Sales volume of existing homes and building permits are both back in positive territory, showing year-over-year growth. Revenue from documentary stamp tax collections extended its positive streak to five years, with FY14 growing by 3.8%. At $1.7B, FY14 revenue was 58.5% below the peak level during FY06, but 65.7% above the lowest level of the Great Recession in FY09.



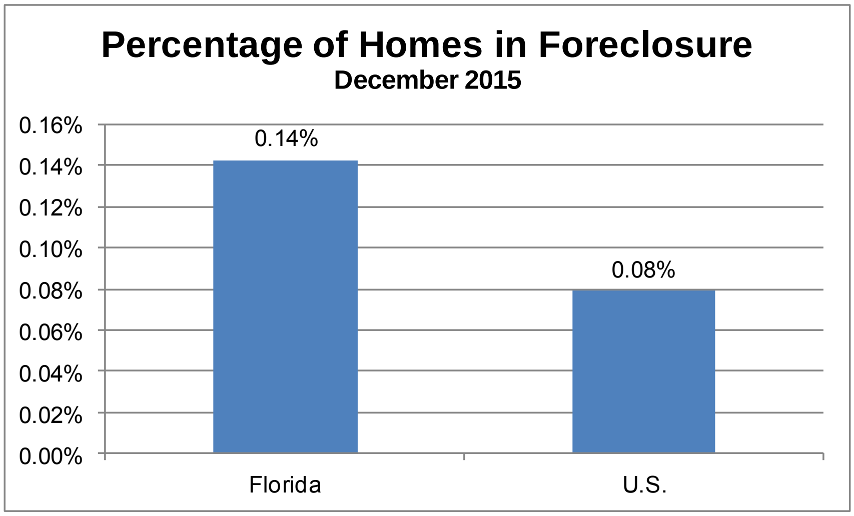
Source: Florida Department of Revenue, Office of Tax Research

Building permit activity fell in 2014 (last year data available) from 2013 by 3.1%. At 84,075 units, activity is still 70.7% below the peak year in 2005, which had 287,250, and 37.2% below the average of 133,926 over the last 20 years.



Source: United States Department of Commerce, Census Bureau

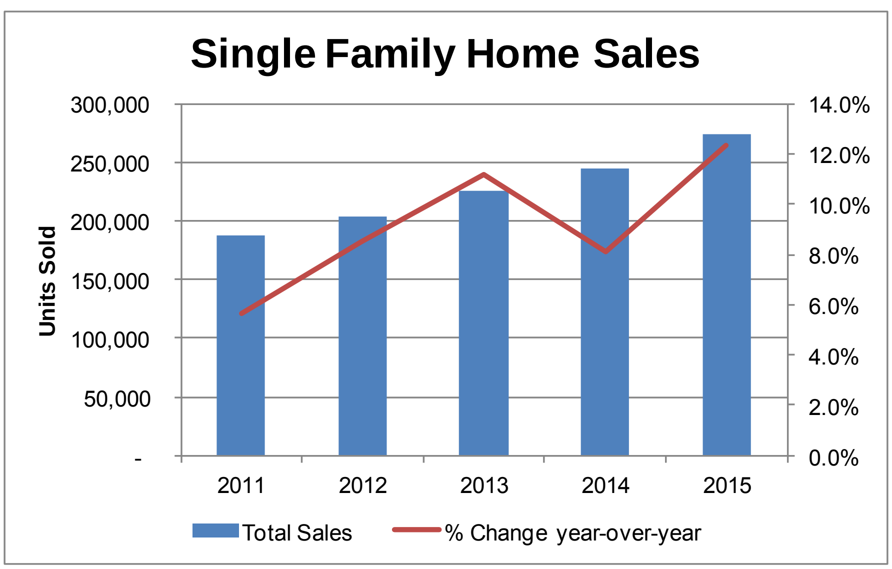
Foreclosures continue to be an issue in Florida. According to RealtyTrac, Florida had the third-highest foreclosure rate in the U.S. in December 2015, with 1 in 703 homes in foreclosure, and was in the Top 5 each month in 2015. As a comparison, the foreclosure rate for the U.S. as a whole was 1 in 1,278 homes during the same month. Gilchrist (1 in 344), Sumter (1 in 389), and Wakulla (1 in 412) counties lead the state in foreclosure rates. Pinellas County's foreclosure rate exceeds the state's average, with 1 in 627 homes in foreclosure. In metro areas with a population of over 200,000, Florida had four of the ten areas with the highest foreclosure rates: Ocala, Tampa, Jacksonville, and Daytona Beach.



Source: RealtyTrac.com

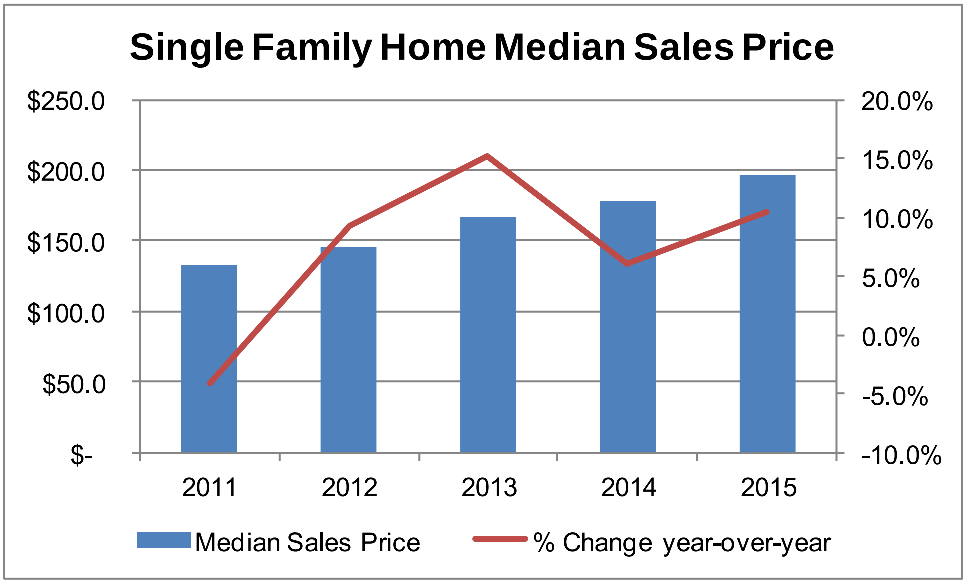
A portion of the foreclosure market are homes that are in foreclosure or default and have been abandoned by the owner, have not been reclaimed by the bank, and whose upkeep has been neglected or are in distressed areas and will not likely recover their value in a reasonable timeframe. These homes, known as “zombies”, are worth less than is owed on the mortgage and will sell for much less than they would under normal conditions.

Through the 3rd quarter, Florida ranked second to Nevada with 17.8% of all residential mortgages in Florida with negative equity, according to CoreLogic’s *Equity Report,* with another 5.4% with 5.0% or less of equity. These homes have mortgage debt higher than the value of the house, making them susceptible to foreclosure if a financial crisis, such as a job loss or an uncovered medical event, affects the mortgage holder. This is down significantly from a high of 50.0% during the worst of the housing bust. The Tampa-St. Petersburg-Clearwater area led the nation with 19.6% in the third quarter.



Source: www.FloridaRealtors.org

With the increased volume, sales prices have begun to trend upwards since the post-recession bottom in early 2011. Sales of single family homes were up 12.4% in 2015 to 274,769 units, the fifth consecutive year of year-over-year increases, and a 54.9% increase from 2010. The increase in sales volume has translated to increased sales prices, as well. The average median sales price for a single family home was $195,900 in 2015, up 10.4% from 2014, and an increase of 41.3% from 2010.



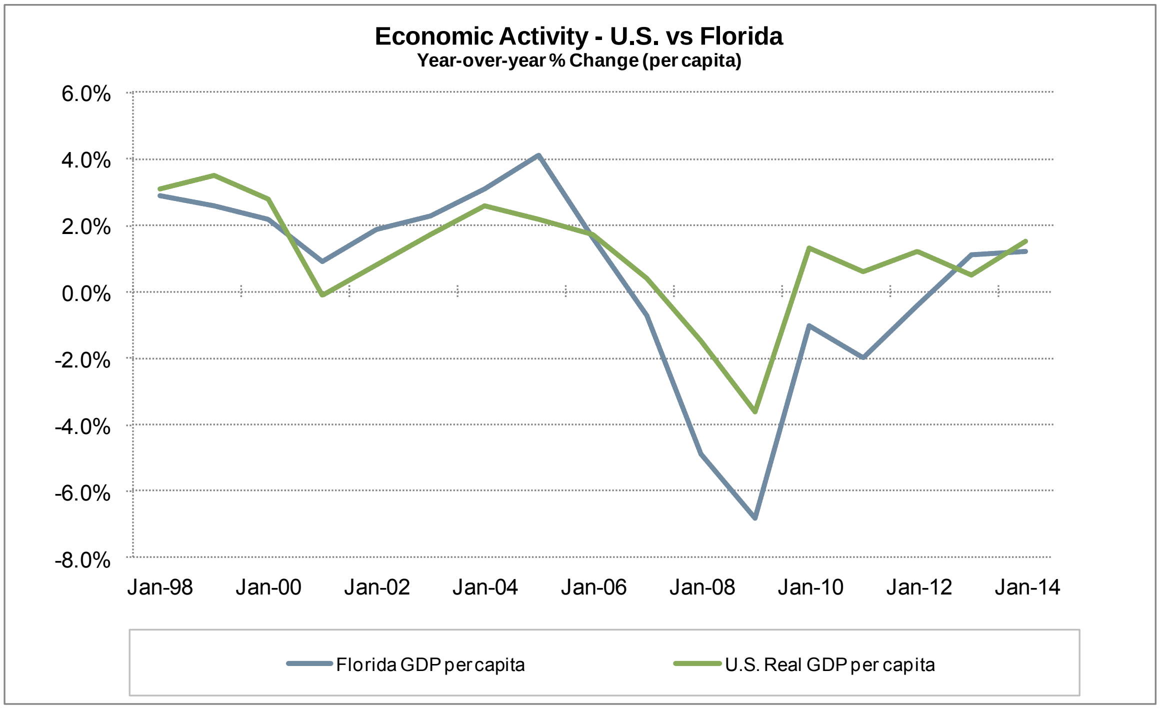
Source: www.FloridaRealtors.org

State Budget

The State of Florida's budget is highly dependent on sales tax revenue, accounting for more than 70.0% of revenues. In times of economic distress, consumers tend to cut back on discretionary spending, which in a state dependent on sales tax, will have an immediate, and potentially long-lasting, effect on revenue. Unlike many other states, Florida does not have a state personal income tax, which is a more stable source of revenue because wages tend to fall at a slower rate than consumption. As a result, the recession caused major State budget shortfalls, which were addressed by expenditure reductions and by using one-time fixes such as diverting revenue from trust funds and using Federal stimulus funds to avoid larger cuts in education and other programs. For the past three years, the State budget has been experiencing positive growth. Preliminary estimates indicate that the 2016 Legislature will have approximately $635.4M in surplus funds available to allocate for FY17.

Gross State Product

Gross State Product (GSP), the market value of all final goods and services produced or exchanged within a state, is one of the key economic measures for the comparison of states. For the third year in a row in 2014, Florida's economy showed positive growth, after five years of negative growth. On a per capita basis, Florida's decline preceded the drop experienced nationally, and lagged the turn-around following the end of the Great Recession. This trend matched the unemployment rate mentioned previously.



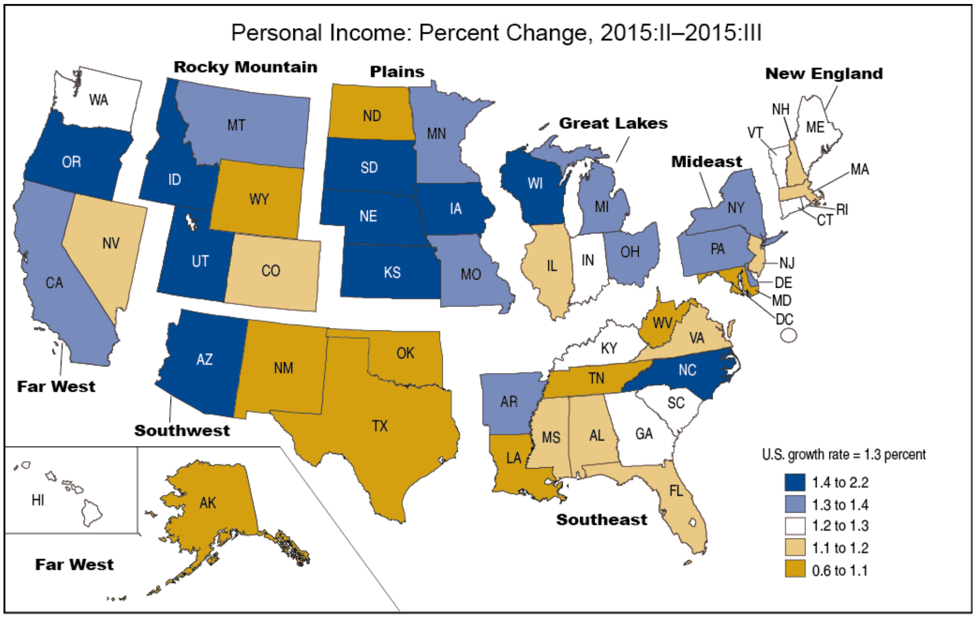
Source: Federal Reserve Bank of St. Louis/U.S. Bureau of Economic Analysis

In 2014, the per capita GDP was $38,664, compared to $44,038 in 2006, a 12.2% decline. Nationally, the per capita real GDP was $50,009 in 2014, 29.3% higher than in Florida.

<u>Personal Income Growth</u>

Other factors are frequently used to gauge the health of an individual state. The first of these measures is personal income growth, primarily related to changes in salaries and wages.

According to the U.S. Bureau of Economic Analysis, Florida's per capita personal income grew by 4.9% in 2014, well above the national average of 3.9%, ranking the state 11th. The income growth slowed in 2015, with a 1.2% growth rate during the third quarter of 2015, compared to 1.3% nationally, ranking the state 37th best.



U.S. Bureau of Economic Analysis

<u>Summary of Florida Outlook</u>

Florida's economy continues to move forward. The major drivers of economic growth are showing signs of improvement. The state's primary source of economic growth, population growth, has improved from the very low rates of 2009 (<0.5%) through 2011 (0.6%). From 2015 to 2020, population growth is expected to average 1.52%. In 2014, Florida passed the State of New York to become the third most populous state, and projections show that Florida passed the 20.0M mark in 2015.

Tourism, which was hit hard by both the global recession and the 2010 BP Deepwater Horizon oil spill, has improved greatly. There are currently 1.1M jobs associated with tourism as visitors continued to visit the beaches, theme parks, and museums around the state. The economic impact of tourism has grown for six consecutive years, exceeding $5.0B in tax revenue annually.

Over the last 12 months, the construction industry has added more than 29,000 jobs, a 7.2% increase, while the education and health services industry added 46,900 jobs, a 4.0% increase, and leisure and hospitality added 42,300, a 3.8% increase.

Overall, there were over 239,600 jobs added in Florida during the last 12 months. As the recovery continues, the unemployment rate has continued to fall as well. The unemployment rate in November was 5.0%, a 55.8% decrease from the highest level of 11.2%, which occurred five months after the end of the Great Recession.

Florida's housing market continues to show signs of improvement. Sales volume of existing homes eclipsed 2005 levels, the peak of the market for Florida, in both 2014 and 2015. The median sales price for these homes has rebounded from a low of less than $130,000 in 2011 to the current level of $200,000. However, foreclosures continue to constrict sales prices around the state. Florida has the third highest foreclosure rate in the country, with 1 in 703 homes in foreclosure, compared to 1 in 1,278 for the nation. According to the most recent data from CoreLogic, Florida has the second highest percentage of homes with negative equity at 17.8%

in the 3rd quarter of 2015, making those homes more difficult to sell when necessary and putting downward pressure on prices. While these trends may cause alarm, the housing market is in a much better state than it has been over the past several years. The foreclosure rate is down 22.3% from this time last year,

The continuing turnaround in Florida housing will be led by:

- Low home prices that continues to attract buyers and clear the inventory.
- Long-run sustainable demand caused by continued population growth and household formation.
- Florida's unique demographics and the aging of the baby-boom generation (2011 marked the first wave of boomers hitting retirement age).

Looking ahead, the pace of the economic recovery depends heavily on how quickly the job market recovers from the Great Recession, the capacity for personal income growth to move ahead of inflation, and a substantial reduction in the supply of unsold residential properties.

The Local Economy

The context of this section is from the perspective of background impacting the Pinellas County budget.

Pinellas County's economy has taken many steps forward since the end of the Great Recession in 2009. Unemployment has fallen from a high of 11.5% to 4.3%, while the number of overnight visitors has increased 17.9% since 2009, bringing with it record setting collections in Tourist Development Tax revenues. The real estate market has had another year of growth after several years of low sale prices and volume. Taxable value has increased for the third year in a row, passing FY05 levels that marked the beginning of the most recent real estate boom.

These developments are positive signs. However, there are many factors that will restrict the County's ability to fully realize the benefits of the economic recovery. Many of these factors are legislative mandates imposed at the state level that reduced local governments taxing abilities and placed caps on future revenues. A roll-back of the millage rate to restrict property tax revenue to a level below collections in FY07, along with property tax revenue cap, severely restricted Pinellas County's ability to collect sufficient revenue to fund operations. These actions, along with the Great Recession of 2007 – 2008, devastated taxable values in the county and the resulting collection of property tax revenue.

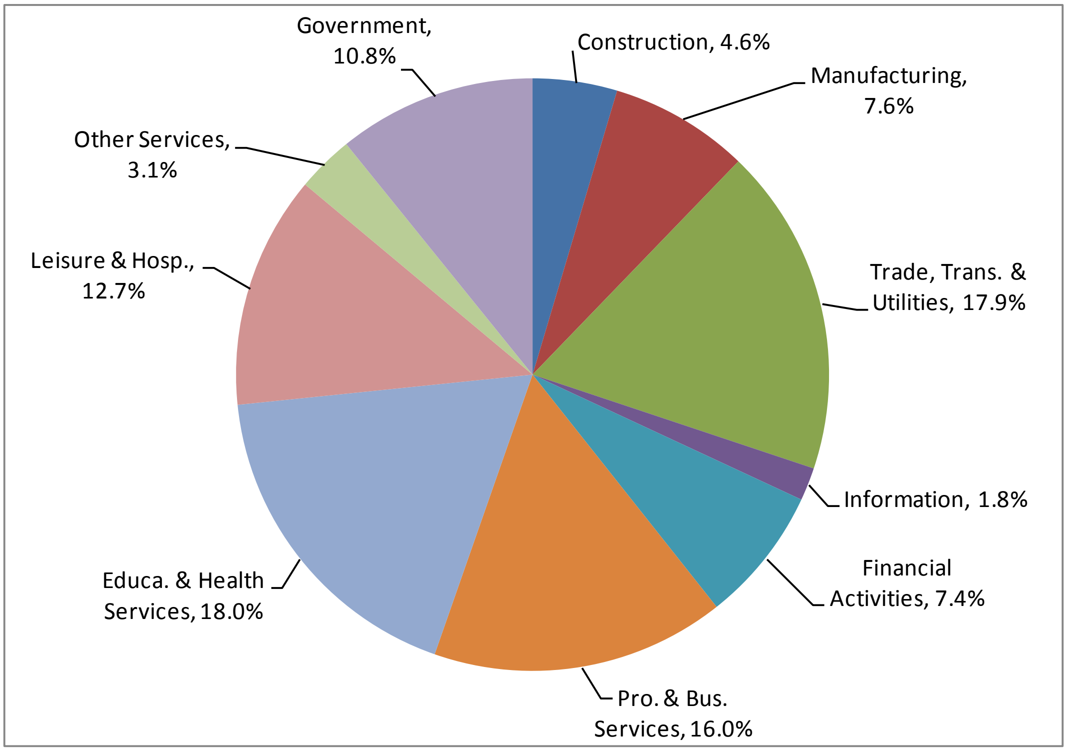
As a result, the County took steps to reorganize county operations to fit the new fiscal reality that emerged. From FY07 – FY12, total positions in BCC departments were reduced by 1,618, a 25.0% decrease, to the lowest level since FY85. The Constitutional offices and Independent agencies reduced their positions by 633 positions, a 17.0% decrease, to the lowest level since FY95.

<u>Local Outlook</u>

Pinellas County is the 6th largest county in population (944,971) and is the most densely populated in the State. Pinellas County is mostly built out and expects limited population growth in the future. The County is the most popular tourist destination on the Gulf of Mexico, drawing more than 5.8M overnight tourists annually. Pinellas County is part of the Tampa-St.

Petersburg-Clearwater Metropolitan Statistical Area (MSA) comprised of Hernando, Hillsborough, Pasco, and Pinellas counties.

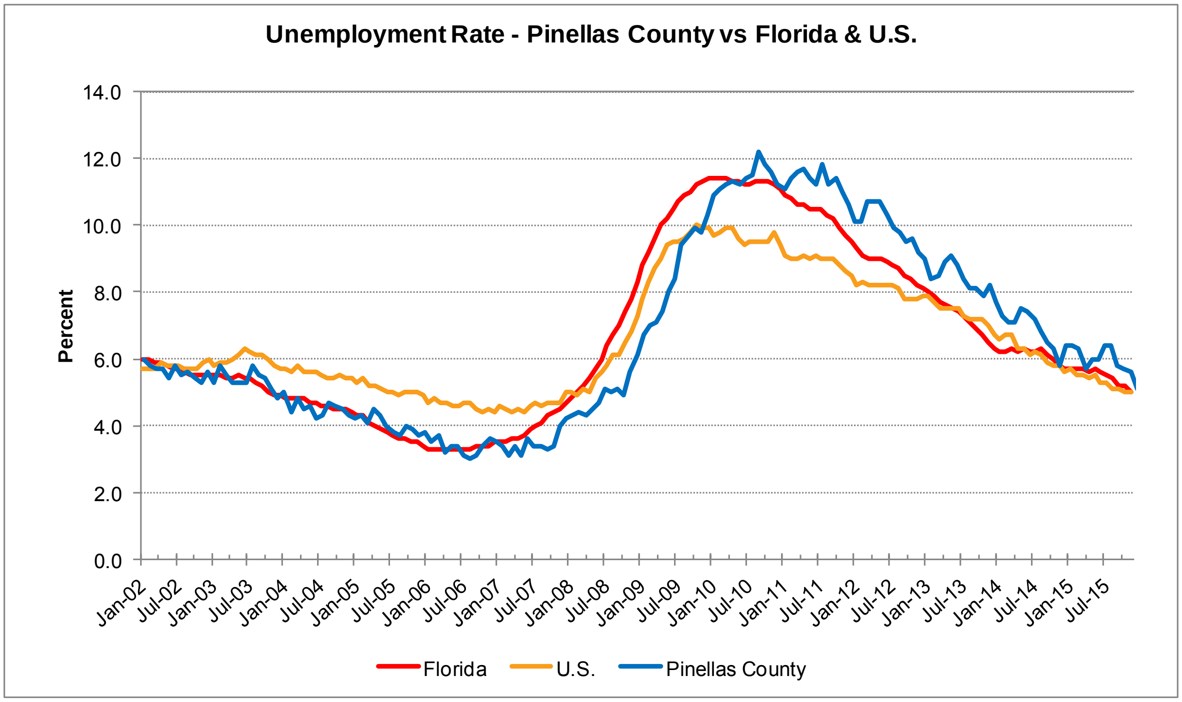
The labor market in Pinellas County covers a wide range of industries, with Education & Health Services (18.0%), Trade, Transportation & Utilities (17.9%), Professional & Business Services (16.0%), Manufacturing (7.6%), and Financial Activities (7.4%) making up 66.9% of all jobs in 2014. These industries also have some of the highest average annual wages, with Financial Activities ($61,308, 1st), Professional & Business Services ($56,360, 4th), and Education & Health Services ($45,371, 6th) all above the County's average annual wages of $44,759. The Leisure & Hospitality industry, which services the key tourism industry, accounts for 12.7% of all jobs in the County. However, the wages paid in this sector, $21,739, ranks last in 2014.



Source: Florida Legislature Office of Economic and Demographic Research, County Profile December 2015

Unemployment

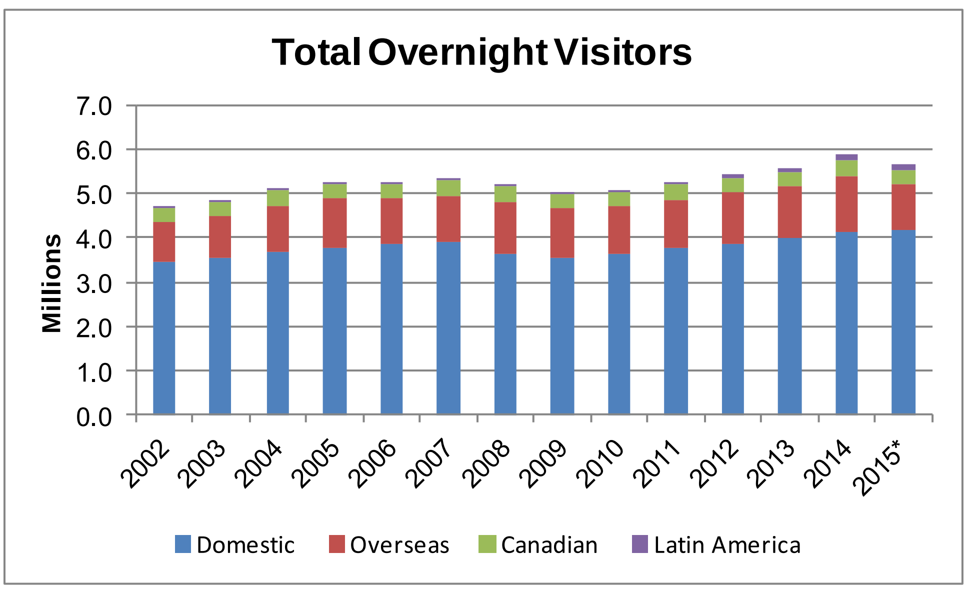
As with the State of Florida, Pinellas County's unemployment rate reached historically low levels in early 2006. In April 2006, Pinellas County recorded an unemployment rate of 3.0%. As the chart below shows, the County's unemployment rate rose to 4.7% by the time the national recession began in December 2007, reaching a high of 11.5% in January 2010, seven months after the official end of the recession. Since then, the County's unemployment rate has fallen to 4.3% (November 2015).



Source: U.S. Department of Labor: Bureau of Labor Statistics/Federal Reserve Bank of St. Louis

Tourism

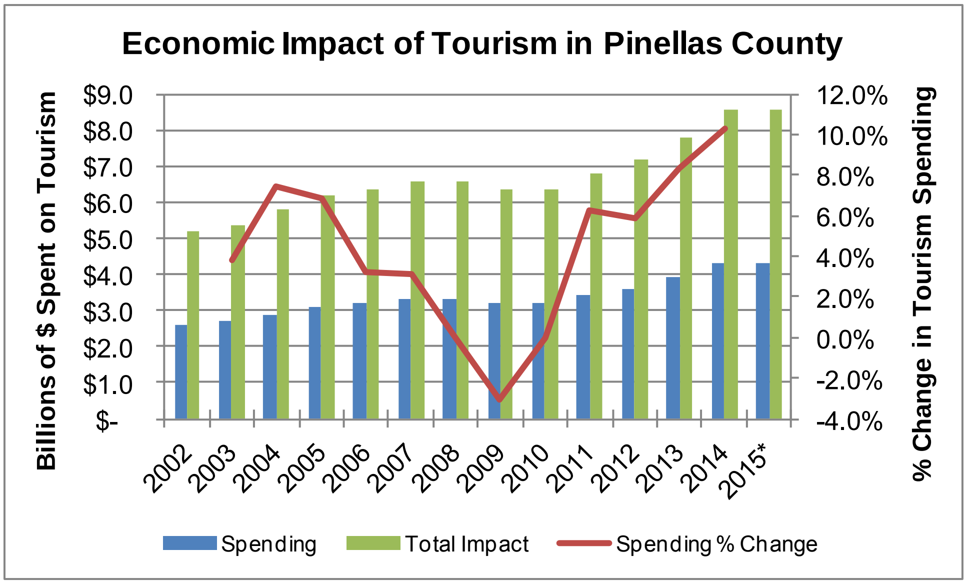
Tourism is a key economic driver of the economy in Pinellas County. Through November 2015, the County reported more than 5.7M overnight visitors and collected $37.5M in tourist development tax revenue, also known as the ‘bed tax’, an increase of 12.4% compared to the same period in 2014.



Source: Research Data Services, Inc. *2015 through November

The economic impact of these visitors, in addition to the tourist development taxes collected, was more than $4.3B in 2014, 10.3% increase from 2013. Through November, the economic impact to Pinellas County was $4.3B, the same amount collected in all of 2014. Additionally,

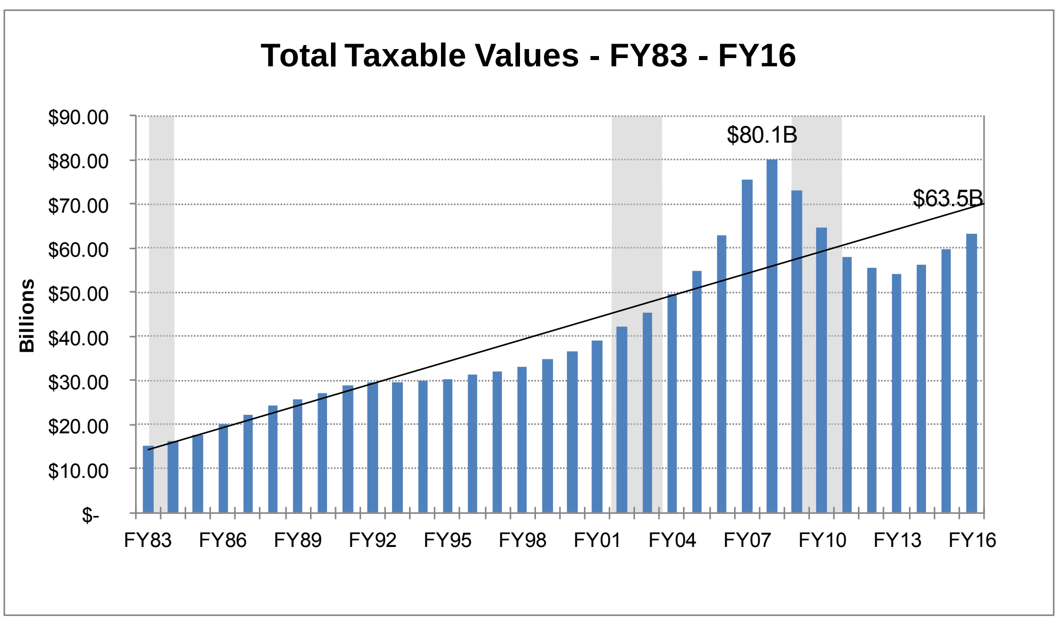
tourism helps supports more than 3,000 businesses in the leisure and hospitality industry, which makes up 12.7% of the Pinellas County employment base.



Source: Research Data Services, Inc. *2015 through November

Real Estate

The real estate market in Pinellas County has nearly recovered from the bursting of the housing bubble. Pinellas, like the rest of Florida, experienced a dramatic rise in housing values for several years during the housing boom. Starting in FY09, taxable values fell for five straight years (-8.7%, -11.7%, -9.8%, -4.8%, and -2.0%). For FY16, taxable values increased by 6.4%, and as the trend line on the chart below shows, are approaching where they would be under 'normal' conditions.

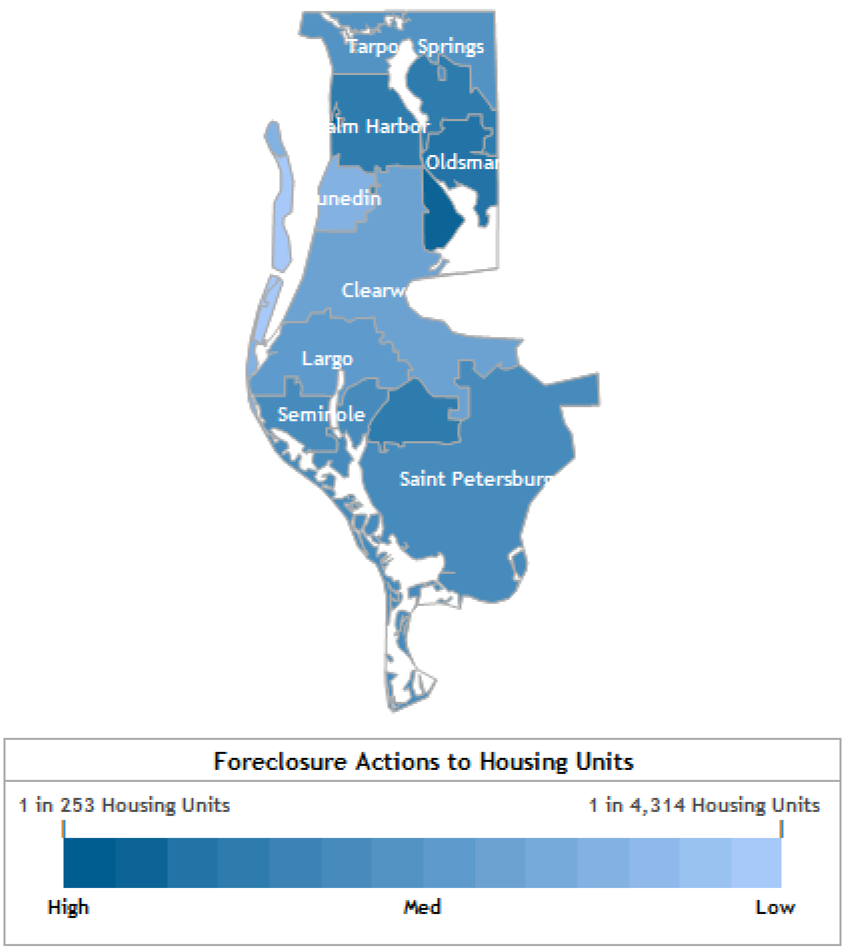


Source: Pinellas County Property Appraiser (shaded areas indicate recession)

Residential Real Estate

According to the Pinellas Realtor Organization, single-family home sales have increased each year since 2009, reaching more than 12,700 through November 2015. Over the last 12 months, single-family home sales in Pinellas County increased by 18.6%, while the average median sales price increased by 8.4% to $177,200. However, 37.8% of all sales were for cash, which potentially indicates an undervalued market, as investors are the main cash buyers when markets are low. This figure has been declining the last twelve months as the median prices have increased. Foreclosures, and the potential for foreclosure, continue to cause concern in Pinellas County. Countywide, foreclosure activities are currently being pursued on 1 out of every 627 home in the county. In 2015, there were 3,145 foreclosure cases filed, a decrease of 25.3% from 2014. The most recent data from Realty Trac, shown in the graphic below, shows higher than average foreclosure activities occurred in Safety Harbor (1 in 415), Oldsmar (1 in 469), Pinellas Park (1 in 500) and St. Petersburg (1 in 560).

Foreclosure Activity – Pinellas County
December 2015



Source: RealtyTrac.com

In addition to the drag on the market caused by foreclosures, the number of homes with negative equity, or 'underwater', remains high. Through the first three quarters of 2015, the

Tampa Bay region ranked 1st in the nation with mortgages considered 'underwater' with 20.2%, and another 6.2% in danger of falling into negative equity, according to data from CoreLogic. The recent increase in home values has reduced the number of homeowners who considered themselves trapped in their current homes because of negative equity, allowing them to put their homes on the market. As more of these homes become available, homebuyers will have more options, boosting the county's housing market.

Home sales continue to show strength. According to the Pinellas Realtor Organization, single family home sales are up 16.9% through November from the same period in 2014, and have increased each of the last seven years. The median sales price has also grown, up 8.5% in 2015, the fourth consecutive year of increases. The demand for condos and townhomes is increasing as well. Through November, sales in the condo and townhome market increased by 16.0%, with median prices moving up by 7.7%.

Summary of Local Outlook

Since the end of the Great Recession, Pinellas County has made great strides forward: the unemployment rate is down to 5.0%, a level not seen since June 2007; taxable values are back above FY06 levels after five years of decreases; tourism continues to show signs of strength with recording-setting revenue collection and overnight visitors; and home sales and prices continue to grow year-over-year.

As the national economy continues to improve, Pinellas County is poised to take advantage of the broader recovery. However, because of the slow nature of the recovery, worries about the job market and more importantly long-term unemployment, and the inventory of residential properties available on the market, the recovery is expected to be slow and steady.

KEY ASSUMPTIONS

The *Key Assumptions* portion of the Budget Forecast: FY17 – FY22 includes a discussion of the sources of information used to develop assumptions for revenues and expenditures that drive the six-year forecasts for ten of the County's key funds:

- Assumptions and Forecasting
- Revenue Assumptions
    - Overview
    - Key Assumptions
    - Supporting Information
- Expenditure Assumptions
    - Overview
    - Key Assumptions
    - Supporting Information
- Other Forecast Considerations

Assumptions and Forecasting

Although we have attempted to use the best data and methodologies possible, economic forecasting remains an art, not a science. There is no way to accurately predict the cumulative impact of the market decisions of millions of individuals who have complex and changing motivations for their actions. Unforeseen external events such as war or turmoil in foreign lands can also radically change the economic environment. Despite this uncertainty and recent experience, forecasting remains a useful tool for identifying potential problems and the need for future action. The forecasts in this document are a baseline using past trends, current policies, and assumptions about future conditions based on reasonable expectations. This provides a context to view current policy decisions in light of their potential impact on the fiscal health of the County in the years to come. The forecast is a key component for maintaining fiscal sustainability in support of the County's Mission, Vision, and Values.

The current consensus of leading economists anticipates continued slow growth and moderate inflation and does not include an economic downturn. We have not attempted to project significant future events such as recessions, oil embargos, or natural disasters. However, in each of the fund reviews we have identified the known risks to the forecast that could significantly impact the projections.

In establishing revenue and expenditure assumptions, we reviewed data and forecasts from a variety of economists, government agencies, industry associations, and other sources. In particular, we referenced the State of Florida's Revenue Estimating Conferences frequently. The State utilizes a professional, nonpartisan consensus process involving the Legislature, the Governor's Office, and the State's Division of Economic and Demographic Research in developing national and state economic forecasts that are used in all state planning and budgeting actions. The current Conference projections end at FY24. The projections are available online at http://edr.state.fl.us/Content/conferences/index.cfm

We also referenced federal agencies such as the Bureau of Labor Statistics, the Census Bureau, the Congressional Budget Office, and several Federal Reserve banks; as well as

private research firms and educational institutions, such as The Conference Board, Wells Fargo, the University of Central Florida, and the University of Florida. The County is not required to use this data, but it provides useful background information for projecting changes in revenues and expenditures. County department and agency staff provided valuable input and review of the assumptions to help ensure that they are reasonable, consistent, and reflect the best judgment of those most familiar with the subject areas.

Revenue Assumptions

Property Taxes Overview – General Fund and EMS Fund

Ad valorem taxes, commonly called property taxes, are assessed on real property and on tangible personal (business) property. The tax rate is expressed in "mills". One mill is one dollar of taxes for each thousand dollars of taxable value. For example, a tax rate of 5.9 mills on a taxable value of $100,000 yields $590 in taxes.

The Florida Constitution imposes a cap of 10 mills on the total of all countywide ad valorem rates (which includes the General Fund countywide levy plus the levies for the Health Department and for Emergency Medical Services). A cap of 10 mills is also imposed on the combined total of all MSTU ad valorem rates (which includes the General Fund MSTU levy plus the levies for other dependent districts).

The taxable values as of January 1st are established annually by the Property Appraiser and certified for budget purposes by July 1st. Final taxable values, following appeals and adjustments, are certified following the completion of the Value Adjustment Board (VAB) appeals process, which recently has been extending into February of the next calendar year.

The Board of County Commissioners approves millage rates annually by resolution as part of the budget process. This process must follow the State's "Truth in Millage" (TRIM) law, including timing, advertisement, and conduct of public hearings.

Key Assumptions

After five years of decline, countywide taxable values increased by 3.4% in FY14, 6.2% in FY15, and 6.4% in FY16. The assumption in the forecast is growth of 5.0% in FY17 and 4.5% in FY18.

Change in Taxable Values – Countywide					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
5.0%	4.5%	4.0%	3.5%	3.5%	3.5%

The countywide taxable value is the basis for determining the countywide revenue in the General Fund. For the purposes of this forecast, the FY17 through FY22 percentage change in taxable value for the Emergency Medical Service Fund is assumed to be the same as the countywide taxable value change. The rate of growth in the General Fund MSTU is projected to be 0.5% less than the countywide growth rates based on past trends, potential annexations, and the composition of the tax base in the unincorporated area.

KEY ASSUMPTIONS

Supporting Information

The overall increase of 6.4% in countywide taxable values for FY16 reflected differing changes in the major components of the tax base. Within these categories, changes in individual properties may vary significantly due to many factors, including location (for example, beach vs. inland) or use (for example, hotel vs. retail).

In the future, the growth in property tax revenues will be constrained by the revenue caps put in place by the Legislature in 2007, which is discussed on the next page. The boost from new construction in Pinellas County will be limited compared to other counties that are not built-out. For example, Orange and Hillsborough counties have large undeveloped areas that are available for major residential, commercial and industrial expansions. On the other hand, redevelopment efforts, particularly in the core urban areas, will have a positive impact on the tax base, but this will be limited by the established Tax Increment Financing (TIF) districts which capture the increased County General Fund property tax revenue.

Impact of Foreclosures

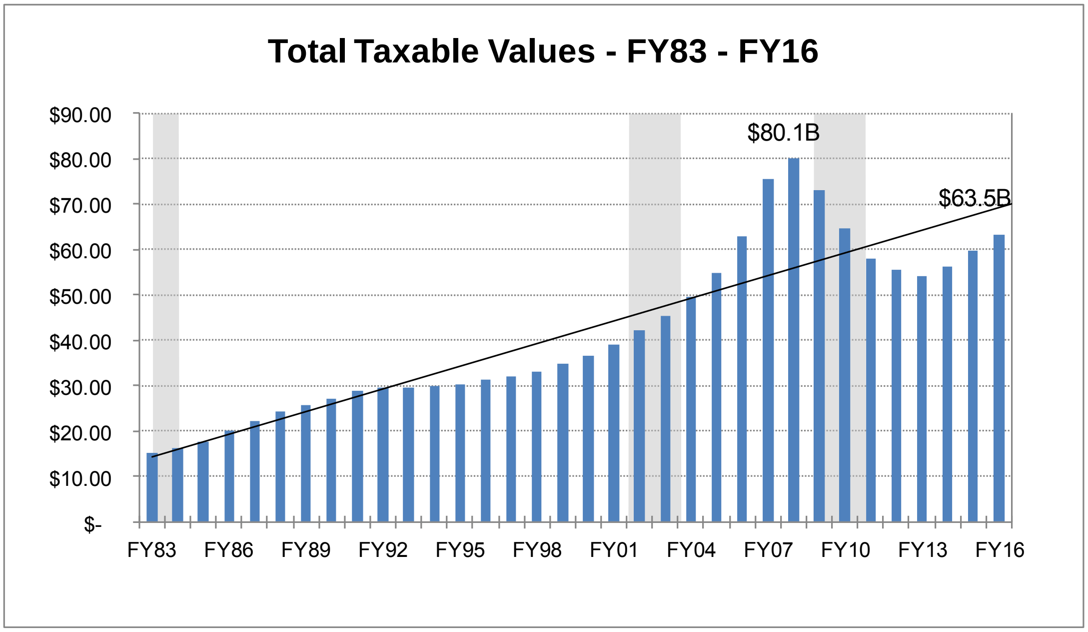
Foreclosures do not have a significant impact on current year collections of taxes levied because of the recovery mechanisms for delinquent taxes. If taxes are unpaid by June 1st, a Tax Certificate is offered for sale by the Tax Collector. The certificate is sold to an investor, and the County receives the equivalent of the taxes due.

However, although foreclosures do not affect the percentage of property taxes collected during the fiscal year, they tend to depress market values of surrounding properties, and this has a negative impact on the tax base. In Pinellas County, the number of foreclosure filings has decreased 77.6% from a peak of 15,164 in FY09 to 3,392 in FY15. As inventories of residential properties for sale have continued to decrease and prices have continued to rise, it appears that the foreclosed properties are being absorbed without a significant adverse effect.

Taxable values

The taxable values for FY16 were certified by the Property Appraiser on July 1, 2014. The countywide value increased by 6.4% compared to the FY15 values, the third consecutive year of tax base growth. The preceding five years of tax base decline were unprecedented; prior to this the tax base only decreased once since World War II, a small 0.6% dip in FY93. Prior to the recent recession, increases in the tax base averaged 5.0% per year.

KEY ASSUMPTIONS



Source: Pinellas County Property Appraiser (shaded areas indicate recession)

The growth in homesteaded taxable value is subject to the caps imposed by the Save Our Homes amendment. This limits the annual growth in a property's taxable value to the growth in the Consumer Price Index (CPI) or 3.0%, whichever is lower.

Save Our Homes Cap for Fiscal Year Based on Change in Consumer Price Index*									
FY08	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
2.5%	3.0%	0 .1%	2.7%	1.5%	3.0%	1.7%	1.5%	0.8%	0.7%
*There is a two-year lag in the CPI adjustment. For example, the fiscal year 2016 factor is the CPI change percentage for calendar year 2014.									

Sources: Florida Department of Revenue and U.S. Bureau of Labor Statistics

The factor used is the annual change in the CPI as of December each year. For example, the limit for FY16 was the December 2014 index, a 0.8% increase, issued by the U.S. Bureau of Labor Statistics on January 16, 2015. The limit for FY17 will be the December 2015 change of 0.7% which was issued by the U.S. Bureau of Labor Statistics on January 20, 2016.

Property Taxes are normally one of the most reliable revenue sources available to local governments. As a result, most cities, counties, and school districts have historically depended on the stability of property taxes to build their budgets. As previously discussed, the past decade has seen a marked departure from this pattern.

Property Tax Revenue Caps

The revenue caps approved by the Legislature in 2007 require that beginning with FY09, the maximum millage rate that can be approved by a simple majority vote of the Board of County Commissioners equals the prior year's maximum rolled-back rate adjusted for the change in per capita Florida personal income. A two-thirds vote of the Board may approve up to 110.0% of this maximum. Any higher millage rate requires a unanimous vote of the Board, or a referendum. The County has some flexibility for countywide increases in the short term because we did not

levy the maximum millage from FY09 through FY16. Over time, this flexibility will diminish as the tax base grows.

During the recession, declining market values (and the “doubling” of the Homestead Exemption from $25,000 to $50,000) eroded the amount of value shielded from taxes due to Save Our Homes. Going forward, as market values rise the Save Our Homes limitation will once again restrict increases in taxable values and be a contributing factor to the lower “new normal” pattern of revenue growth. The 10.0% cap on non-homestead properties enacted as part of Amendment One will also limit revenue increases.

Fund Variances

The unincorporated area (MSTU) General Fund taxable value percentage change is assumed to be slightly less than the countywide taxable value change. Other funds not included in this forecast that are dependent on property taxes are the Fire Districts Fund, the Palm Harbor, East Lake, and Feather Sound Community Service District Funds, the Pinellas Public Library Cooperative Fund, and the Health Department Fund. With the exception of the Health Department, the percentage change in taxable value will differ from the countywide change depending on the composition of the tax roll in each area. In particular, because of differences in the composition of their tax base, individual fire districts are expected to vary significantly from the overall rate of change.

<u>Sales Taxes Overview – General Fund and Capital Projects Fund</u>

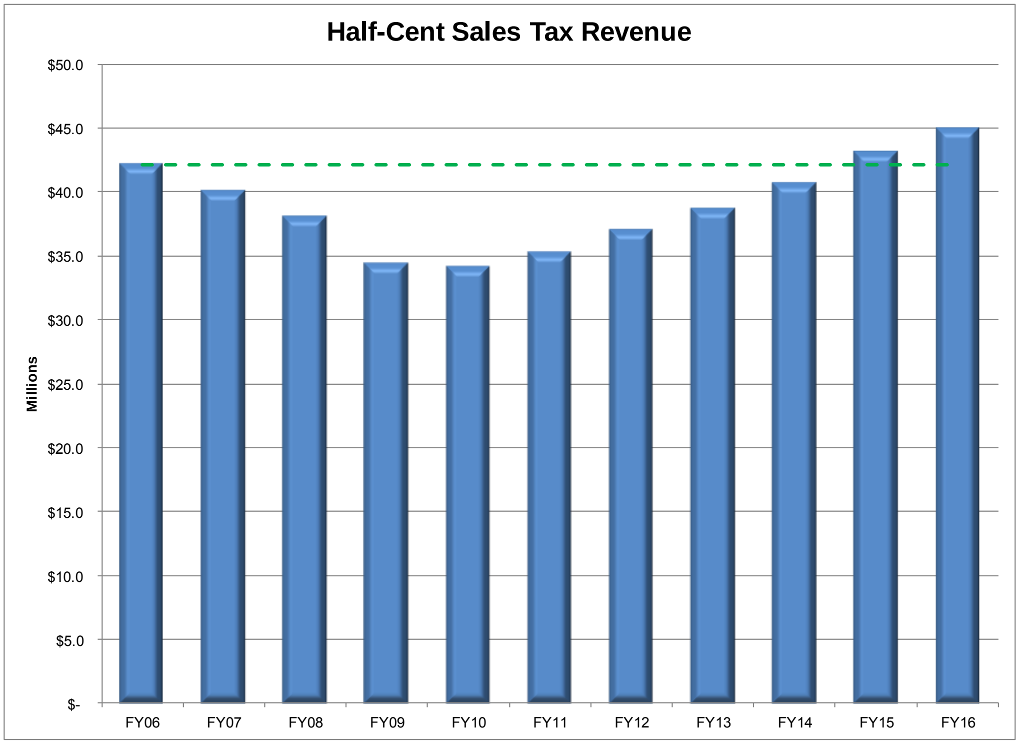
Sales tax revenues are highly elastic, increasing and falling with the health of the overall economy. In addition to food and medicine, certain other purchases are exempted from sales tax by legislation. The County receives two types of sales taxes: the Half-Cent Sales Tax and the Infrastructure Sales Tax (Penny for Pinellas).

Half-Cent Sales Tax

This General Fund revenue is a portion of the State’s six cent sales tax that is shared with counties and cities. First authorized in 1982, the program generates the largest amount of revenue for local governments among the state-shared revenue sources currently authorized by the Legislature.

Sales tax revenue grew by 4.7% in FY13, 5.1% in FY14, and 5.6% in FY15. This was the fifth year of growth following four years of decline beginning in FY06.

KEY ASSUMPTIONS



Source: Office of Management and Budget

Infrastructure Sales Tax (Penny for Pinellas)

The Penny for Pinellas is a 1.0% sales tax which is dedicated to capital improvement projects in Pinellas County, such as facilities, storm water improvements, preservation land purchases, roads, bridges, public safety and parks. Without this funding, it is estimated that property owners would have to pay another 1.4816 mills on their county and municipal property taxes to support these projects. With a sales tax, an estimated 30.0% of the total Penny funds are paid by tourists and seasonal residents.

Key Assumptions

For the State Shared Half-Cent Sales Tax we anticipate growth approaching historical patterns. A 4.5% growth rate is assumed for FY17 and 4.0% from FY18 through FY22, reflecting the continuing economic recovery. In the near-term, our projection is lower than the State General Revenue Estimating Conference, which anticipates statewide FY17 growth of 5.3% and FY18 growth of 5.1%, but the growth rate moves in tandem.

Change in Half-Cent Sales Tax Revenue					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
4.5%	4.0%	4.0%	4.0%	4.0%	4.0%

The revenue assumptions for the overall Penny sales tax are consistent with the Half-Cent sales tax. However, the growth rate in the Capital Projects Fund for the Penny sales tax is slightly lower than the Half-Cent growth rate. 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 Penny revenue.

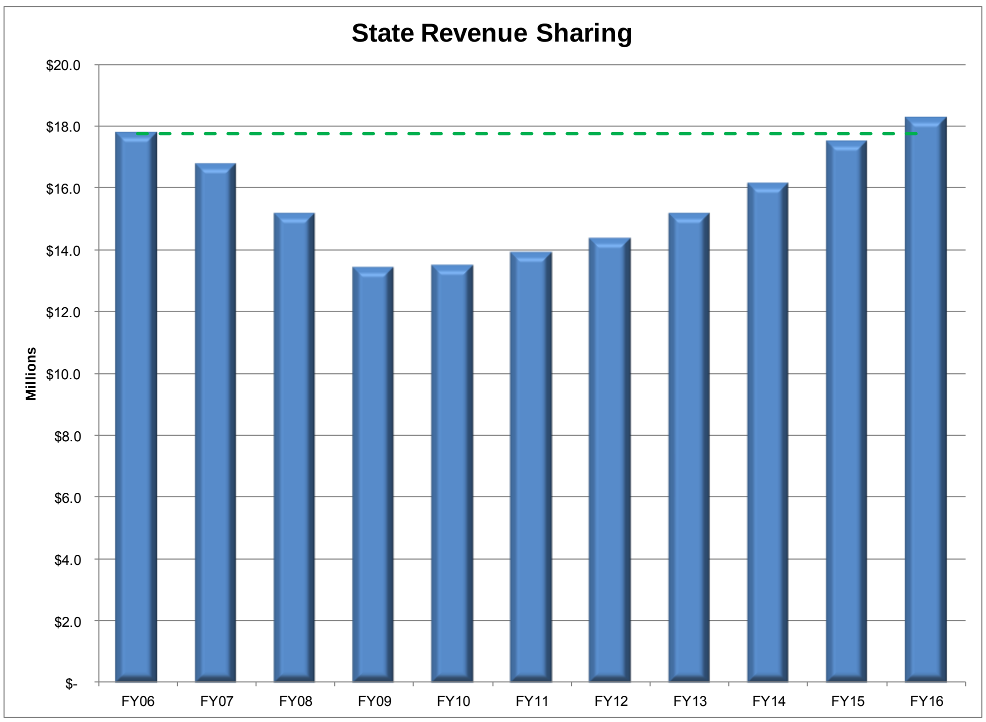
Supporting Information

The statewide number from the State General Revenue Estimating Conference reflects population growth that will not be as significant a factor in Pinellas County as in other, less built-out counties. However, the strengthening local economy and continuing, record-breaking growth in tourism support projections of slightly better growth in the short term.

State Revenue Sharing Overview - General Fund

State Revenue Sharing is primarily based on the State's sales tax revenue. The formula for Revenue Sharing is subject to adjustment by the Legislature.

Similar to the Half-Cent Sales Tax, Revenue Sharing revenue demonstrated a sixth year of growth, increasing 8.4% in FY15. Prior to FY11, this source had declined or remained essentially flat since FY06.



Source: Office of Management and Budget Note: FY16 reflects estimated revenue

Key Assumptions

For the underlying sources that support State Revenue Sharing, the forecast assumes a return to the pattern of moderate growth in this revenue source that predated the economy's boom and bust cycle, resulting in an annual increase of 4.5% in FY17 and 4.0% from FY18 through FY22.

Change in State Revenue Sharing Revenue					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
4.5%	4.0%	4.0%	4.0%	4.0%	4.0%

KEY ASSUMPTIONS

Supporting Information

State Revenue Sharing has historically grown at a somewhat lower rate than Half-Cent Sales Taxes. In addition to differences in the distribution formulas for these two revenues, a portion of Revenue Sharing is derived from Cigarette Taxes, which have been a declining revenue source for years. Also, Pinellas County's population as a percentage of the total state population is anticipated to continue to decline, which will impact the distribution formula. These factors combine to reduce the potential for growth in Revenue Sharing.

Communications Services Tax Overview– General Fund

The Communications Services Tax (CST) is paid by unincorporated area residents and is dedicated entirely to providing services for them through the MSTU.

The CST legislation was enacted to restructure taxes on telecommunications, cable, direct-to-home satellite, and related services that existed prior to October 1, 2001. Previously, a county could impose franchise fees on telephone and cable television within its boundaries. Currently, for charter counties a local CST may be levied at a rate up to 5.1%, plus an add-on of up to 0.12% in lieu of imposing permit fees. The County has levied the maximum rate of 5.22% since January 2003.

The Communications Services Tax revenue has declined primarily due to technological changes in the industry and changes in billing practices that have reduced the base of taxable services; FY15 CST revenue was 2.5% lower than in FY14.

Key Assumptions

The forecast projection reflects a continuation of the decline in this revenue source.

Change in Communications Services Tax Revenue					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%

Supporting Information

The CST is levied on communication services that originate *and* terminate within the state. Technological advances have allowed for increased competition from communication service providers (particularly wireless providers) which do not meet this definition and whose services are therefore not subject to the CST.

In recent years, the Legislature has approved changes to the CST statutes that have negatively impacted local revenues. The Legislature may continue to study the CST and recommend further structural changes that could lead to even greater reductions in revenue.

Interest Earnings Overview – All Funds

The County earns interest on fund balances. These funds are invested by the Clerk of the Circuit Court in accordance with the Board of County Commissioners' approved Investment Policy. All investment activity is conducted in accordance with Section 218.415, Florida

Statutes, and Section 2-144 of the Pinellas County Code. The primary objective of the policy is the safety of County funds. The secondary objective is the provision of sufficient liquidity. The tertiary objective, subordinate to safety and liquidity, is to maximize the return on the investment portfolio while avoiding unreasonable investment risk.

Key Assumptions

Market conditions, including record low interest rates, were such that interest earnings in FY15 were once again minimal. The forecast reflects the short term outlook for continued low earnings and the recent increase in short-term Federal Funds interest rates by the Federal Reserve, gradually increasing earnings to 1.9% on fund balances in FY20 – FY22.

Rate of Interest Earned on Fund Balances					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
0.7%	1.1%	1.4%	1.9%	1.9%	1.9%

Other Revenue – All Funds

In each fund forecast, the major revenue sources that comprise most of the available resources are specifically analyzed. Depending on the fund, the remaining revenues may include licenses and permits, charges for services, fines and forfeitures, rents, surplus, refunds, reimbursements, and other miscellaneous revenues. For these other revenues, the forecast assumes moderate growth reflecting the anticipated continuing economic recovery.

Change in Other Revenue (non-specific)					
FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Key Assumptions for Other Funds - Specific Revenues

Tourist Development Tax- TDC Fund

Tourism is a key driver of the economy in Pinellas County. The County imposes a 6.0% tourist development tax (i.e. bed tax) on rents collected for temporary lodgings. The revenue, highly sensitive to general economic and other conditions, is driven by several factors, including the number of visitors, the length of stay, and the Average Daily Rate (ADR) that hotels are able to collect for rentals.

Tourist Development tax revenues have been steadily improving since Spring 2010 and have reached record levels. FY14 revenue increased 12.7% over the prior fiscal year, and FY15 revenue was 12.2% higher than FY14. Tourist Development Tax (TDT) revenues exceeded $30.0M in 2013 and 2014, which enabled the County to impose an additional (sixth) percent tax. On August 4, 2015, the BCC voted to levy the 6th percent of TDT, which went into effect on January 1, 2016. FY16 revenues are estimated to grow by 20.2% over actual receipts for FY15, with the majority of the increase due to the addition of the 6th percent. The forecast estimates that revenue will increase by 4.5% in FY17, and 3.5% annually through the remainder of the forecast period, reflecting continuing strong growth.

KEY ASSUMPTIONS

Change in Tourist Development Tax Revenue					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
4.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Gas Taxes - Transportation Trust Fund

The County receives several types of gas tax, including State Shared Gas Taxes and Local Option Gas Taxes. These revenues are dedicated for transportation-related expenditures and are deposited in the Transportation Trust Fund. The State Transportation Revenue Estimating Conference forecasts annual average revenue growth of 1.6%, but this is based on the forecast of total gallons of motor fuel pumped annually in Florida and not fuel prices. The County's gas taxes are also based on gallons consumed. Revenue declined by an average 0.5% per year during the period FY06 to FY12, but increased 3.1% in FY13 and 0.9% in FY14. An improving economy and lower gas prices are positive signs, but Pinellas County's built out condition and future mandated vehicle fuel efficiency standards lead us to assume continuing slow growth in these revenues. Although the County has the potential to levy an additional 1 to 5 cents in Local Option Gas taxes, there are no tax rate increases built into the forecast.

Change in Gas Tax Revenues					
FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
0.1%	0.1%	0.1%	0.2%	0.2%	0.0%

Ambulance User Fee Revenue – EMS Fund

Ambulance user fee revenues are subject to a number of variables:

- Changes in transport volume (positive or negative)
- Unanticipated Medicare audit settlements (positive or negative)
- Legislation / Health Care Reform
- Decreasing mix of private insurance payments and increasing mix of lower-reimbursement Medicare and Medicaid payments (negative)
- Increased Medical Necessity verification requirements (negative)

Ambulance user fee revenues are primarily driven by patient demand (transport volume). The average increase in transport volume from FY13 to FY15 was 4.5%. The average increase over 10 years was 3.5%, ranging from 1.4% (FY10) to 8.5% (FY15). Revenues are estimated to increase by 4.0% during the forecast period. This is slightly less than the average increases in transport volume, reflecting changes in health care reform that may impact payments from Medicare, Medicaid, and various other payors. Medicare and Medicaid continue to be the largest payor source, comprising 63.0% of revenue collected.

Change in Ambulance User Fee Revenue					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

KEY ASSUMPTIONS

Airport Revenues

Airfield/Flight Line revenue is based on the current level of carriers and projected passenger numbers. Passenger level has grown as the airport's main tenant, Allegiant Airlines, has added new cities to their offering for the past few years. Currently, Allegiant serves 47 cities from PIE. Passenger level is projected to increase from 1.7M passengers in FY17 to 2.1M in FY22. This growth will result in airfield / flight line revenue increases ranging from 2.5% to 3.4% over the forecast period.

Change in Airfield/Flight Lines Revenues					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
3.2%	2.8%	2.5%	3.1%	3.4%	3.1%

Rent/Leases/Concessions revenue is based on current leases/agreements through the termination of these lease agreements. Land leases have a five-year adjustment based on the cumulative CPI. Building leases have an annual CPI adjustment. The County General Fund leases land for the Jail, the Pinellas Justice Center, and other uses from the Airport. They comprise 45.0% of the long-term industrial (non-aviation) land leases revenue.

Change in Airport Rents/Leases/Concessions Revenues					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

Water and Sewer Rates

Following an independent study, a new rate plan was presented to the BCC on January 13, 2015. After public hearings, the BCC adopted a new four-year rate plan to meet projected revenue needs for FY16 through FY19.

Water Funds Revenue

In addition to its retail water customers, the County has provided water at wholesale rates to several cities that purchase water in bulk and distribute it to their own retail customers. The volume of water purchased declined 10.4% from FY08 to FY14, partially due to several of the cities beginning to develop alternative sources of water. The amount of water purchased is also affected by economic conditions, housing and commercial vacancies, and levels of conservation.

Due to expected growth in the economy, the forecast assumes a 2.0% increase in retail water revenues and 1.8% for wholesale water annually from FY17 through FY22.

KEY ASSUMPTIONS

Change in Water Service Charges Revenue - Retail					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Change in Water Service Charges Revenue – Wholesale					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY21**
1.8%	1.8%	1.8%	1.8%	1.8%	1.8%

Sewer Funds Revenue

Based on the planned rate increases and slight increase in volume, the forecast assumes a 1.2% increase in both retail sewer and wholesale sewer revenue from FY17 through FY22.

Change in Sewer Service Charges Revenue - Retail					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
1.2%	1.2%	1.2%	1.2%	1.2%	1.2%

Change in Sewer Service Charges Revenue – Wholesale					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
1.2%	1.2%	1.2%	1.2%	1.2%	1.2%

Solid Waste Funds Revenue

Tipping fees for the Solid Waste facility are not anticipated to increase during the forecast period. Revenues are expected to grow slowly as the volume of waste disposed nears a peak. The contract for electricity sales to Duke Energy contains annual escalations of 6.4% in revenue. The contract expires in 2024.

Change in Solid Waste Tipping Fee Revenues					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
3.0%	2.0%	1.0%	1.0%	1.0%	1.0%

Change in Solid Waste Electrical Capacity Revenues					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
6.4%	6.4%	6.4%	6.4%	6.4%	6.4%

Surface Water Fund Revenue

The Surface Water Utility was a new fund established in FY14. Surface water assessments are determined by a rate structure that includes Equivalent Residential Units (ERUs) based on the median impervious area of single family detached parcels. The forecast assumes no net change in ERUs and annual changes to the assessment structure that reflect the change in the Consumer Price Index. These changes are subject to approval by the BCC.

Change in Surface Water Assessment Revenues (CPI increase only)					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
2.3%	2.3%	2.3%	2.4%	2.4%	2.4%

Expenditure Assumptions

Personal Services Overview – Salaries – All Funds

The cost of Personal Services (salaries and benefits) is generally the single largest category of expense (for example, 63.2% of the General Fund including Constitutional Officers). The FY14, FY15 and FY16 Budgets included 3.0% in wage adjustments for most County employees. The Sheriff's budgets included additional funding for salaries.

Key Assumptions
Compensation adjustments are included in the forecast for FY17 through FY22. Moderate wage adjustments will be required to maintain a compensation structure that can attract and retain quality employees. The net adjustments projected include market cost increases as well as pay for performance increases.

Change in Salaries (Net Adjustment)					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Supporting Information

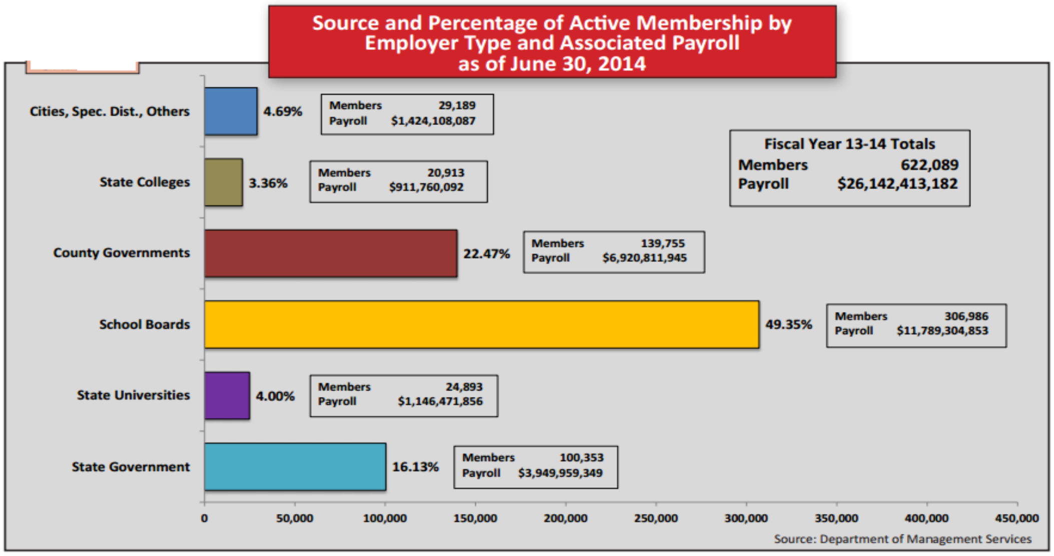
The annual market survey of salaries and benefits for comparable area organizations is being reviewed at this time. Indications are that salaries will need adjustment to remain competitive. Savings due to turnover, as long-time employees at the high end of their salary range are replaced with new hires at lower pay rates, may be offset by increased training needs.

Personal Services Overview – Employee Benefits – All Funds

The County is responsible for employer contributions to Social Security (FICA), the Florida Retirement System (FRS) State pension fund, and to support various other benefits such as health and life insurance, short term disability, workers compensation, and unemployment compensation. The two key drivers for employee benefits are the County's share of pensions and health insurance costs.

Florida Retirement System (FRS)

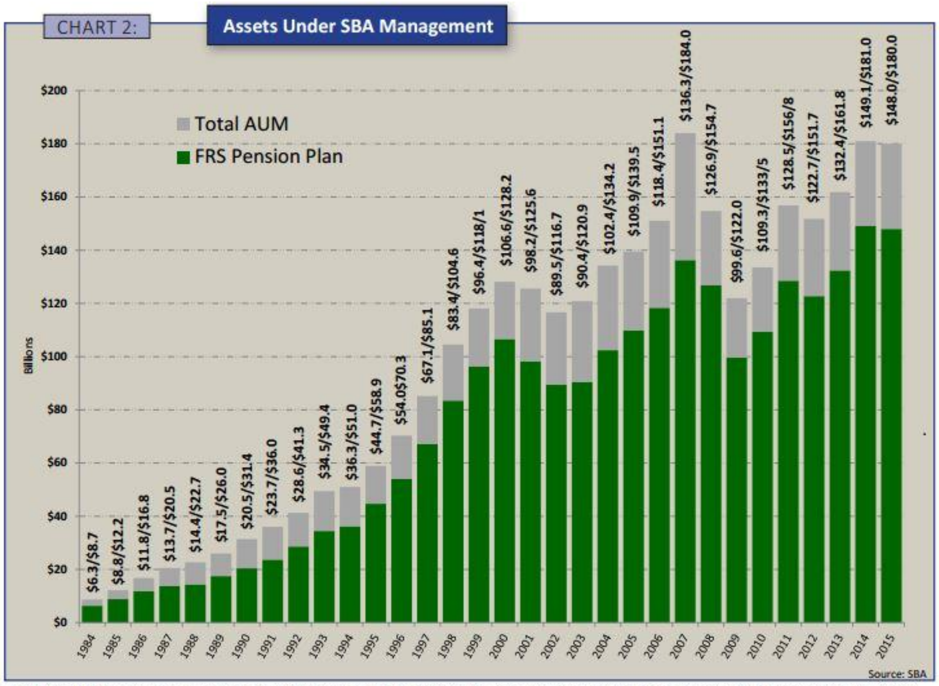
The County is required to participate in the Florida Retirement System (FRS), a State public pension plan. Cities have the option of joining the State system or creating their own pension plans. Employees of school districts and state agencies also must enroll in FRS, and comprise about two-thirds of the total active membership.



Source: Florida State Board of Administration Investment Report for State Fiscal Year 2014

From 1998 to 2008, the FRS had been one of the few state systems that had an actuarial surplus. This lowered the required contributions set by the Legislature that are based on an employee's salary and benefit category (public safety employees and elected officials have higher benefits).

As with most other pension systems, the financial system crisis in the fall of 2008 had a significant effect on the value of FRS investments. As a result, beginning in 2009 the FRS system has had an unfunded liability. The FRS investment portfolio, which is managed by the State Board of Administration, has now recovered from this setback. As of June 30, 2014, the asset value for the FRS pension plan was higher than the previous peak value it had reached in 2007.

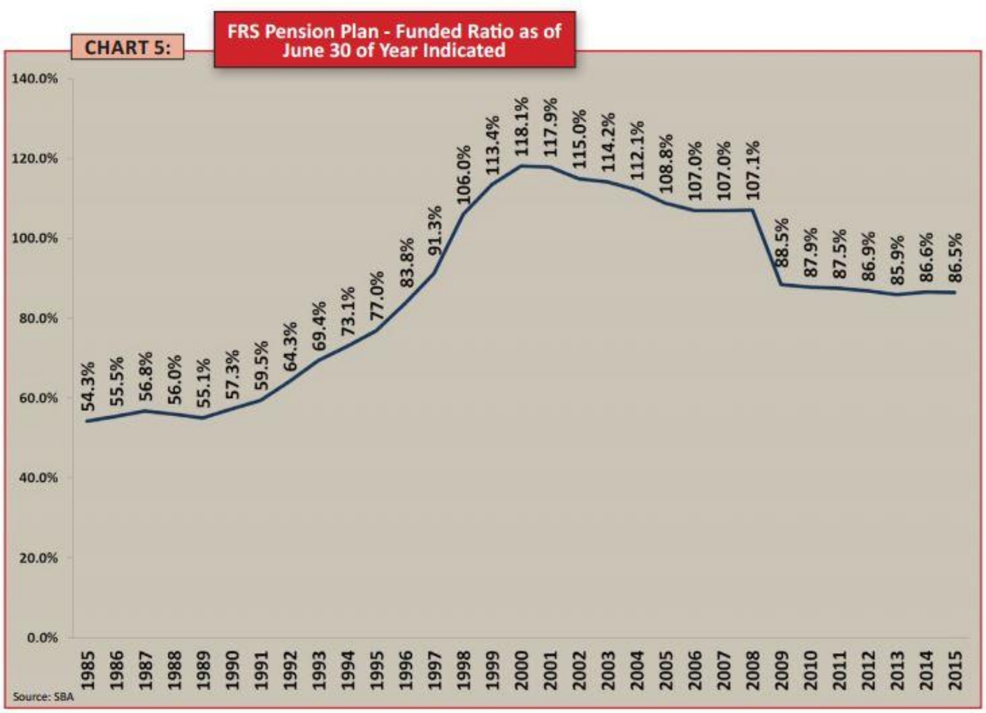


From 1984 to 1992, the total assets under SBA management reported for "Other Funds" were equal to the original cost value of investments, plus accrued interest receivable, plus or minus any pending sales or purchases of investments. Beginning in 1993, investments are reported at fair market value rather than original cost.

Source: Florida State Board of Administration Investment Report for State Fiscal Year 2015

Key Assumptions

As of June 30, 2015, the FRS system was 86.5% funded.

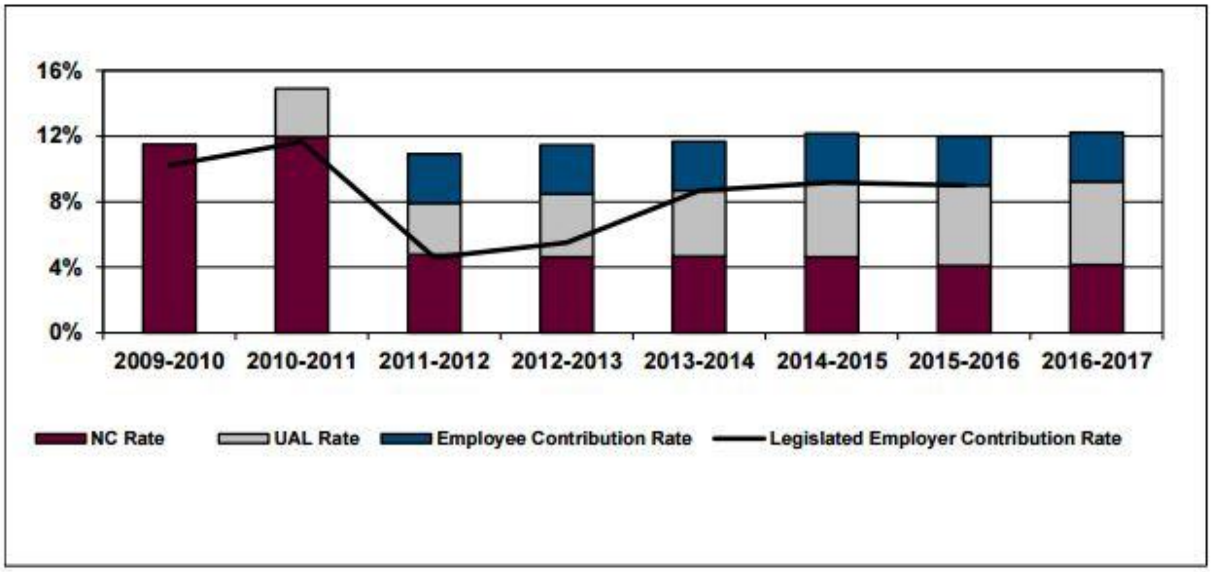


Source: Florida State Board of Administration Investment Report for State Fiscal Year 2015

The State Legislature establishes the employer contribution rates for the FRS system. Employees must also contribute to the system as part of a package of Legislative changes

enacted in 2011. The 2013 Legislature increased the FRS rates to fully fund the system's actuarial liability over a multi-year period, and the 2014 Legislature made adjustments to maintain this approach. The actuarial report as of June 2014 indicates that rates may not need to be adjusted for the State's 2016 fiscal year. The forecast assumes that having reached a fully funded level, the rates should stabilize. There is still a degree of uncertainty in that the Legislature and Governor have demonstrated that they are willing to make major structural changes to the pension system.

Actuarially Calculated vs. Legislated Employer Contribution Rates (as % of Payroll)



Source: FRS Actuarial Valuation as of July 1, 2015 (Milliman report December 1, 2015)
NC Rate: Normal Cost Rate UAL Rate: Unfunded Actuarial Liability Rate

The actual contribution rates beginning July 1, 2016 will not be known until the end of the 2016 legislative session. The future growth in the County's FRS dollar contributions will be a combination of rate changes, if any, and the growth in the salary base to which the rates are applied.

Change in FRS Dollar Contributions*					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
3.4%	3.0%	3.0%	3.0%	3.0%	3.0%
* From FY18-FY22, rates are assumed to stay constant, but dollar contributions rise at the same rate as salary growth.					

Health Insurance

Health insurance costs for the County have followed the national trend and outpaced inflation in recent years. These increases have been mitigated by the County's aggressive cost containment measures, including the renegotiation of pharmacy and health contracts, the creation of a medication management program, increased wellness programs and incentives for employees, and the introduction of a fully insured Medicare Advantage Group plan for Medicare-eligible retirees. As a result, cost increases in FY12, FY13, and FY14 were not as high as the preceding years.

KEY ASSUMPTIONS

The forecast assumes that the County's aggressive health insurance cost containment measures will continue. In the near term, increases will also support required self-insurance reserves. Longer-term cost increases and employee / retiree mix changes will still result in expenditure growth well in excess of CPI throughout the forecast period.

The Affordable Health Care Act (ACA) passed in 2010 on the national level to restructure and contain health insurance costs could have a significant impact in FY18 and later years. The forecast does not assume any changes in the current situation; some of the potential implications of the ACA are discussed in the Supporting Information below.

Change in Health Insurance Contributions					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Supporting Information

Health insurance costs are affected by changes in the workforce. As the number of active employees decreases due to budget reductions, and the number of retirees in the health plan increases, costs are spread over a smaller base. In recent years the ratio of active employees to retirees has changed, from three actives for every retiree to two actives for every retiree, while costs per position have increased. The result is that County employer contributions per active position have increased at a higher rate than cost inflation. This trend is expected to continue.

Because the County is self-insured, we are required to maintain the equivalent of two months of medical claims as a reserve in the Employee Health Benefits fund. Due to actions taken by the County regarding wellness program and cost sharing, the reserves held by the fund are nearing the required level. If needed, reserves for Other Post-Employment Benefits are available to cover the deficit.

Implementation of the Affordable Care Act is an ongoing process. As this continues, the County may be able to consider new structural options. For example, the County could eliminate the self-insurance system and provide employees an amount to purchase coverage on the ACA Health Marketplace. Detailed analysis would be needed before implementing any significant structural changes.

Personal Services - Combined Impact

The combined result of the forecast changes in salaries and benefits results in the following overall change to Personal Services costs.

Change in Personal Services Expenditures (Net Total Salary and Benefit Changes)					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
4.4%	4.4%	4.3%	4.3%	4.3%	4.3%

Note that the actual change in Personal Service costs in a department, agency, or fund may differ from these overall percentages due to reorganizations, changes in the number of positions, vacancies, and other factors specific to the entity.

KEY ASSUMPTIONS

Operating Expenses and Capital Outlay Overview - All Funds

The cost of services, commodities, and equipment (Operating Expenses and Capital Outlay) are driven by inflation. Many costs will track closely with the Consumer Price Index (CPI), but items such as fuel, chemicals, and construction materials often exceed that pace.

The difference between inflation as measured in the CPI and the cost pressure on local governments is illustrated by the Municipal Cost Index (MCI) developed by American City & County. The MCI draws on the CPI, the Producer Price Index (PPI), the Construction Cost Index (CCI), monthly statistical data collected by the U.S. Departments of Commerce and Labor, and independently compiled data to project a composite cost picture that more accurately reflects inflationary impacts on counties and cities.

The higher inflationary pressure on local governments is illustrated by comparing recent increases in the MCI to increases in the CPI.

	2011	2012	2013	2014
CPI	3.2%	2.1%	1.5%	1.6%
MCI	4.5%	2.2%	1.8%	1.9%

In Pinellas County, expenses such as fuel, electricity, and state mandates reflect the MCI/CPI disparity, demonstrating historical and projected growth exceeding CPI growth.

Fuel

Fuel costs are dependent on the amount of fuel purchased as well as the price of fuel. The County has reduced the size of the fleet and increased fuel efficiency. Beginning in FY11, in a cooperative effort to improve efficiency of operations, the Sheriff began purchasing fuel through the Fleet Management Fund.

Electricity

The County's facilities are generally charged a commercial rate for electricity by Duke Energy. Historically these rates have averaged annual increases of 5.0%.

Medicaid

The County is billed by the State for a portion of Medicaid costs. The process for Medicaid billings was an ongoing dispute between the counties and the State. Prior to the passage of Senate Bill 1520 in 2013, the County's share of costs was based on usage. The new legislation created a seven-year transition period to move counties from the previous billing process to paying based on their respective percentage shares of Medicaid-enrolled Florida residents. This will result in significant savings for Pinellas County over the next several years.

Key Assumptions

The forecast assumes that the cost of services, commodities, grants and aids, and equipment will generally track the CPI increases developed by the State in their consensus Revenue Estimating Conference, with the exception of FY16. The State's projections were reviewed against those from various other sources, including the Survey of Professional Forecasters, the

University of Central Florida, and the Federal Reserve. While there are variations in the specific percentages, all of these sources projected continuing low to moderate cost inflation over the forecast period. However, the State's assumption of 1.3% inflation for FY16 appeared low when compared to other sources. Therefore, we are assuming a slightly higher percentage than the State for next fiscal year.

Change in Other Non-Personnel Expenditures (CPI)					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
2.3%	2.3%	2.3%	2.4%	2.4%	2.4%

Fuel - All Funds with Fleet Equipment

FY16 budgeted fuel costs were based on a price of $3.50/gallon. The price for the County in January 2015 was about $1.83 per gallon for unleaded and $1.87 per gallon for diesel fuel. The forecast assumes $3.50 per gallon for FY17, with small increases from FY18 through FY22. This is a conservative assumption due to the volatility of the fuel market.

Change in Fuel Costs					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
0.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Electricity - General Fund and Utilities Funds

The Real Estate Management and Utilities departments have both taken steps to decrease annual cost increases by implementing measures to reduce energy consumption. Annual increases of 2.0% in electricity costs throughout the forecast period are projected based on the historical averages and information from our suppliers.

Change in Electricity Costs					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Medicaid - General Fund

The County's projected Medicaid costs through FY20 are based on the 2013 legislation. There are two components: payment of a negotiated backlog amount spread over four years, and billings for current Medicaid services. For FY21, a growth rate of 4.7% is projected based on estimated medical cost inflation.

Projected Medicaid Costs ($ millions)						
	FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
Backlog	$ 2.3	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Current	$15.4	$13.8	$12.8	$12.2	$12.8	$13.4
Total	**$17.7**	**$13.8**	**$12.8**	**$12.2**	**$12.8**	**$13.4**

Supporting Information - Fuel

Fuel efficiency gains are anticipated from new Federal Corporate Average Fuel Economy (CAFE) standards for heavy trucks and equipment due to the composition of the fleet. Only 41

of 1,624 BCC units are cars (less than 3.0%); the bulk of the fleet (excluding the Sheriff's vehicles) is heavy equipment. These units usually achieve only eight to 10 miles per gallon (mpg) because of idling time and the gear ratio needed to haul heavy loads. The new standard increased mpg to 12 in 2014. Previously, there had been no federally mandated fuel economy standards for heavy trucks and equipment.

Fleet replacement costs per unit for diesel powered vehicles are expected to increase at a higher growth rate than the cost per unit for non-diesel vehicles. The number and cost of units purchased from the Fleet Management Fund varies from year to year due to the timing of purchases and life cycle extensions. The expenditures in the operating funds are smoothed over time as departments are charged annual amounts to accumulate resources for future replacements.

Other Post Employment Benefits (OPEB) Overview – All Funds

Consistent with Government Accounting Standards Board directives, the County's actuarial consultants computed the unfunded Other Post Employment Benefits (OPEB) liability as of October 1, 2015 at $347.9M for Unified Personnel System (UPS) employees and $453.3M for Sheriff employees. The County's net Annual Required Contribution (ARC) for OPEB to fully fund this liability would be $24.7M for UPS employees and $34.2M for Sheriff's Office employees.

The FY16 Budget included a transfer of $2.0M from the General Fund to the Employee Health Benefits Fund for a partial contribution to the annual OPEB ARC for both UPS and Sheriff's Office employees. In previous years, the County set aside a cumulative total of $33.0M for OPEB. Other local governments in Florida with an OPEB liability are also partially funding those obligations as budgets allow.

Key Assumptions

The forecast assumes that OPEB funding in the General Fund will continue at the current level of $2.0M per year throughout the forecast period. OPEB contributions for Enterprise operations are contained within their respective funds.

Projected General Fund OPEB Contributions					
FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
$2.0M	$2.0M	$2.0M	$2.0M	$2.0M	$2.0M

Supporting Information

Employees hired in the UPS after January 1, 2011 do not further increase the OPEB liability upon retirement and new retirees covered by Medicare must enroll in the less costly Medicare Advantage plan option. These actions will help better quantify the OPEB liability in the next OPEB valuation actuarial study scheduled for October 2016.

Other Fund-Specific Expenditures

Ambulance Contract Expenditures – EMS Fund

The County contracts with Paramedics Plus for the County's SUNSTAR ambulance system. Increases to ambulance contract expenditures can fluctuate based on the Consumer Price

Index (CPI-U) for Tampa-St. Petersburg-Clearwater with a maximum increase of 4.0% in any given year. A 4.0% increase is included in the forecast from FY17 through FY22 to account for annual CPI increases and increases to transport volume.

Change in EMS Ambulance Contract Expenditures					
FY17	FY18	FY19	FY20	FY21	FY22
4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

First Responder Expenditures – EMS Fund

The County contracts with the eighteen first responder EMS providers that respond to calls using paramedics and that utilize Advanced Life Support (ALS) or Basic Life Support (BLS) equipment and personnel. First responder contractual expenditures are primarily driven by personnel costs (80.0% to 90.0% of the total budget). Effective October 1, 2014, new contracts were executed with the First Responder agencies. The forecast projects 7.5% growth in FY17 and 3.8% growth in FY18 and FY19 based on the contracts and estimated budgets. Increases of 4.4% from FY20 through FY22 assume a combination of CPI adjustments and supplemental reimbursements.

Change in EMS First Responder Expenditures					
FY17	FY18	FY19	FY20	FY21	FY22
7.5%	3.8%	3.8%	4.4%	4.4%	4.4%

Purchase of Water - Water Funds

A major expense to the Water System is the purchase of water from Tampa Bay Water. The annual change in the cost of water reflects the combined impact of changes in Tampa Bay Water rates and/or changes in consumption including decreases in wholesale customer base. The actual cost in dollars will be dependent on the amount of water purchased.

Change in Cost of Water Purchased from Tampa Bay Water					
FY17	FY18	FY19	FY20	FY21	FY22
1.7%	1.7%	1.7%	1.7%	1.7%	1.7%

Chemicals - Water and Sewer Funds

The increase in the cost of chemicals for Water and Sewer operations has been historically around 7.0% annually. The forecast projects this trend to continue.

Change in Cost of Chemicals for Water and Sewer Operations					
FY17	FY18	FY19	FY20	FY21	FY22
7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

Capital Outlay - Water and Sewer Funds

The Water and Sewer capital outlay forecasts reflect the construction and purchase needs as estimated by engineering staff in the CIP ten year work plan.

Solid Waste Expenditures – Solid Waste Funds

A new Waste-to-Energy facility operator contract took effect in December, 2014. The contract has built-in escalators for operating expenses and a budget of $160.0M for repair, maintenance, and capital projects over the next three years. No net growth in tons of waste processed is projected over the forecast period due to recycling and other conservation efforts.

Other Forecast Considerations

Climate Change

Climate change is generally viewed as a long-term problem, but recent events show that we may already have begun to see an increase in the frequency and intensity of storms such as hurricanes and unseasonable weather. Should this trend continue, it may be prudent to consider increasing fund reserves to provide adequate resources to deal with the cost of responding to these events.

As a coastal community, rising sea levels due to climate change may require expenditures to reconstruct or relocate facilities that are in low-lying areas. At this time, it appears that these costs would not be incurred during the timeframe of the forecast, but this may be re-evaluated as the County's strategic planning process continues and potential areas of concern are identified.

Other Funds

This forecast includes the ten funds and fund groups that comprise the majority of the County's budget. Most of the more than 30 other funds have a limited scope that does not lend itself to extensive discussion in this document. However, several are worth noting.

The Fire Districts Fund provides fire protection services to the unincorporated area through twelve separate fire districts that are funded entirely by property taxes. Within the fund, each fire district is balanced separately and has a specific millage rate cap. Services are provided through contracts with municipalities or other independent fire districts based on the unincorporated area's pro rata share of the property values in the district. Because of variations in the composition of the tax base, in a given year some districts may require millage rate adjustments to support the required expenditure levels. One strategy that has been pursued to mitigate the need for rate increases has been competitive bidding of the service contracts in several districts. This process may be followed in other districts in the future. Potential millage increases will need to take into account the individual millage caps in each district and the overall cap of 10 mills for municipal services taxing units, which includes the General Fund MSTU millage, the Public Library Cooperative, and the Palm Harbor, Feather Sound and East Lake Community Services Districts, as well as the fire districts.

The Air Quality Fund accounts for fees collected by the State and returned to the County to fund vehicular air pollution programs. The Emergency Communications E911 System Fund accounts

for fees on wireless and land based communication lines which are collected to help support the emergency communications system. Both funds can have an impact on the General Fund, which provides resources for the costs that are not supported by these designated revenues.

The Fleet Management Fund is an internal service fund that provides for the operation and maintenance of the County's vehicles. Variations in fuel costs impact the expenditures in the County's operating funds. The Fleet Management fund also purchases replacement vehicles. To avoid large fluctuations in the operating budgets, departments are charged replacement fees over the anticipated life of the vehicle. This provides the resources to purchase a replacement when a vehicle reaches the end of its useful life based on annual evaluations of the condition of the equipment. The projected annual replacements over the forecast period range from 35 units at an estimated cost of $2.4M to 114 units at an estimated cost of $4.9M. By using the replacement charge method, these annual costs are stabilized.

The Business Technology Services (BTS) Fund is an internal service fund that provides integrated information and communications technology for the County's departments and agencies. In FY16, 71.9% of these costs are charged to the General Fund. BTS maintains existing systems and also implements new solutions as technology evolves. Besides the financial impact, the planned upgrades and replacements managed by BTS also are critical to the efficient operation of the entire organization.

Potential for Recession

The economic conditions underlying the forecast are based on the current consensus of leading economists. This consensus anticipates continued slow growth and moderate inflation and does not include an economic downturn. From a historical perspective, since the end of World War II in 1945, there have been eleven recessions. The average length of the recessions is eleven months, with an average expansion period of 59 months – about five years – following the recession. It is reasonable to assume that the economy will slip into recession at some time in the future. This is one of the primary reasons for maintaining adequate reserves in General Fund as well as the other operating funds.

Population Trends

There is a limited amount of undeveloped land in Pinellas County. We will see relatively fewer new residents in the future compared to other counties with more opportunities for expansion. Because the distribution formulas for both shared sales taxes and revenue sharing are partially based on population, Pinellas will represent a declining percentage of the state total and, therefore, the percentage of these revenues will also decline. For example, in the 2000 Census Pinellas represented 5.8% of the State's 16.0M residents. By the 2010 Census, Pinellas' population remained virtually the same, while the State population grew to more than 20.0M. As a result, Pinellas represented 4.8% of the State's population in 2015. Current State demographic projections are that this percentage will decrease to 4.1% by 2025, resulting in reductions in Pinellas' share of grants and other revenues that are allocated by population-driven formulas.

FUND REVIEWS & FORECAST PRO-FORMAS

The *Fund Reviews & Forecast Pro-Formas* portion of the Budget Forecast: FY17 – FY22 includes six-year forecasts for 10 of the County's major funds:

- General Fund
- Tourist Development Council Fund
- Transportation Trust Fund
- Capital Projects Fund
- Emergency Medical Services Fund
- Airport Fund
- Water Funds
- Sewer Funds
- Solid Waste Funds
- Surface Water Special Assessment Fund

Sections in Each Fund Forecast

The results of the six-year forecast for each fund are presented in a high level, user-friendly summary, followed by a more detailed pro-forma. Each fund review and forecast includes the following sections:

- Summary**:** Provides an at-a-glance summary of the ten-year forecast.
- Description**:** Provides information concerning the fund such as: fund type, legal authority, authorized uses of proceeds, etc.
- Revenues: Provides a high level overview of the major revenues in the fund.
- Expenditures: Provides a high level overview of the major expenditures in the fund.
- Six-Year Forecast: Includes key assumptions in the forecast, a chart of the six-year forecast, and key results interpreted from the forecast chart.
- Potential Risks: Includes key factors that affect assumptions in the forecast over the forecast period.
- Balancing Strategies: Includes potential revenue and expenditure options for balancing the funds.
- Forecast Pro-Forma: Presents the major assumptions and detailed revenue and expenditure forecast for the fund, as well as a chart depicting total revenues and expenditures for the forecast period.

Pinellas County

GENERAL FUND

Description

The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to Sheriff's law enforcement, detention, and corrections; human services; emergency management and communications; parks and leisure services; and the operations of the Property Appraiser, Tax Collector, and Supervisor of Elections.

The General Fund includes operations for both county-wide functions and the unincorporated area. These segments are tracked separately within the fund. The unincorporated area is commonly referred to as the MSTU (Municipal Services Taxing Unit). MSTU expenditures are about 8.9% of the total (net of reserves).

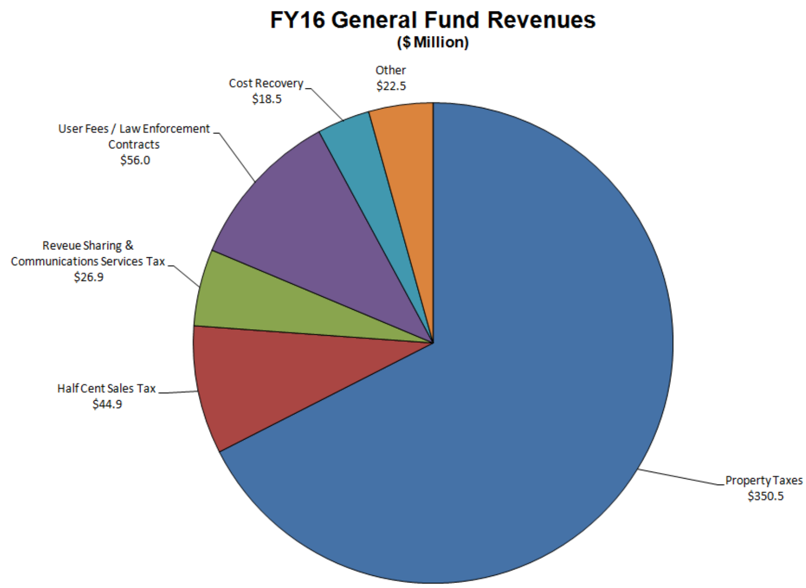
Summary

The General Fund encompasses the principal governmental activities of the County that are not primarily supported by dedicated revenues or by user fees. The four main revenue sources for the General Fund are Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes.

The forecast projects that the General Fund is balanced throughout the forecast period.

Revenues

The budgeted revenues in the General Fund for FY16 total $519.2M (net of beginning fund balance). Property Taxes are the single largest source of General Fund revenues, accounting for more than two-thirds of the total. The four primary funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise 81.3% of the revenue. The remaining 18.7% is derived from a variety of resources, including User Fees, Grants, Interest, and Cost Recovery from other County funds.

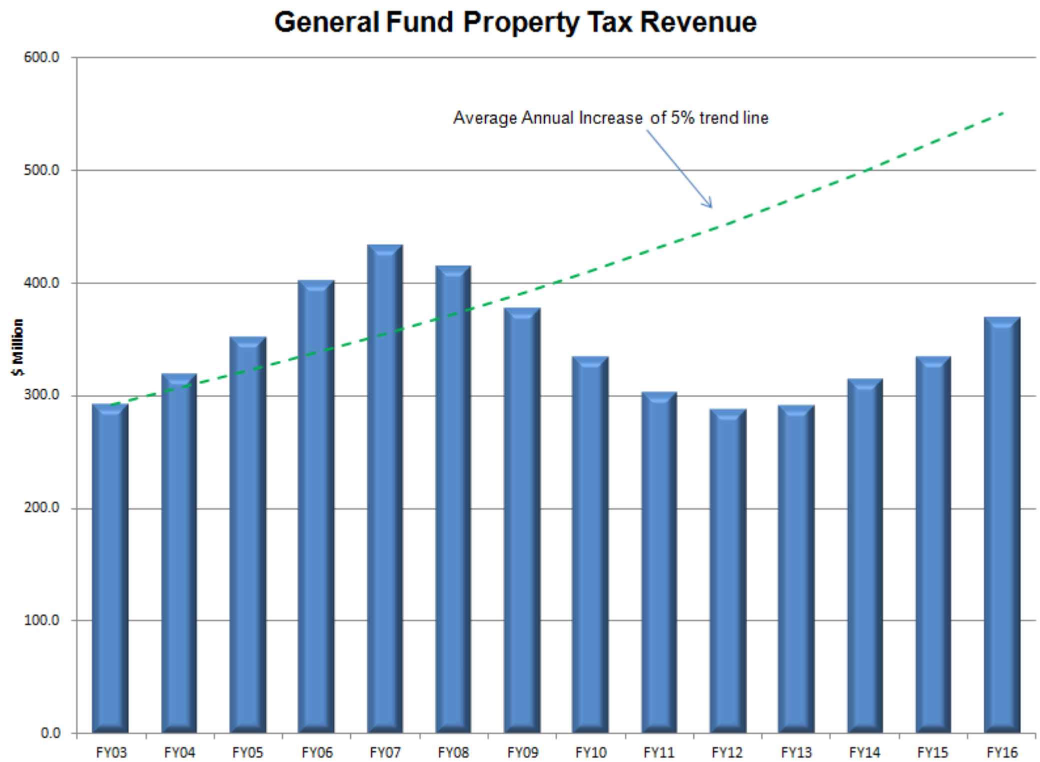


GENERAL FUND

Property Taxes

For the third consecutive year, the taxable value of property increased for FY16 (based on the values as of December 31, 2014). The combined General Fund property taxes for countywide and MSTU are expected to generate $350.5M in FY16.

From FY04 through FY12, property values experienced the most extreme “boom and “bust” cycle in more than fifty years. The chart below presents the actual property tax revenues from FY06 through the FY16 Budget. It features a dotted line showing what the historical average 5.0% annual growth in property tax values would have produced based on the amount collected in FY03. Despite the better than average pace of the last two years, the total property tax revenue for FY16 will still be less than FY06, and is $64.8M, or 14.9%, less than the FY07 peak revenue.



The County’s General Fund is more dependent on property tax revenue than are the general funds of the cities within the county. Their General Fund revenue mix usually reflects other revenues such as franchise fees and utility taxes that are less sensitive to changes in economic conditions.

Sales Taxes

The second largest General Fund revenue source is the State Shared Half-Cent Sales Tax, which is 8.6% of total General Fund revenues. Sales Tax collections have shown strong growth in the last three years, reaching an all-time high in FY15. This tax is expected to generate $44.9M in FY16, about 6.6% more than the previous peak year of FY06.

State Revenue Sharing

The third major General Fund source, State Revenue Sharing, is 3.3% of total General Fund revenues. This funding source is also primarily based on the State's sales tax revenue, and has shown similar strong growth over the past several years. It is currently estimated that the County will recognize $18.3M from this source in FY16, higher than the budget of $16.9M.

Communications Services Taxes

The fourth major revenue in the General Fund is the Communications Services Tax (CST). The CST is expected to generate $10.0M in FY16, down from a peak of $13.2M in FY07. The County's CST rate is 5.22%, which is the maximum allowed under current State law. Pinellas County's revenue reflects the statewide trend for this source, which has experienced continued erosion due to shifts in consumer spending away from services that are subject to this tax.

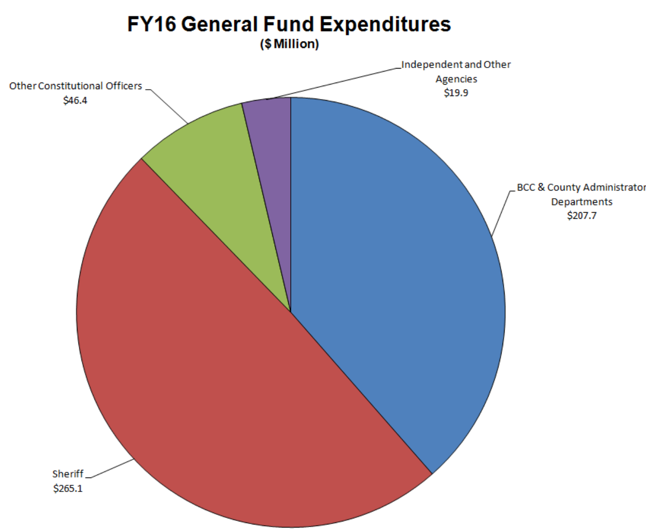
Other Revenues

Lesser revenue sources include User Fees, Sheriff's Law Enforcement Contracts, Cost Recovery from other funds, Interest Earnings, and various other sources including Federal and State grants. In general, these revenues are expected to continue moderate growth in FY16 and future years.

Expenditures

The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to: Sheriff's law enforcement, detention, and corrections; support of the Court system, including facilities and technology; human services; emergency management and communications; parks and leisure services; general administration; and the operations of the Property Appraiser, Tax Collector, and Supervisor of Elections.

The budgeted expenditures in the General Fund for FY16 total $539.0M (net of reserves) and can be summarized in four groups: the Board of County Commissioners, the Sheriff, Other Constitutional Officers, and Independent Agencies.



GENERAL FUND

Board of County Commissioners

This grouping of departments includes the departments under the County Administrator as well as the County Attorney's Office and the Board of County Commissioners (BCC). They are $207.7M or 38.5% of total FY16 General Fund expenditures (net of reserves).

Some of the major BCC programs include: social services; matching funds for Medicaid; building operations and maintenance (including the courts, jail, and Sheriff's headquarters); parks maintenance; environmental protection; environmental preserves; emergency management; animal shelter; rabies control; economic development; consumer services; veteran's services; the county extension service; Florida Botanical Gardens; Heritage Village; public information; the County cable television station; planning; budget; purchasing; and State-mandated support of juvenile detention.

Sheriff

The Sheriff is an independently elected Constitutional Officer. The Sheriff's budget is $265.1M or 49.2% of total FY16 General Fund expenditures (net of reserves). Detention and Corrections programs are 39.2% of the Sheriff's budget. The Sheriff also provides Law Enforcement services to both the unincorporated area (MSTU) and by contract to 13 municipalities; law enforcement expenditures are 52.6% of the Sheriff's budget. The remaining 8.2% of the budget provides support to the Court system. The Sheriff's adopted budget is often supplemented during the year by grants from Federal and State agencies such as the U.S. Department of Justice and the Florida Department of Law Enforcement. The FY16 budget includes an appropriation of $1.8M for potential grant awards.

Other Constitutional Officers

These agencies, which are headed by independently elected officials, comprise $46.4M or 8.6% of total FY16 General Fund expenditures (net of reserves). In most cases, the General Fund only reflects part of the total agency budgets.

The Tax Collector and Property Appraiser's budgets are determined by statutory formulas and are approved by the State Department of Revenue. The General Fund provides 87.7% of the Tax Collector and 83.7% of the Property Appraiser total budgets. The remainder is supported by other funds and by revenue sources that are specific to certain functions. An example of the latter is the processing of driver's licenses, which receives some state support but not enough to cover the Tax Collector's cost of providing the service.

The Clerk of the Circuit Court has two separate budgets for activities, in support of the Board of County Commissioners and in support of the Court system. The latter is fee supported and is not included in the County's budget; it is funded and approved by the State. The Board-related functions comprise 22.0% of the Clerk's total budget.

The budget for the Supervisor of Elections experiences annual fluctuations which result from the varying number and scope of elections in a given year. The Supervisor is responsible for preparing and conducting all Federal, State, County, and Municipal elections within the County. The Board funds 100.0% of the Supervisor's budget, excluding occasional State or Federal grants.

Independent and Other Agencies

These agencies are $19.9M, or 3.7%, of total FY16 General Fund expenditures (net of reserves). They include the County's support for the Judiciary, the State Attorney, the Public Defender, the Consolidated Case Management System (CCMS), the Medical Examiner, the Office of Human Rights, and Human Resources.

Much of the County's court support is driven by statutory mandates and Article V of the State Constitution that require the County to fund certain technology expenses, programs, and facilities. Only about 12.3% of the Judiciary's total budget, 6.4% of the Public Defender's budget, and 0.7% of the State Attorney's budget are funded by Pinellas County. This funding includes some local programs over and above the mandated requirements, such as Teen Court, Drug Court, and the Public Defender's Jail Diversion efforts. The Sixth Judicial Circuit encompasses both Pinellas and Pasco counties. Pasco County provides funding for similar functions at a lower amount due to its relative size. The balance of these agency budgets are funded by the State.

The Medical Examiner also serves the entire Sixth Judicial Circuit, and therefore is supported by both Pinellas and Pasco Counties. The Medical Examiner is not a government employee, but provides forensic investigative and laboratory services to the County by contract.

Two other agencies receive General Fund support. The Office of Human Rights provides County citizens protection from employment and housing discrimination and also acts as the County's internal affirmative action agency. The Human Resources department manages the Unified Personnel System (UPS) which provides centralized personnel services for the BCC and most of the other County elected officials and independent agencies. The major exception is the Sheriff, who operates a separate personnel system.

Types of Expenditures

In addition to the breakout of organizational responsibilities, another way of looking at General Fund requirements is to consider the types of expenditure required for those organizations to carry out their responsibilities. Personal Services, Operating Expenses, and Capital Outlay in the General Fund are similar to those in other County funds. Operating Expenses include charges for Business Technology Services (BTS) support provided to General Fund agencies. These charges ($25.1M in FY16) represent 73.1% of the total BTS budget.

Several of the other expenditure categories merit additional discussion: Grants & Aids, Debt Service and Transfers.

Grants and Aids

The Grants and Aids expenditure category includes several types of funding provided by the County to other entities, such as financial assistance for low income residents and support of community non-profit social action agencies.

Grants and Aids also include Tax Increment Financing (TIF) payments to cities for community redevelopment areas (CRAs). The County is required by interlocal agreements to contribute funds annually based on formulas that reflect the amount of growth in taxable values compared to a specified base year. Nine cities within the county have established a total of thirteen CRAs. This includes a new South St. Petersburg CRA which was approved in 2015 and will receive

funds for the first time in FY16. The County will contribute an estimated total of $8.5M in TIF payments to the cities in FY16.

Debt Service

Unlike many other local governments, Pinellas County has no outstanding bond issues which are supported by a pledge of property taxes or other general revenue.

Transfers

Transfers between funds include ongoing and non-recurring items. For example, an ongoing transfer to the Employee Health Benefits Fund is budgeted to address unfunded liabilities for Other Post Employment Benefits (OPEB). Funds may also be transferred to support specific projects such as the Centralized Chiller Plant.

Non-recurring funds may also be included in the other expenditure categories. For example, Operating Expenses may include cost allocation charges from BTS for major system development projects.

At the end of each fiscal year, non-recurring funds may be realized as additional fund balance resulting from revenue in excess of expenditures in a given fund.

The amount of non-recurring or one-time funds can vary significantly from year to year. As stated in the County's budget policies, non-recurring funds should be applied to increase reserves or for one-time purposes only. They should not be used to fund ongoing programs.

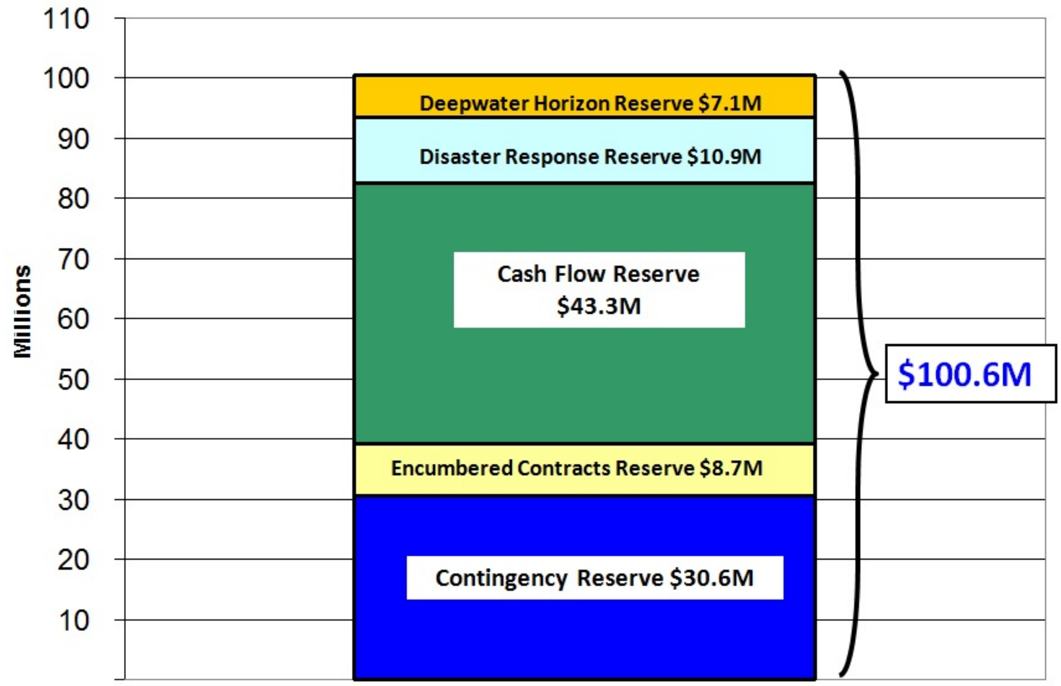
Reserves

Reserves are not expenditures, but they are included in the budgeted total requirements for the fund. In order to be expended, the BCC must take formal action reappropriating these funds.

Maintaining adequate reserves is key to the County's ability to deal with potential emergencies and unforeseen events such as commodity price hikes, unanticipated dips in revenues or a natural disaster. Having an adequate reserve also demonstrates stability to the financial markets. As Pinellas has the lowest general revenue debt of any major Florida county, this stability enhances our ability to raise capital through bonding at a lower cost if required in the future.

The FY16 General Fund budget includes projected year-end reserves of $100.6M, or 15.7% of total resources, which is consistent with the Board policy target of 15%. The components of the General Fund reserves are Contingency, Encumbered Contracts, Cash Flow, Disaster Response, and Deepwater Horizon Reserve.

GENERAL FUND



Contingency Reserve

The Contingency Reserve, which is budgeted at $30.6M in FY16, is an amount equal to 5% of resources to be used for unanticipated revenue shortfalls or expenditures. For example, fuel costs and electricity rate increases have been highly volatile and often exceed normal inflation. Another example is the need for accrued leave payouts due to unanticipated retirements.

Encumbered Contracts Reserve

During the year, at any given time there are purchase orders and service contracts that have been approved and are subject to payment as work is completed or goods delivered. The $8.7M in the Encumbered Contracts Reserve for FY16 represents the average amount that was encumbered at month's end for the 12-month period ending May 2015.

Cash Flow Reserve

The Cash Flow Reserve is required to meet cash flow needs. During the first two months of the fiscal year, expenditures exceed revenues because most of the property tax revenue is not received until December. Property tax revenue represents about 68% of the total General Fund revenue. The FY16 amount for the Cash Flow reserve, $43.3M, is equal to one-twelfth of all General Fund revenue budgeted for the fiscal year.

Disaster Response Reserve

As a high hazard coastal county, Pinellas needs to have Disaster Response Reserve funds on hand in case of an emergency such as a hurricane or other man-made or natural disasters. In FY16, $10.9M is budgeted in this reserve. Reimbursement from the Federal Emergency Management Agency (FEMA) and the State usually cover only a portion of the costs, is not available at the beginning of a disaster, and often is not received for many months or years.

Deepwater Horizon Reserve

On July 13, 2015, the Board of County Commissioners approved a settlement agreement with BP and others for claims resulting from the Deepwater Horizon Oil Spill. The $7.1M received was deposited in the General Fund pending future BCC decisions on the use of these resources.

FY16 budgeted General Fund Reserves excluding the Deepwater Horizon funds are $93.5M, which is 14.8% of total resources. The actual Beginning Fund Balance for FY16 is greater than the budgeted amount, which will provide sufficient resources to meet the 15.0% reserve target by the end of the fiscal year.

Six-Year Forecast

Key Assumptions – Revenues

For the purposes of the forecast, it is assumed that the General Fund millage rates for both countywide and MSTU purposes will remain the same as the rates for FY16. The FY16 countywide millage rate is 5.2755 mills, and the MSTU rate is 2.0857 mills.

As explained in the Key Assumptions section of this document, the forecast is that taxable values will increase by 5.0% in FY17, 4.5% in FY18, 4.0% in FY19, and 3.5% in FY20 through FY22. In the years before the real estate boom, the historical average annual growth was 5.0%.

For the State Shared Half-Cent Sales Tax and State Revenue Sharing, we anticipate 4.5% growth for FY17 and 4.0% annual growth for the FY18 - FY22 forecast period.

Communications Services Tax revenue is expected to continue to decline. A decrease of 2.0% per year is projected throughout the forecast period.

The forecast assumes that projected user fee revenues for the Sheriff’s Law Enforcement contracts with municipalities will be increased based on the additional costs of implementing the Sheriff’s salary plan.

For other revenues in the General Fund, the forecast assumes moderate growth which reflects the anticipated continuing gradual economic recovery.

Key Assumptions – Expenditures

The forecast assumes a continuation of current (FY16) programs and service levels. The basic assumptions for Personal Services and Operating Expenses that are used throughout the forecast apply to the General Fund.

A new Community Redevelopment Area in the Lealman unincorporated area has been approved by the BCC and is expected to receive Tax Increment Financing payments beginning in FY17.

The forecast does not assume any net additional positions in FY17 and future years. Certain types of expenses such as electricity, fuel, and state-mandated Medicaid charges result in the General Fund’s Operating Expense growth differing somewhat from the Consumer Price Index (CPI).

GENERAL FUND

As discussed previously, the County has no outstanding bond debt supported by property taxes or other general revenues. No such bond issues are anticipated during the term of the forecast.

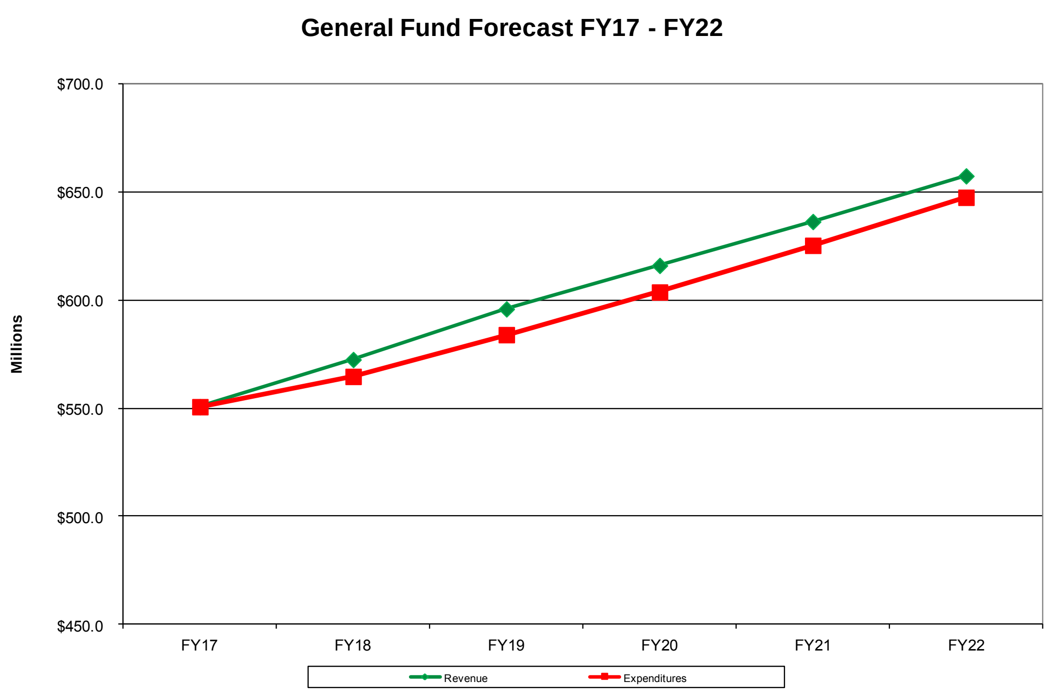
Because of the uncertain availability of non-recurring funds, no specific expenditures based on this resource are anticipated for the forecast period with the exception of the Deepwater Horizon settlement $7.1M which is available in the General Fund Reserves. For purposes of this forecast, the entire amount is shown as expended in FY16, although the use of these funds has not yet been determined by the BCC and expenditures may actually occur over a period of years.

No new programs funded by non-routine grants are included in the forecast. The assumption is that any such expenditure will be dedicated for non-recurring purposes or will cease when the grant funds are no longer available. In the recent past, the Sheriff in particular has been very proactive in seeking Federal and State funding for public safety purposes that supplements but does not supplant existing budgets. While this is desirable and likely to continue, for the purposes of the forecast these unpredictable expenses and their offsetting revenue are not included.

Several capital improvement projects are expected to impact operating expenditures when completed. These projections have been incorporated into the forecast. Some projects such as the centralized chiller plant for the Clearwater campus will reduce future costs, while others will place additional demands on General Fund resources. As specific increased needs are identified, to the extent possible these new demands will be accommodated within existing budgets.

Key Results

The forecast projects that the General Fund is balanced throughout the forecast period.



Potential Risks

REVENUE FACTORS

Taxable Values

There are many factors that can alter the six-year forecast of the General Fund. The primary concern, due to this fund's reliance on property taxes for a significant portion of revenue, is the performance of the real estate market.

The timing of the valuation of property for tax purposes is important. The FY17 values to be certified on July 1, 2016 will reflect the market conditions through the end of the 2015 calendar year. Therefore, increases or decreases in value after January 1, 2016 will not impact the FY17 tax base.

A change of 1.0% in the FY16 countywide taxable value would result in a $3.2M change in revenue at the FY16 millage rate of 5.2755. Similarly, a change of 0.1 mills in the rate using the FY16 taxable value would result in a $6.1M change in revenue. In the following years, these impacts would be amplified by the other growth factors.

Save Our Homes Impact

Another variable is the homesteaded taxable value increase cap imposed by the Save Our Homes (SOH) amendment, which is based on the annual change (December to December) in the Consumer Price Index. As the real estate market continues its recovery, Save Our Homes will limit the amount of the increased value that is subject to property taxes. After declining throughout the recession, the amount of value shielded by Save Our Homes increased from $3.5 billion in FY14 to $7.2 billion in FY15, and $10.5 billion in FY16. This equates to $52.5M in General Fund countywide property tax revenue that is not available in the current fiscal year. The number of parcels subject to the SOH cap in FY16 is 214,811, which is 52.9% of the total number of residential parcels.

Potential Property Tax Exemptions

Several proposals for increasing property tax exemptions, including reducing the caps on the annual change in taxable values and eliminating the "recapture rule" for assessed values that are less than market value, have been discussed in recent years. Their passage in future legislative sessions or referendums would have negative impacts on property tax revenues.

Annexations

In the unincorporated area, the property tax base and revenue in the MSTU is affected by annexations or by the creation of new municipalities. If a significant reduction in the tax base occurs, costs could be spread across a much smaller population. There are two basic methods of annexation in Florida: annexation by referendum and voluntary annexation. According to a Pinellas Planning Council analysis, from FY2001 through FY2012 approximately 8,000 acres representing $1.3 billion in taxable value was removed from the MSTU through these processes. Annexation activity, both referendum and voluntary, was significantly lower during fiscal years 2008 through 2012 than in the previous seven years. As property values have begun to rise, there has also been an increase in proposed annexations. A thorough

reevaluation of the scope and delivery methodology for MSTU services would be required if these changes reach a tipping point in the economies of scale.

Economic Conditions

Two of the three other major revenue sources – Sales Tax and Revenue Sharing - are highly sensitive to economic conditions. If the economy improves, collections could be higher than anticipated as disposable income increases. The reverse would be true if the economic recovery stalls or deteriorates into a new recession.

The Sales Tax is highly sensitive to economic conditions. The 4.0% to 4.5% annual growth in the Sales Tax assumed in the forecast generates about $1.9M to $2.2M in additional revenue each year, which would be impacted by variations from the anticipated economic assumptions.

The forecast assumes that the sources tied to Revenue Sharing will grow at 4.0% to 4.5% per year, the same rate as the growth in Sales Tax. However, as mentioned previously, there is no Constitutional prohibition against the State changing the formula to reduce or eliminate this revenue source unless the funds have been committed for debt service (which is restricted to 50.0% of the prior year's proceeds). Pinellas has no Revenue Sharing pledged to support debt and the entire allocation is subject to revision by the Legislature.

State Budget Impacts

The State had a budget surplus for its FY15 and FY16 budgets, and preliminary projections for FY17 are positive. However, given the reliance on sales taxes as the State's primary revenue stream, and pressures to reinstate previous years' reductions in education and other areas, future State budgets could again face major gaps. In those instances or for other reasons, the Legislature may continue to reduce the amount of revenue it shares with local governments or cost shift more state responsibilities to the counties and cities. Previously, for example, effective in July 2005, the counties' share of sales tax and revenue sharing revenues was decreased in response to the implementation of Article V / Section 7 court funding reforms.

These formula changes can have serious impacts on the General Fund. A 10.0% cut in the Sales Tax formula would reduce revenues by over $4.4M.

Similarly, there has been repeated pressure from the telecommunications industry to reduce the scope of services that are subject to the Communications Services Tax (CST). Legislation approved in 2012 had a negative statewide impact on local CST revenues of more than $25.0M.

Potential for Recession

As noted in the Key Assumptions section of this document, the current consensus of leading economists anticipates continued slow growth and moderate inflation and does not include an economic downturn. Business cycles are difficult to predict, but at some point in the future a recession will occur. The impact on the General Fund will depend on the nature and severity of the slowdown. Prior to the Great Recession, the County's tax base had only decreased once since World War II. During most of that period the County's population was growing and new areas were being developed with housing and commercial structures. The County has moved to a fairly stable population count and is essentially built out, so periods of little to no growth may be more likely to occur.

EXPENDITURE FACTORS

Inflation

On the expenditure side of the equation, the Consumer Price Index (CPI) is a key element. The CPI changes used in the forecast reflect those prepared by the U.S. Congressional Budget Office. These are generally similar to those produced by the State of Florida's National Economic Estimating Conference. It should be noted that this is a consensus process which involves the Legislature, the Governor's Office, and the State's Division of Economic and Demographic Research. The intent is to produce a professional, nonpartisan basis for development of the State's budget that melds a variety of perspectives, and therefore does not necessarily reflect any one participant's economic model.

Historically, although inflation was as high as 12.5% in 1981, in the years from 1989 to 2008 the change in the CPI averaged about 3.0%. The true inflation rate will have a significant effect on future requirements. For example, an increase of 1.0% in the CPI, if applied to all FY16 recurring costs, would require an additional $5.1M for expenditures. A change of 1.0% in the salary and benefits assumptions would produce a cost variance of $3.4M and an increase in the inflation rate of 1.0% would result in a $1.7M change in operating expenses in FY17, and would trigger escalating impacts going forward.

Operating expenses have been assumed to generally follow the CPI inflation rate, but costs such as fuel and electricity are subject to unforeseeable variations and could impact this scenario.

Florida Retirement System (FRS)

Because salaries and benefits are a significant part (62.9% including transfers to Constitutional Officers) of General Fund expenditures, higher than projected FRS contribution rates or health insurance cost increases could have significant negative impacts. The FRS rates approved in for the State's 2016 fiscal year (July 1, 2015 to June 30, 2016) were designed to address the system's unfunded liability as calculated at that time. These rates are subject to change in this year's legislative session. Having reached a fully funded level, the rates should stabilize, but there is still a degree of uncertainty in that the Legislature and Governor have demonstrated that they are willing to make major structural changes to the pension system.

Health Insurance

Health insurance costs are impacted by inflation and also by the package of benefits offered. The extent to which the ratio of active-employees-to-retirees changes will also impact the County's employer contributions to the health plans. There is continuing uncertainty concerning the effect of Federal health insurance reform on costs and services, including any related mandates to programs such as Medicaid.

Medicaid

Legislation approved in 2013 reduced the County's projected Medicaid expenditures for the next several years. Future Legislatures could take actions that would increase the County's costs above the forecast amounts.

Unfunded Mandates

No new State or Federal mandates have been included in the forecast. As the State deals with future budget problems, there may be pressure to push expenses down to local governments even while imposing more restrictions or rollbacks on local revenues.

Theoretically, Article VII Section 18 of the Florida Constitution has a prohibition against imposing unfunded mandates on counties and cities. In practice, the Legislature can avoid this prohibition in many ways, through exemptions (such as mandates to enforce criminal laws) or exceptions, including declaring that the mandate “fulfills an important state interest” and is approved by a 2/3 vote of both the Senate and House. According to a report prepared by the Legislative Committee on Intergovernmental Relations, in 2009 alone the Legislature enacted 25 laws containing 74 provisions that imposed mandates on counties and municipalities.

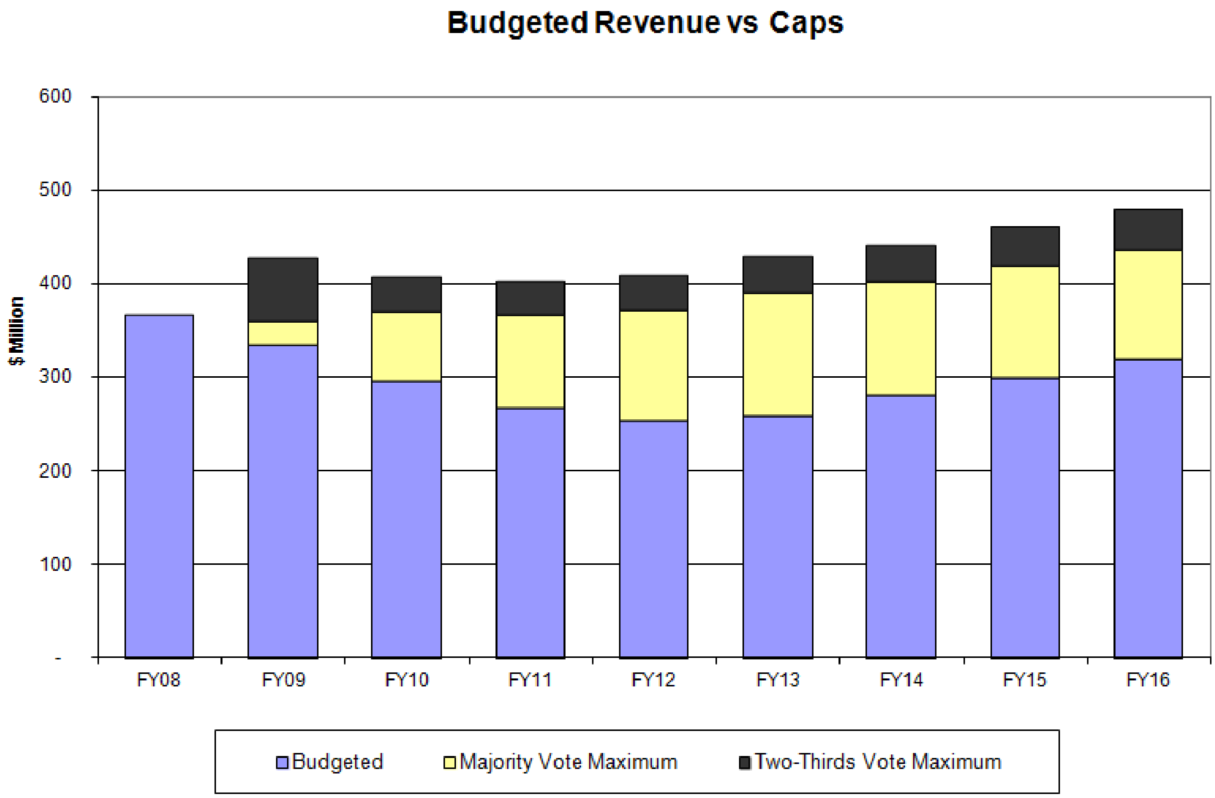
Balancing Strategies

There are several balancing strategies that could be considered to address future gaps in revenues and expenditures.

Expenditure reductions are an option to be considered. The efforts to find efficiencies and streamline operations will continue to be pursued, but as a result of cuts in funding and workforce during the recession, the total FY16 General Fund $639.6M budget is still less than the $657.5M FY06 budget (ten years ago). Significant new reductions would negatively impact levels of service to the public.

Revenue increases are another option. The County is currently collecting less than the maximum allowed majority-vote property tax revenue. In 2007, the Legislature enacted new limitations on property tax revenue increases for local governments. Super-majority (two-thirds) votes of the Board are required if proposed property tax revenue exceeds caps based on the average growth in Florida personal income and new construction. The caps went into effect beginning in FY09, using the FY08 level of property tax revenue as the base. As shown in the chart below, capacity under the cap increased as property tax revenues decreased. There is currently a wide spread of $160.6M in potential revenue between the FY16 millage rate of 5.2755 and the super-majority vote cap limit of 7.9296.

GENERAL FUND



The County does not have a wide range of other revenue options. User fees can be increased but need to be considered in the context of the local marketplace and the effect on economic recovery. In past budget processes, both County employees and the general public identified potential revenue generating ideas. In addition to increasing user fees, some of these ideas include a local business tax (formerly known as occupational tax) and payments in lieu of taxes or a return on equity from enterprise funds.

GENERAL FUND FORECAST
Fund 0001

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Property Taxes - Countywide *	5.0%	4.5%	4.0%	3.5%	3.5%	3.5%
Property Taxes - MSTU *	4.5%	4.0%	3.5%	3.0%	3.0%	3.0%
Half Cent Sales Tax	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Revenue Sharing	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Communications Svc Tax	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Charges for Services	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Transfers from Other Funds	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%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	1.0%	-0.7%	1.8%	2.1%	3.2%	3.1%
Capital Outlay	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Grants & Aids	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%
Estimated New Construction % of tax base	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

*** Property Tax percentages are changes in Taxable Value**

GENERAL FUND FORECAST
Fund 0001

(in $ millions)	Actual FY15	Budget FY16	FORECAST Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
BEGINNING FUND BALANCE **	**117.3**	**120.4**	**125.3**	**109.6**	**108.1**	**114.4**	**124.8**	**136.6**	**147.6**
REVENUES									
Property Taxes -Countywide	304.5	319.2	319.2	335.2	350.3	364.3	377.1	390.3	404.0
Property Taxes - MSTU	30.3	31.3	31.3	32.7	34.0	35.2	36.3	37.4	38.5
Half Cent Sales Tax	43.1	44.9	44.9	46.9	48.8	50.8	52.8	54.9	57.1
Revenue Sharing	17.5	16.9	18.3	19.1	19.9	20.7	21.5	22.4	23.3
Communications Svc Tax	10.3	10.0	10.0	9.8	9.6	9.4	9.2	9.0	8.8
Grants (fed/state/local)	10.0	8.6	8.6	8.8	9.0	9.2	9.4	9.6	9.8
Interest	0.7	0.5	0.5	0.8	1.2	1.6	2.4	2.6	2.8
Charges for Services	71.5	74.5	73.1	77.9	79.8	81.8	83.9	86.2	88.7
Deepwater Horizon Reimbursement **	7.1	-	-	-	-	-	-	-	-
Other revenues	8.0	13.3	13.3	13.5	13.7	13.9	14.1	14.3	14.5
Adjust Property Taxes to 96.0%	-	-	3.7	3.9	4.0	4.2	4.4	4.5	4.7
Adjust Major Revenue to 98.0%	-	-	-	-	-	2.6	2.6	2.7	2.8
Adjust Other Revenue to 97.0%	-	-	2.0	2.1	2.2	2.2	2.3	2.4	2.4
TOTAL REVENUES	**503.0**	**519.2**	**524.9**	**550.7**	**572.5**	**595.9**	**616.0**	**636.3**	**657.4**
% vs prior year			4.4%	4.9%	4.0%	4.1%	3.4%	3.3%	3.3%
TOTAL RESOURCES	**620.3**	**639.6**	**650.2**	**660.3**	**680.6**	**710.3**	**740.8**	**772.9**	**805.0**
EXPENDITURES									
Personal Services	67.5	78.9	78.9	82.4	86.0	89.7	93.6	97.6	101.8
Operating Expenses	111.3	119.4	119.4	120.6	119.7	121.9	124.5	128.5	132.5
Capital Outlay	1.5	3.1	3.1	3.2	3.3	3.4	3.5	3.6	3.7
Grants & Aids	17.4	20.3	20.3	21.2	22.1	23.0	23.9	24.8	25.8
Transfers	297.3	317.3	317.3	328.7	339.9	351.7	364.0	376.8	390.0
Deepwater Horizon Funds**	-	-	**7.1**	-	-	-	-	-	-
Expenditure Lapse 3.0% *	-	-	(5.5)	(5.7)	(5.7)	(5.9)	(6.0)	(6.2)	(6.5)
Non-recurring Transfers to CIP	-	-	-	1.5	1.5	1.5	0.5	-	-
CIP Operating Impacts (cumulative)	-	-	-	0.3	(0.6)	0.2	0.2	0.2	0.2
TOTAL EXPENDITURES	**495.0**	**539.0**	**540.6**	**552.2**	**566.2**	**585.5**	**604.2**	**625.3**	**647.5**
% vs prior year			9.2%	2.1%	2.5%	3.4%	3.2%	3.5%	3.6%
ENDING FUND BALANCE	**125.3**	**100.6**	**109.6**	**108.1**	**114.4**	**124.8**	**136.6**	**147.6**	**157.5**
Ending balance as % of Resources	**20.2%**	**15.7%**	**16.9%**	**16.4%**	**16.8%**	**17.6%**	**18.4%**	**19.1%**	**19.6%**
TOTAL REQUIREMENTS	**620.3**	**639.6**	**650.2**	**660.3**	**680.6**	**710.3**	**740.8**	**772.9**	**805.0**
REVENUE minus EXPENDITURES (NOT cumulative)	8.0	(19.8)	(15.7)	(1.5)	6.3	10.4	11.8	11.0	9.9
note: non-recurring expenditures	11.5	6.6	13.7	1.5	1.5	1.5	0.5	-	-
net recurring rev- exp	**19.5**	**(13.2)**	**(2.0)**	**-**	**7.8**	**11.9**	**12.3**	**11.0**	**9.9**

* Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.
** Deepwater Horizon funds received in FY15 are included in FY16 Beginning Balance. They are shown as an expenditure in FY16, but actual use of these funds is dependent on future BCC action.

TOURIST DEVELOPMENT COUNCIL FUND

Description

The Tourist Development Council (TDC) Fund is a special revenue fund that accounts for the 6.0% Tourist Development Tax (TDT) on rents collected for temporary lodgings. Section 125.0104, Florida Statutes, was enacted by the State in 1977. The Board of County Commissioners (BCC) enacted an ordinance in 1978 to levy a 2.0% tax to promote tourism in Pinellas County; the tax was approved at a referendum held on October 5, 1978. In 1988, the ordinance was amended to increase the tax by an additional 1.0% with one-half of this amount earmarked to fund beach re-nourishment projects. In January 1996, an additional 1.0% was levied to provide additional funds for promotional activities, beach re-nourishment, and to service debt on the County's obligation to the City of St. Petersburg's bonds for Tropicana Field. The BCC levied an additional 1.0% in December 2005 to provide funding for promotion and advertising. The sixth percent of TDT was approved by the BCC on August 4, 2015 and went into effect January 1, 2016.

The Fund supports the Convention & Visitors Bureau, serving as Visit St. Pete/Clearwater, through the collection of the TDT, known as the ‘bed tax.’ The ‘bed tax’ is used to enhance the County’s economy by increasing tourism and direct visitor expenditures through marketing, promoting, and supporting the destination.

Summary

The Tourist Development Council Fund is primarily funded by the Tourist Development Tax revenue that is sensitive to general economic conditions. Tourist Development Tax revenue has been steadily improving since Spring 2010 and has seen record-setting revenue for the past four years. Tourist Development Tax revenue is estimated to grow by 18.3% in FY16 compared to FY15 as the 6th percent of TDT is added to the collection. Revenue is projected to increase by another 4.5% in FY17, and from FY18 – FY22, revenues are projected to increase by 3.5% annually.

Expenditures are projected to decrease by 17.6% in FY16 as the County’s obligation to debt service on Tropicana Field expired in FY15. This revenue has been set aside in reserves for future capital projects, as allowed by statute.

Revenues exceed expenditures during the forecast period, and adjustments will be made if revenues fail to meet expectations. The fund maintains operating reserves above the 15.0% goal throughout the forecast period. Additional capital reserves are held within the fund and can be used by the BCC to fund projects that will benefit the economy of Pinellas County and comply with allowable use of TDT.

TOURIST DEVELOPMENT COUNCIL FUND

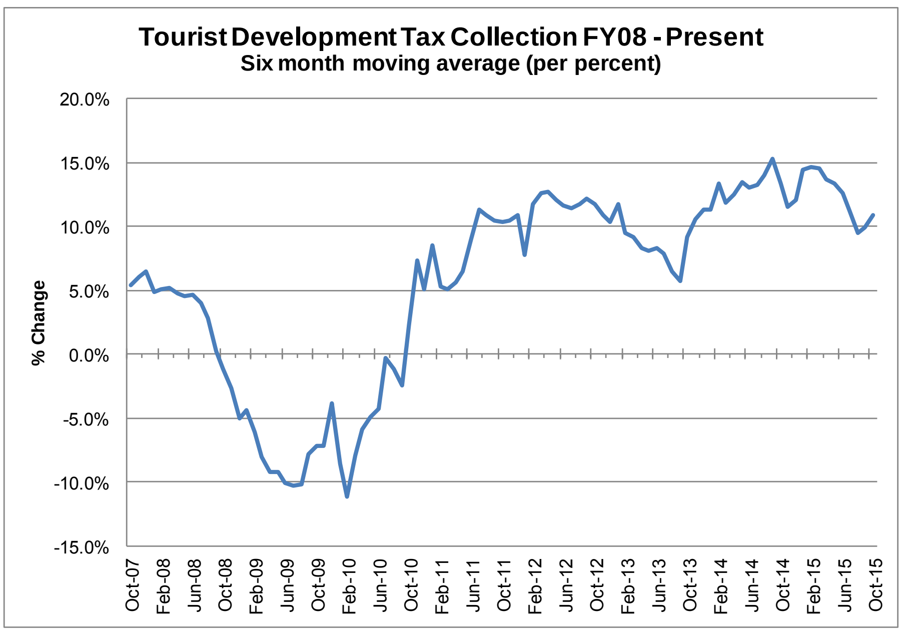
Revenues

The TDC Fund consists almost exclusively of revenue collected through the Tourist Development Tax on temporary lodgings.

Tourist Development Taxes

Tourism is a key economic driver of the economy in Pinellas County and contributed direct and indirect visitor expenditures of approximately $8.5B during calendar year 2014 (*source: Research Data Services, Inc. [RDS]*). The Tourist Development Tax is projected to generate $47.3M in FY16.

Tourist Development tax collections are sensitive to both environmental and economic conditions due to the close relationship between disposable income and leisure travel. The chart below shows the 6-month moving average change in tax collections from October 2007 to October 2015. The data shows that collections bottomed out at the beginning of 2010, but have been rapidly increasing as the economy rebounded. For the past several years, the increase in tax revenue has outpaced the overall economy.



Source: Pinellas County Tax Collector

FY15 actual TDT revenue totaled $39.3M, an increase of 12.2% over FY14. FY16 revenue, which includes a partial year collecting the recently levied 6th percent, is projected to be 18.3% higher than FY15, and 5.3% higher than FY16 budget. Revenue is projected to increase by another 4.5% in FY17, and 3.5% annually from FY18 – FY22. While recent trends may suggest a stronger growth rate, the increases seen over the past few years are not sustainable without adding significant inventory to available rooms throughout the county.

The chart below compares visitor origins with calendar year-to-date figures for 2014 and 2015. Visitors from the Northeast region of the United States increased by 4.4%, while visits from the Midwest U.S. (5.8%), Europe (7.1%) and Latin America (24.5%) have also shown strong growth in 2015.

Calendar Year-to-Date 2014 vs. 2015
January - October

Overnight Visitor Origins	2014	2015	% Change
Florida	600,107	622,654	3.8%
Southeast	351,132	356,601	1.6%
Northeast	1,158,617	1,209,048	4.4%
Midwest	1,501,802	1,589,577	5.8%
Canada	300,377	276,322	-8.0%
Europe	884,720	947,389	7.1%
Other U.S. Markets	133,245	158,409	18.9%
Latin America	127,800	159,100	24.5%
Total	5,057,800	5,319,100	5.2%

Source: Visit St. Petersburg/Clearwater Dashboard/Visitor Profile (Dec. 2015), Research Data Services, Inc. (RDS)

The European visitor segment represents about 17.8% of total visitors tracked by RDS. Although the economic recovery in the Eurozone has been a series of starts and stops, the number of European visitors is anticipated to remain strong due to the characteristics of the market segment and increased access to the destination. European visitors to Pinellas are a younger, wealthier market segment generally insulated from economic cycles. In addition, the European market will gain increased access from additional air service providing easy access to the destination from cities throughout Europe. Edelweiss Air has added additional non-stop flights from Zurich, Switzerland to Tampa. Lufthansa added five non-stop flights per week between Frankfurt, Germany and Tampa in September 2015. The Latin American market is also expected to improve as Copa Airlines began servicing the Tampa Bay region in December 2013 with roundtrip flights between Panama City, Panama and Tampa International. Allegiant Airlines has added additional roundtrip flights to Clearwater/St. Petersburg International Airport (PIE) from numerous domestic destinations, with 47 destinations flying to and from PIE.

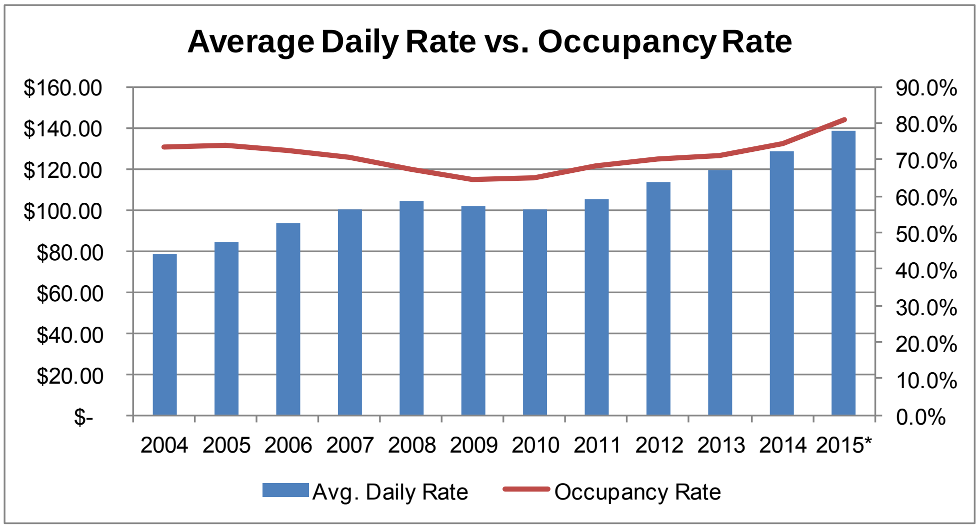
The next chart lists the Annual Average Daily Rate (ADR) that hotels are able to collect and the number of Annual Overnight Visitors since 2000. As a result of the BP oil spill, red tide, and the economic downturn, ADR stayed flat from 2007 to 2010 and visitor counts declined from a peak of 5.3M in 2007. Since 2010, ADR and visitor counts have strongly rebounded. The ADR for 2014, excluding the Fall Season, was $145.05, a 7.8% increase over the same period in 2014.

Year	Annual ADR	Annual Overnight Visitors
2000	$71.62	4,700,140
2001	$74.16	4,726,161
2002	$73.16	4,714,432
2003	$74.91	4,837,998
2004	$78.11	5,077,280
2005	$84.32	5,212,435
2006	$93.18	5,254,255
2007	$100.00	5,300,220
2008	$104.38	5,193,980
2009	$101.71	4,991,410
2010	$100.15	5,041,200

2011	$104.83	5,235,200
2012	$113.17	5,435,000
2013	$119.32	5,579,900
2014	$128.20	5,885,800

Source: Research Data Services, Inc

With occupancy rates near 100% during peak tourist season (February – April), revenue growth above increases in ADR will need to come from additional room availability. Over the next two to three years, 2,000 new rooms are expected to come online in Clearwater Beach.

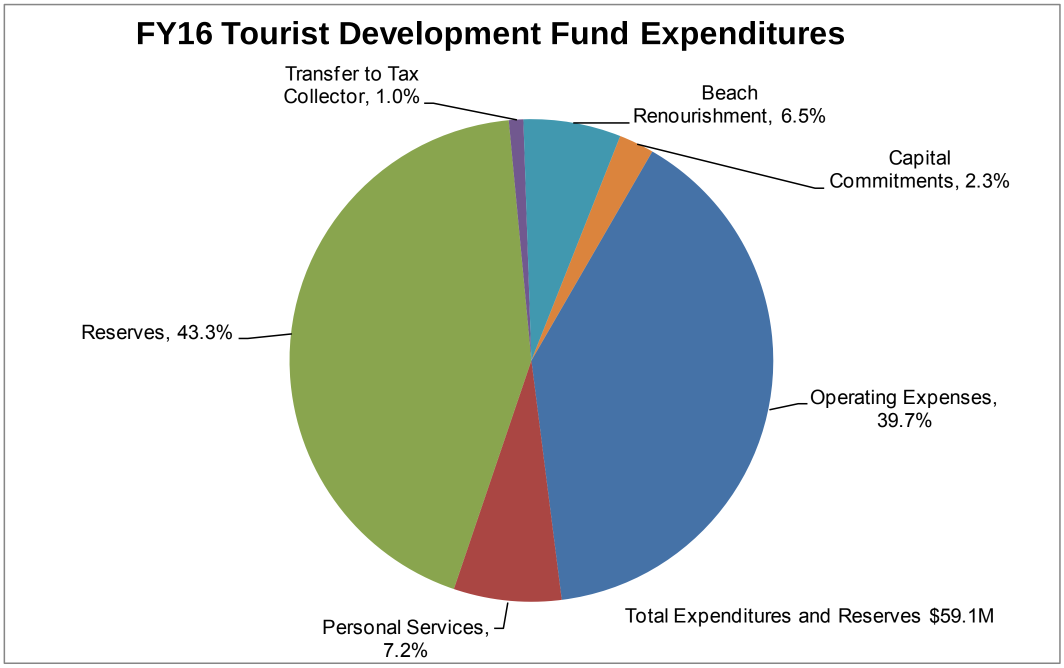


Source: Research Data Services, Inc (2015 through November)

Expenditures

The TDC Fund supports budgeted expenditures and reserves in FY16 totaling $59.1M. The primary expenditures in the fund are $23.4M for operations and promotional activities, $4.3M for personal services, $1.4M for capital commitments for two sports facilities and the Salvador Dali Museum, $3.9M for beach renourishment, and $25.6M in reserves.

TOURIST DEVELOPMENT COUNCIL FUND



Operations and Promotional Activities

The discretionary expenditure budget of $27.7M includes the staff, operations and promotional activities that promote the St. Petersburg/Clearwater destination. Promotional activities are primarily comprised of the advertising contract, with the balance of the funding supporting such programs as sponsorships, publicity, and promotion via technology.

Convention & Visitors Bureau Operations & Promotional Expense

Expenses	FY16	% of Operations
Operating & Capital Outlay	$1,389,070	5.0%
Personnel	$4,254,380	15.4%
Advertising/Direct Sales	$20,485,190	74.0%
Research	$250,000	0.9%
Shipping/Communications/Inquiry	$516,800	1.9%
Travel	$796,820	2.9%
Total	$27,692,260	100.0%

Source: Pinellas County Convention & Visitors Bureau

Capital Outlay

In November 2015, the BCC revised the Tourist Development Plan (TDP) and simplified the allowed uses of TDT funds. Florida Statutes place restrictions on the allowable uses of each individual percent of TDT, and the TDP must adhere to these restrictions. As approved, the TDP splits the current year revenue into capital (40.0%) and non-capital (60.0%) categories.

Currently, the County, using TDT revenues, is committed to paying $587,650 for the City of Clearwater's spring training facility (expires February 2021) and $297,980 for the City of Dunedin's spring training facility (expires February 2016). Additionally, beginning in FY16, the

County is committed to paying $500,000 annually for five years to the Salvador Dali Museum to fulfill the BCC's pledge of $2.5M made in 2010. These projects, in addition to the annual transfer of ½ of one percent of TDT levy for beach renourishment, are part of the 40.0% allocation to capital expenditures in the TDP.

Transfers

To pay the cost associated with the administration and collection of the Tourist Development Tax revenue, a transfer of $571,510 is projected to be made to the Pinellas County Tax Collector in FY16.

Reserves

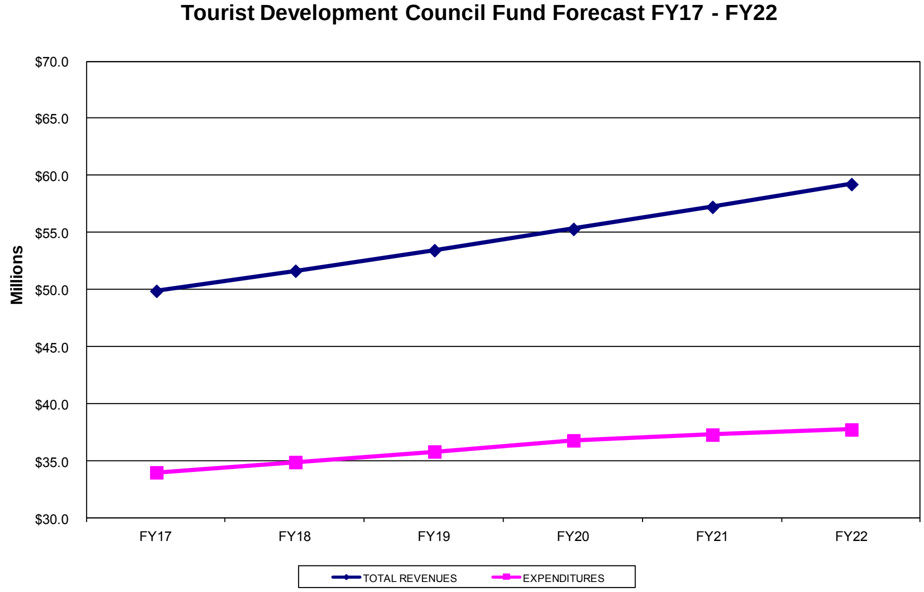
Operating Reserves are budgeted at 21.8% in FY16, which is above the recommended reserve level of 15.0%. The fund's Operating Reserve will serve as a fiscal shock absorber in the event Tourist Development Tax revenues deteriorate in response to changes in economic conditions, and to allow for positive cashflow during the early months of the fiscal year. The TDC Fund also has established Capital Reserves that can be used for future capital projects that may be approved by the BCC. The FY16 budget appropriates $12.7M in Capital Reserves, which is 21.5%. In total, the Tourist Development Council Fund has reserves of $25.6M, or 43.3%. It is expected that this level will continue to climb for the next few years as request for capital commitments are evaluated by the TDC and BCC.

Six-Year Forecast

Key Assumptions

The revenue forecast for Tourist Development Council Fund reflects increasing growth in the economy, with an increase in Tourist Development Tax revenue of 18.3% above FY15 actual in FY16 as the 6th percent of TDT is collected. Revenue is projected to increase by another 4.5% in FY17, and 3.5% annually from FY18 – FY22. On the expenditure side, personal services are projected to increase 4.3% – 4.4% per year. Promotional activities (advertising) may be increased during the year as revenue is collected and needs are assessed. Capital Outlays for stadiums decrease by 84.0% as the County's commitment to Tropicana Field expired in FY15. An additional capital outlay of $500,000 for the Salvador Dali Museum in St. Petersburg began in FY16 and ends in FY20. Beach renourishment continues to receive ½ of the 3rd percent of TDT revenue. This expenditure will match the change in collection for each of the other percents (excluding the increase to be realized from adding the 6th percent in FY16).

TOURIST DEVELOPMENT COUNCIL FUND



Key Results

Revenues are projected to exceed expenditures throughout the forecast period, and the Fund will maintain an operating reserve of at least 15.0%. Beginning in FY16, revenues exceed expenditures by a wide margin as the capital commitment for Tropicana Field expired in FY15 and the 6^{th} percent began. Until decisions are made regarding requested contributions to capital projects, reserve funds will be accumulated for future use.

Potential Risks

There are many impacts that can alter the six-year forecast of Tourist Development Tax revenue collections. The primary concern is the strength of the national economy due to the sensitivity of collections to economic conditions. If the economy continues to improve, collections should remain strong. The reverse would be true if the economy deteriorates.

Environmental conditions will have an impact as well. Tropical activity, red tide in Tampa Bay and the Gulf of Mexico, or man-made disasters could potentially damage the infrastructure and keep visitors away for weeks or even months, keeping their disposable income away as well.

The appreciation or depreciation of the U.S. dollar also has an impact on the number of international visitors to Pinellas County.

Additionally, appreciation in ADR along with limited increases in hotel rooms could slow growth in the number of overnight tourists in Pinellas County.

Balancing Strategies

The forecast does not show structural gaps in revenues and expenditures. The assumption is that the overall CVB budget, specifically the promotional activities budget, will be increased or decreased to match the Tourist Development Tax revenue stream to keep the fund balanced in the long-term.

TOURIST DEVELOPMENT COUNCIL FUND FORECAST
Fund 1040

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Tourist Development Taxes	4.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest	0.7%	1.1%	1.4%	1.9%	1.9%	1.9%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Advertising Expense	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Capital Outlay	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.8%	2.8%	2.8%	2.8%	1.3%

TOURIST DEVELOPMENT COUNCIL FUND FORECAST
Fund 1040

(in $ thousands)	Actual FY15	Budget FY16	Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
			FORECAST (@100% Revenue)						
BEGINNING FUND BALANCE	**12,259.1**	**13,724.3**	**11,982.0**	**26,239.4**	**42,128.1**	**58,878.4**	**76,505.2**	**95,019.5**	**114,957.1**
REVENUES									
Tourist Development Taxes @ 95.0%	39,322.5	44,895.1	44,895.1	46,915.4	48,557.4	50,256.9	52,015.9	53,836.5	55,720.8
Interest	84.2	24.7	24.7	24.9	25.1	25.5	26.0	26.5	27.0
Co-op Advertising Rev	578.8								
Other revenues	382.0	449.5	449.5	458.5	467.7	477.0	486.6	496.3	506.2
Adjust Tax Revenues to 100.0%			2,362.9	2,469.2	2,580.3	2,670.7	2,764.1	2,860.9	2,961.0
Adjust other Revenues to 100.0%			25.0	25.5	26.0	26.5	27.0	27.6	28.1
TOTAL REVENUES	**40,367.5**	**45,369.3**	**47,757.2**	**49,893.4**	**51,656.5**	**53,456.6**	**55,319.6**	**57,247.7**	**59,243.1**
% vs prior year	26.8%	12.4%	18.3%	4.5%	3.5%	3.5%	3.5%	3.5%	3.5%
TOTAL RESOURCES	**52,626.6**	**59,093.6**	**59,739.2**	**76,132.8**	**93,784.6**	**112,334.9**	**131,824.8**	**152,267.1**	**174,200.1**
EXPENDITURES									
Personal Services	3,340.9	4,254.4	4,254.4	4,441.6	4,637.0	4,836.4	5,044.4	5,261.3	5,487.5
Operating Expenses	11,065.3	10,979.8	10,979.8	11,232.3	11,490.7	11,755.0	12,037.1	12,326.0	12,621.8
Advertising Expense	12,646.3	12,449.0	12,449.0	12,735.3	13,028.2	13,327.9	13,647.8	13,975.3	14,310.7
Capital Outlay - Operating	27.1	9.1	9.1	9.5	9.8	10.2	10.5	10.9	11.3
Transfer - General Fund (Pass-a-Grille & Bunces Pass Inlet Study)		300.0	300.0	-	-	-	-	-	-
Transfer - Tax Collector	497.4	571.5	571.5	588.6	606.3	624.5	643.2	662.5	682.4
Transfer - Beach Renourishment	4,413.5	3,550.4	3,550.4	3,909.6	4,046.5	4,188.1	4,334.7	4,486.4	4,643.4
Capital Outlay - Dali Museum		500.0	500.0	500.0	500.0	500.0	500.0	-	-
Capital Outlay - Tropicana Field & Spring Training Facilities	8,654.1	885.6	885.6	587.7	587.7	587.7	587.7	587.7	-
EXPENDITURES	**40,644.6**	**33,499.8**	**33,499.8**	**34,004.7**	**34,906.2**	**35,829.7**	**36,805.4**	**37,310.1**	**37,757.1**
% vs prior year	19.6%	-17.6%	-17.6%	1.5%	2.7%	2.6%	2.7%	1.4%	1.2%
ENDING FUND BALANCE	**11,982.0**	**25,593.8**	**26,239.4**	**42,128.1**	**58,878.4**	**76,505.2**	**95,019.5**	**114,957.1**	**136,443.0**
Ending balance as % of Resources	22.8%	43.3%	43.9%	55.3%	62.8%	68.1%	72.1%	75.5%	78.3%
TOTAL REQUIREMENTS	**52,626.6**	**59,093.6**	**59,739.2**	**76,132.8**	**93,784.6**	**112,334.9**	**131,824.8**	**152,267.1**	**174,200.1**
REVENUE minus EXPENDITURES (NOT cumulative)	(277.1)	11,869.5	14,257.4	15,888.7	16,750.3	17,626.9	18,514.2	19,937.6	21,485.9

1) The Transfer for Beach Renourishment in FY15 reflects an additional amount due based on reconciled actual tax collections versus budget in prior years. The FY16 amount returns to the base annual transfer of 1/2 of one percent from the estimated collections.
2) The significant reduction in Debt Service in FY16 & FY17 reflects the end of Tropicana Field (FY15) and Dunedin Spring Training Facility (FY16) payments.
3) The Transfer for Tax Collector services in FY16 reflects a recovery formula based on actual annual cost. It increases 3.0% per year in the forecast for anticipated increases in future personal services and operating expenses.

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 (ITS), 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 fuel taxes collected and distributed on a shared basis to all Florida Counties by the State of Florida, and local option fuel taxes levied by the County.

Two local option taxes have been imposed by the Board of County Commissioners. The first is a 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 (ITS). The other local levy is the Six Cent Local Option Fuel Tax (LOFT) 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 60.0% of total receipts, and the municipalities receive portions of the remaining 40.0%. On December 15, 2015, the Board voted to extend the six cent levy and the interlocal agreement until December 31, 2027.

Summary

The Transportation Trust Fund is primarily funded by state and local fuel taxes. Revenue is projected to show a gradual incline but 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 restrictions imposed by State law that does not allow indexing fuel taxes for inflation.

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues beginning in FY16. Fund balance is used each year to offset this variance in the fund; however, the fund balance will be depleted by the end of FY23. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Potential actions to consider are revenue transfers from the General Fund, imposition of additional local option fuel taxes (beyond the current amounts), or reductions in current service levels.

Revenues

The Transportation Trust Fund consists of three primary funding sources: State shared fuel taxes ($9.0M), a six cent per gallon LOFT ($11.8M), and a one cent per gallon fuel tax (the “Ninth Cent”) earmarked for the ITS ($3.6M). 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 Fuel Taxes

This resource is comprised of the Constitutional Fuel Tax and the County Fuel Tax which total three cents per gallon on motor fuel. The taxes are collected statewide and 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 purchased and is, therefore, sensitive to economic activity such as commuting and tourism trips or fluctuations in the price of oil that might change 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 fuel taxes, as well as the other fuel taxes, are anticipated to increase only slightly over the forecast period.

Six Cent Local Option Fuel Tax (LOFT)

This resource is a six cent per gallon tax on all motor fuel sold within the county. The proceeds are shared with the municipalities through an interlocal agreement stipulating that the County retains 60.0% of monthly collections and municipalities share the remaining 40.0%. This six cent tax and the interlocal agreement expire on December 31, 2027. Florida Statutes also provide for the option to impose up to five cents per gallon additional tax.

Ninth Cent Fuel Tax

This resource is a one cent per gallon tax on all motor fuel sold within the county. Unlike the Six Cent Local Option Fuel Tax, the proceeds are not shared with the municipalities. This fuel tax funds the creation and maintenance of the ITS in the County. This tax will expire on December 31, 2026.

Expenditures

The Transportation Trust Fund expenditures total approximately $31.8M in FY16 and support Transportation Management, Streets and Bridges, Vegetation Management and Urban Forestry, and Environmental Services programs.

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 FY16 budget for this program is $12.0M.

As 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 tied to the Ninth Cent fuel tax resource and is focused on high priority traffic corridors in order to size the program to available resources. The FY16 operating expenses for the ITS program are $2.0M.

Streets and Bridges

This program provides for maintenance and operation of county streets and bridges with an FY16 expenditure budget of $11.3M. Key program expenditure areas include inspection, maintenance engineering, management, repair, and maintenance operation.

Vegetation Management and Urban Forestry

Program services include urban forestry and vegetation management. Vegetation Management includes 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. Urban Forestry provides for tree maintenance, inspections, public outreach and development review and appraisal of damaged public trees in the unincorporated area. For FY16, the budget for this program in the Transportation Trust Fund is $4.4M.

Environmental Services

Program services include management, operation and maintenance of the countywide stormwater conveyance system. Unincorporated area stormwater conveyance system activity is funded via surface water assessment fees and is not included in this fund. The FY16 budget for this program in the Transportation Trust Fund is $2.0M.

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 $802,100 annually.

Transfers

Since the inception of the Ninth Cent fuel 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 ITS such as traffic signal controllers, fiber optics, cameras, and message boards. On average, approximately $1.6M is transferred annually to the Capital Projects Fund to match state and federal grants available for implementing the system on major county and state road corridors.

Reserves

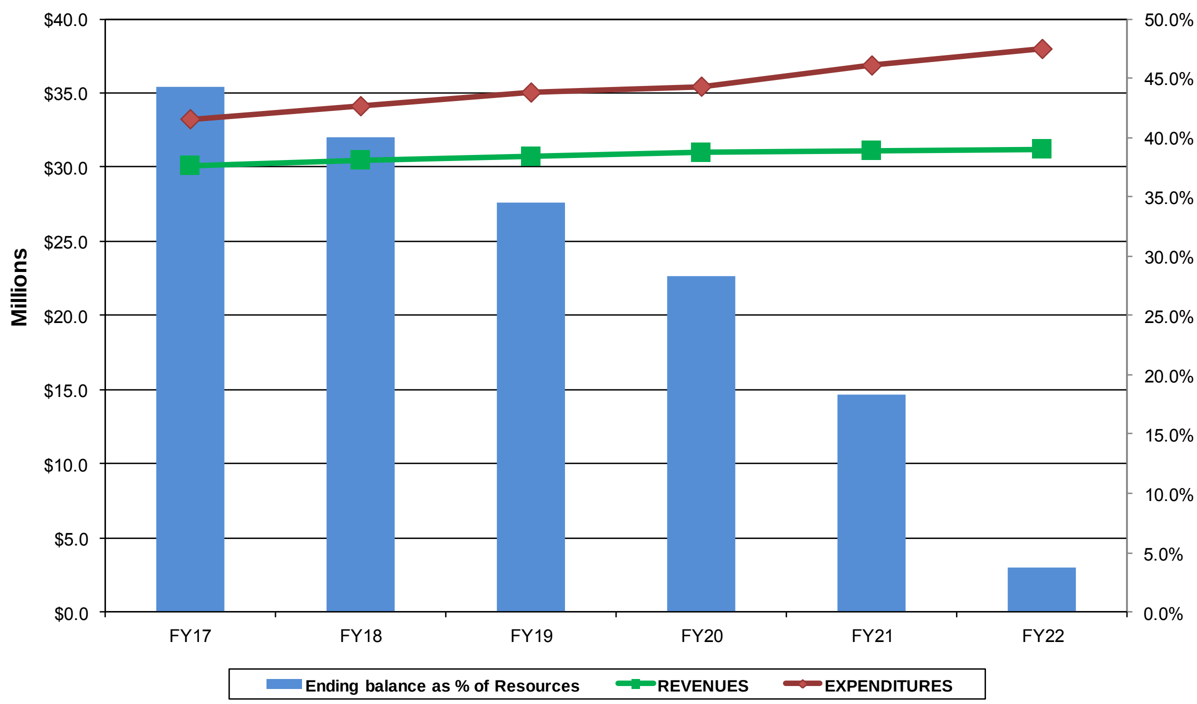
The FY16 reserve level of $22.7M in the Transportation Trust Fund is approximately 41.7%, which is higher than the 5.0% - 15.0% reserve level budget policy adopted by the Board. A major factor contributing to the current reserve level is the shifting of approximately $5.4M annually for surface water activities in the unincorporated areas to the Surface Water Utility Fund which was created in FY14. However as expenditure increases continue to outpace revenue growth, this reserve level will be reduced during the forecast period.

TRANSPORTATION TRUST FUND

Six-Year Forecast

Key Assumptions

As discussed, the main revenue sources for this fund are state shared fuel taxes and local option fuel taxes. The Six Cent Local Option Fuel Tax levy is authorized until December 31, 2027, and the Ninth Cent levy is in effect until 2026. 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 only a slight increase in fuel tax revenues with an improving economy and lower gas prices. Based on the historical reduction and future slow growth patterns, current fuel tax revenues are not predicted to keep up with projected inflationary expenditure demands on transportation operation and expenditure needs.



Key Results

Beginning in FY16, Transportation Trust Fund expenditures exceed revenues throughout the forecast period, which causes a gradual erosion of fund balance. Therefore, potential revenue and expenditure options will need to be implemented to keep the fund in balance by FY23.

Potential Risks

Impacts on this forecast include macro-economic conditions such as fluctuations 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 hybrid and 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, and/or imposing additional local option fuel taxes.

From an enhanced revenue standpoint, the County has the authority to impose an additional five cents tax per gallon of fuel sold within the county; however by statute, proceeds would have to be shared with municipalities. Diesel fuel is not subject to this tax. If an interlocal agreement similar to the Six Cents Local Option Tax is assumed, the County's estimated share of one cent of this local option fuel tax would be $2.0M, which is 60.0% of the $3.4M in proceeds which would be generated countywide.

1 cent	2 cents	3 cents	4 cents	5 cents
$2.0M	$4.1M	$6.1M	$8.1M	$10.1M

If no interlocal is established, the distribution is based on the transportation expenditures of each local government for the immediately preceding five fiscal years as a proportion of the total of such expenditure for the County and all municipalities within the county.

The additional Local Option Fuel Tax of 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 County 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.

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

Counties with LOFT greater than Seven Cents	Cents Imposed
Alachua	12¢
Broward	12¢
Charlotte	12¢
Citrus	12¢
Collier	12¢
DeSoto	12¢
Escambia	11¢
Hardee	12¢
Hendry	9¢
Hernando	12¢
Highlands	12¢
Lee	12¢
Leon	12¢
Madison	12¢
Manatee	12¢
Marion	12¢
Martin	12¢
Miami-Dade	10¢
Monroe	10¢
Okaloosa	10¢
Okeechobee	12¢
Osceola	12¢
Palm Beach	12¢
Pasco	12¢
Polk	12¢
Putnam	12¢
St. Lucie	12¢
Santa Rosa	12¢
Sarasota	12¢
Suwannee	12¢
Volusia	12¢

Of Florida's 67 counties:

**31 levy more than 7 cents*

**22, including Pinellas and Hillsborough, levy 7 cents*

** 14 levy less than 7 cents*

Source: Office of Economic and Demographic Research – 2016 LOFT Rates

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Ninth Cent Fuel Tax	1.0%	0.8%	0.7%	0.7%	0.6%	0.6%
State Shared Fuel Taxes	1.0%	0.8%	0.7%	0.7%	0.6%	0.6%
Local Option Fuel Taxes	1.0%	0.8%	0.7%	0.7%	0.6%	0.6%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Capital Outlay	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Grants & Aids	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

(in $ thousands)	Actual FY15	Budget FY16	FORECAST (@100%) Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
BEGINNING FUND BALANCE	**28,052.7**	**28,370.8**	**31,420.0**	**29,593.0**	**26,454.9**	**22,785.3**	**18,458.5**	**14,004.7**	**8,246.3**
REVENUES									
Ninth Cent Fuel Tax @ 95%	4,007.5	3,559.3	3,854.7	3,893.2	3,924.4	3,951.8	3,979.5	4,003.4	4,027.4
State Shared Fuel Taxes @ 95%	10,111.4	8,980.0	9,725.9	9,823.2	9,901.7	9,971.0	10,040.8	10,101.1	10,161.7
Local Option Fuel Tax @ 95% ***	13,363.8	11,760.4	12,854.3	12,982.8	13,086.7	13,178.3	13,270.5	13,350.2	13,430.3
Interest	110.6	80.5	80.5	207.2	291.0	319.0	350.7	266.1	156.7
Other revenues	2,004.4	1,701.9	1,701.9	1,735.9	1,770.6	1,806.0	1,842.2	1,879.0	1,916.6
Adjust Fuel Taxes to 100%			1,391.3	1,405.2	1,416.5	1,426.4	1,436.4	1,445.0	1,453.7
Adjust Other Revenue to 98.0%			56.3	61.4	65.1	67.1	69.2	67.7	65.5
TOTAL REVENUES	**29,597.7**	**26,082.0**	**29,664.8**	**30,108.8**	**30,456.0**	**30,719.7**	**30,989.4**	**31,112.4**	**31,211.7**
% vs prior year	3.7%	-11.9%	0.2%	1.5%	1.2%	0.9%	0.9%	0.4%	0.3%
TOTAL RESOURCES	**57,650.4**	**54,452.8**	**61,084.8**	**59,701.8**	**56,910.9**	**53,505.0**	**49,447.9**	**45,117.2**	**39,458.0**
EXPENDITURES									
Personal Services	11,337.0	12,263.9	12,263.9	12,803.5	13,366.9	13,941.7	14,541.2	15,166.4	15,818.6
Operating Expenses *	10,504.3	14,699.5	14,699.5	15,037.6	15,383.4	15,737.3	16,114.9	16,501.7	16,897.7
Capital Outlay	565.2	311.9	311.9	319.1	326.4	333.9	341.9	350.1	358.5
Grants & Aids	35.4	34.0	34.0	34.8	35.6	36.4	37.2	38.1	39.1
Full Cost Allocation	2,004.4	2,701.7	2,701.7	2,720.6	2,750.5	2,789.0	2,842.0	2,896.0	2,951.1
Transfers to Capital Funds	1,784.2	1,753.9	1,753.9	1,697.8	1,635.9	1,575.7	1,513.2	1,441.0	1,366.5
Expenditure Lapse 1.0% **			(273.1)	(281.9)	(291.1)	(300.5)	(310.4)	(320.6)	(331.1)
CIP Operating Impacts				915.5	918.0	933.0	363.0	798.0	885.0
TOTAL EXPENDITURES	**26,230.4**	**31,764.9**	**31,491.8**	**33,246.9**	**34,125.6**	**35,046.4**	**35,443.2**	**36,870.9**	**37,985.4**
% vs prior year	12.4%	21.1%	20.1%	5.6%	2.6%	2.7%	1.1%	4.0%	3.0%
ENDING FUND BALANCE ASSUMING NO ACTION TAKEN TO RESOLVE SHORTFALLS	**31,420.0**	**22,688.0**	**29,593.0**	**26,454.9**	**22,785.3**	**18,458.5**	**14,004.7**	**8,246.3**	**1,472.6**
Ending balance as % of Resources	54.5%	41.7%	48.4%	44.3%	40.0%	34.5%	28.3%	18.3%	3.7%
TOTAL REQUIREMENTS	**57,650.4**	**54,452.8**	**61,084.8**	**59,701.8**	**56,910.9**	**53,505.0**	**49,447.9**	**45,117.2**	**39,458.0**
REVENUE minus EXPENDITURES (NOT cumulative)	3,367.3	(5,682.9)	(1,827.0)	(3,138.1)	(3,669.7)	(4,326.7)	(4,453.8)	(5,758.5)	(6,773.6)
note: non-recurring expenditures	-		-	-	-	-	-	-	-
net recurring rev- exp	**3,367.3**	**(5,682.9)**	**(1,827.0)**	**(3,138.1)**	**(3,669.7)**	**(4,326.7)**	**(4,453.8)**	**(5,758.5)**	**(6,773.6)**

* Operating Expenses net of Full Cost Allocation
** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.
*** Local Option Fuel Tax extended to December 31, 2027.

CAPITAL PROJECTS FUND

Description

The Capital Projects Fund is used to account for all 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 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.

With the planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced over the forecast period through FY20. 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, and bridges are shown in the forecast as "unfunded" for FY20 – FY22. This is a preliminary estimate of projects that would require a funding source whether the Penny is renewed or not. 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 Renewal & Replacement Fund. The forecast includes repayment of the loan from FY18 – FY20.

Revenues

The major revenue components of the Capital Projects Fund are the Penny for Pinellas, grants, and transfers from other Funds.

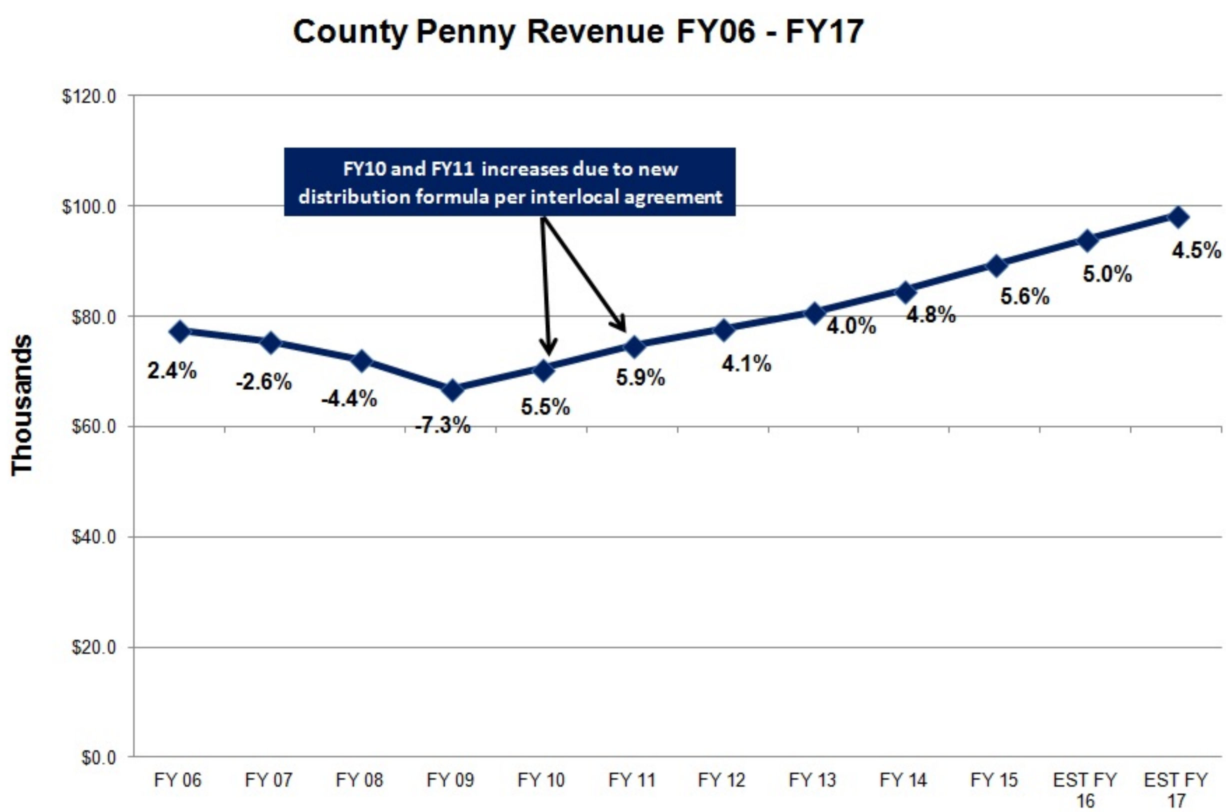
<u>Local Option Sales Tax (Penny for Pinellas)</u>

Penny for Pinellas (Penny) 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 Penny surtax is collected on the first $5,000 of all purchases excluding groceries and medications. The authorized use of these funds is generally restricted to infrastructure projects only and cannot be used for ongoing operation or 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 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 over 14.0% from FY07 – FY09.

County Penny revenue increased in FY10 and FY11 due to the transition to the revenue distribution formula that began in February 2010 which resulted in a higher percentage of collections going to the County. This is primarily due to the increase in the Courts & Jail amount from the previous Penny amount of $80.0M to the current Penny amount of $225.0M over the ten-year period. The revenue increase to the County is misleading, as the underlying Penny revenues actually decreased in FY10 and FY11. From FY16 to FY17, the Penny is anticipated to increase 4.5%, which is consistent with the general improvement in the economy. The chart below shows the fluctuation in annual growth rates experienced since FY06.



Grants

The second largest source of revenue in the Capital Projects fund is grants. The FY16 budget includes $25.7M 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 have either 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.

On September 21, 2010, the Board approved a resolution authorizing an interfund loan amount of up to $85.0M in lieu of a $150.0M bond issue originally planned to finance key projects in the 2010 to 2020 Capital Improvement Plan. The benefits of an interfund loan versus bonding

include lower borrowing costs, no reserve requirements, interest accruing to a county entity, and more flexibility in the implementation and terms of the loan. The first $15.0M was transferred from the Solid Waste Renewal and Replacement Fund in FY10 and was repaid in full in FY15. An additional transfer of $35.0M is anticipated and budgeted for FY17 from the Solid Waste Renewal and Replacement Fund as part of the interfund loan to the Capital Projects Fund. The annual rate of interest is a variable rate which is currently less than 1.0%. The principal payments for the $35.0M loan for capital projects are budgeted for FY18 – FY20.

Originally, it was anticipated that approximately $11.0M of the loan would be needed for the Centralized Chiller Facility project. However, due to the timing of other CIP projects, the loan was not needed to fund the Centralized Chiller Project. Moving forward it is anticipated that the $35.0M loan in FY17 will serve to provide cash flow, primarily for transportation projects, due to timing of these projects.

In FY17 and forward, the General Fund transfer provides funding for two projects: $650,000 for the Municipal Services Taxing Unit (MSTU) Paving projects, which began in FY14 to address the needs of secondary roads in unincorporated neighborhoods; and $1.5M per year thru FY19 and $500,000 in FY20 for the Centralized Chiller Facility project (also referred to as the Downtown District Cooling Project) that was completed in FY15. The project was paid for by a federal grant from the Department of Energy and transfers from the General Fund. Historically the General Fund transfer included $300,000 for 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. Beginning in FY15, the $300,000 will remain in the General Fund for Parks and Conservation Resources maintenance at the parks.

The FY16 transfer of $1.8M from the Transportation Trust Fund (proceeds of the 9th cent Local Option Fuel Tax) contributes to the cost of several Intelligent Transportation System/Advanced Transportation Management System projects.

The FY16 transfer of $3.6M from the Tourist Development Council Fund (half of the proceeds of the 3rd percent of the Tourist Development Tax) provides funding for beach nourishment projects in the Coastal Management program.

The transfer of $1.5M from the Transportation Impact Fee Fund in FY16 is to cover or contribute to the costs of authorized transportation projects in the 12 geographic transportation impact fee districts of the county. 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.

Expenditures

Expenditures in the Capital Projects Fund consist of capital project expenditures and debt service costs.

<u>Capital Projects</u>

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, jail, 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 (CIP)* section of the FY16 Adopted Budget document 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. As noted previously, an initial loan of $15.0M was authorized in FY10 and repaid in full in FY15. Additional loan amounts to provide necessary liquidity in the Capital Projects Fund related to the cash flow required to fund projects over the forecast period are estimated to be $35.0M.

Six-Year Forecast

Key Assumptions

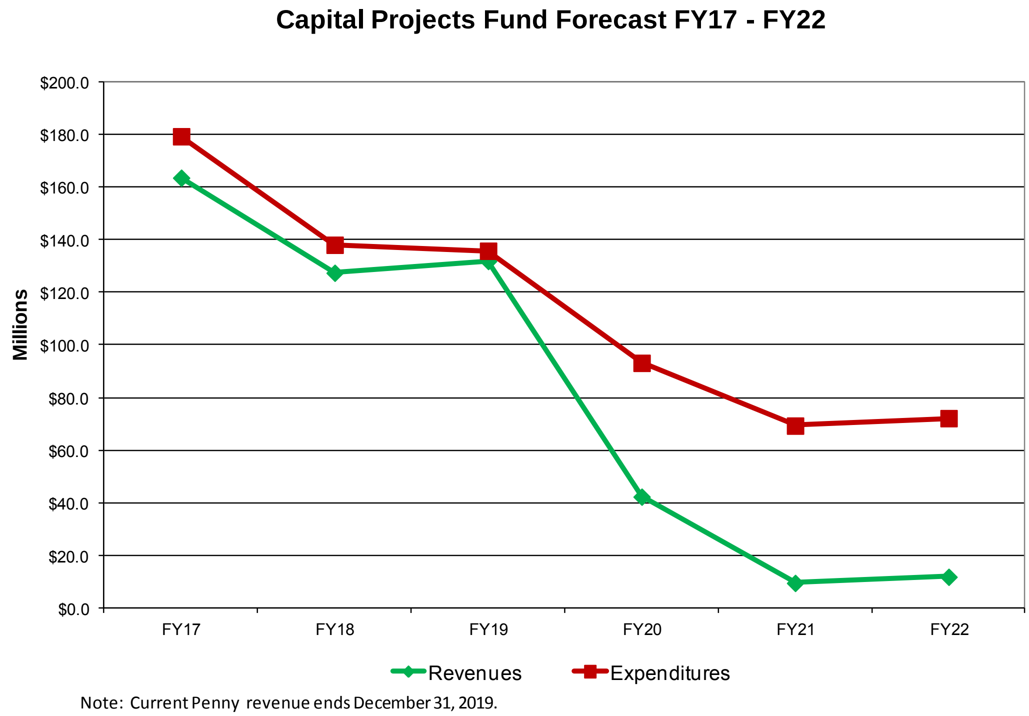
The revenue assumptions for the overall Penny sales tax are consistent with the Half-Cent Sales Tax in the General Fund at 4.5% growth from FY16 to FY17, 4.0% in FY18, and 4.0% from FY19 to FY22. However, the growth rate in the Capital Projects Fund for the Penny sales tax is less at 4.5% growth from FY16 to FY17, 4.0% in FY18, and 3.5% from FY19 to FY20. 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.

Key Results

With the planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced through FY20. 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 Renewal & Replacement Fund. The graph includes revenues projected to be received each year; however, existing fund balance is also a source of funding projects. The forecast also includes repayment of the interfund loan by FY20.

CAPITAL PROJECTS FUND



Potential Risks

There are many impacts that can alter the six-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 continues improving, 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, as the County experienced in 2005 - 2007 where prices escalated as much as 60.0% - 80.0% for these key materials.

Balancing Strategies

The Capital Projects Fund uses accumulated fund balance to balance the fund through FY20. The current “Penny for Pinellas” one-cent local option sales tax ends December 31, 2019. At that time, projects that would need to continue such as sidewalks, paving and bridges are shown in the forecast as “unfunded” in FY20 – FY22 and funding for these projects would need to be identified. The Board plans to bring forward a referendum in November, 2017, to consider renewal of the Penny for another 10-year period.

CAPITAL PROJECTS FUND FORECAST
Fund 3001

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Infrastructure Sales Tax	4.5%	4.0%	3.5%	3.5%		
Transfer from TDC Fund	10.1%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest Rate	0.7%	1.1%	1.4%	1.9%	1.9%	1.9%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%

CAPITAL PROJECTS FUND FORECAST
Fund 3001

(in $ thousands)	Actual FY15	Budget FY16	FORECAST @ 100% Revenue Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
BEGINNING FUND BALANCE	**74,976.1**	**75,038.2**	**102,007.3**	**83,432.6**	**67,663.1**	**57,000.9**	**53,090.2**	**2,179.1**	**(57,682.8)**
REVENUES									
Infrastructure Sales Tax (Penny for Pinellas)	89,531.2	89,650.6	94,369.0	98,615.6	102,560.2	106,149.8	27,466.3	-	-
Grants	3,691.8	25,689.2	25,689.2	20,215.7	14,865.5	15,591.0	5,771.5	1,338.3	3,587.5
Ninth Cent Gas Tax (Transfer from Transportation Trust Fund)	1,784.2	1,753.9	1,753.9	1,697.8	1,635.9	1,575.7	1,513.2	1,441.0	1,366.5
Transportation Impact Fees (from Special Revenue Fund)	1,594.2	1,535.6	1,535.6	1,535.6	1,535.6	1,535.6	1,535.6	1,535.6	1,535.6
Transfer from General Fund	877.3	-	-	2,150.0	2,150.0	2,150.0	1,150.0	650.0	650.0
Transfer from TDC Fund	4,413.5	3,550.4	3,550.4	3,909.6	4,046.5	4,188.1	4,334.7	4,486.4	4,643.4
Sale-Surplus County Land	-	950.0	1,000.0	-	-	-	-	-	-
Interest @ 95%	437.7	276.5	616.6	502.4	651.4	732.1	498.8	0.0	0.0
Interest Adjusted to 97%			13.0	10.6	13.7	15.4	10.5	-	-
Other revenues	1,295.1	7.7	8.1	8.3	8.4	8.6	8.8	8.9	9.1
Interfund Loan-Solid Waste	-		-	35,000.0	-	-	-	-	-
TOTAL REVENUES	**103,625.0**	123,413.9	**128,535.8**	**163,645.6**	**127,467.2**	**131,946.3**	**42,289.3**	**9,460.2**	**11,792.1**
% vs prior year	-13.3%		24.0%	27.3%	-22.1%	3.5%	-67.9%	-77.6%	24.6%
TOTAL RESOURCES	**178,601.1**	198,452.1	**230,543.1**	**247,078.1**	**195,130.4**	**188,947.2**	**95,379.5**	**11,639.3**	**(45,890.6)**
EXPENDITURES									
Capital Projects	61,593.8	147,060.5	147,060.5	179,394.6	125,816.0	123,626.0	46,302.7	9,227.1	14,240.0
Transfer to General Fund		50.0	50.0						
Unfunded	-	-	-	-	-	-	35,880.3	60,095.0	57,920.0
Debt Service on Interfund Loan	-	-	-	20.4	313.5	231.0	17.4	-	-
Payment on SW Loan	15,000.0	-	-	-	12,000.0	12,000.0	11,000.0	-	-
TOTAL EXPENDITURES	**76,593.8**	147,110.5	**147,110.5**	**179,415.0**	**138,129.5**	**135,857.0**	**93,200.4**	**69,322.1**	**72,160.0**
% vs prior year									
ENDING FUND BALANCE	**102,007.3**	51,341.6	**83,432.6**	**67,663.1**	**57,000.9**	**53,090.2**	**2,179.1**	**(57,682.8)**	**(118,050.6)**
Ending balance as % of Resources	57.1%	25.9%	36.2%	27.4%	29.2%	28.1%	2.3%	-495.6%	257.2%
TOTAL REQUIREMENTS	**178,601.1**	**198,452.1**	**230,543.1**	**247,078.1**	**195,130.4**	**188,947.2**	**95,379.5**	**11,639.3**	**(45,890.6)**
REVENUE minus EXPENDITURES (NOT cumulative)	27,031.2	(23,696.6)	(18,574.7)	(15,769.4)	(10,662.3)	(3,910.7)	(50,911.1)	(59,861.9)	(60,367.9)
net recurring rev- exp	**27,031.2**	**(23,696.6)**	**(18,574.7)**	**(15,769.4)**	**(10,662.3)**	**(3,910.7)**	**(50,911.1)**	**(59,861.9)**	**(60,367.9)**

Note: Current Penny ends December 31, 2019. Projects that would need to continue such as sidewalks, paving, bridges, etc. are shown as "unfunded" for the remainder of FY20 and out years.

EMERGENCY MEDICAL SERVICE FUND

Description

The Emergency Medical Service (EMS) Fund is a special revenue fund established by referendum in 1980, which allows up to 1.5 mills to be levied annually on a county-wide basis to finance the operation of a comprehensive county-wide emergency medical service system. This system provides advanced life support, emergency medical response, and transport services to all residents and visitors of Pinellas County. The County maintains EMS contracts with 18 fire service agencies (first responders) and one ambulance provider (Paramedics Plus, operating in Pinellas County under the trade name “Sunstar”). The EMS System is funded by a combination of property taxes and ambulance user fees. The ambulance user fees support the ambulance contractual expenditures and property taxes support the first responder expenditures.

The EMS System was established by referendum in 1980 by the Special Act (Chapter 80-585, Laws of Florida) that created the EMS Authority as a Dependent Special District. In 1988, Pinellas County Ordinance 88-12 solidified the current EMS system design. The Fiscal Policy guidelines within Ordinance 88-12 state that the Board of County Commissioners, sitting as the Emergency Medical Services Authority, directs the following fiscal policy guidelines that govern the financial operations of the County’s EMS system: (a) to establish sound business controls and long term cost containment incentives throughout the County EMS system; (b) to provide adequate funding to upgrade all EMS components to state-of-the-art-levels, and to maintain that progress in future years; (c) to provide for long term financial stability sufficient to sustain quality EMS operations far into the future; (d) to reduce the County EMS system’s excessive dependence upon local tax support by developing a more balanced approach to EMS funding; and (e) to provide the Board of County Commissioners with a wider range of EMS financing options than have been available in the past.

Summary

The EMS Fund is sensitive to property values as it is funded by ad valorem (property) tax revenue collected from property owners countywide and ambulance user fee revenues. While the millage rate remained flat at 0.5832 from FY08 through FY11, and property values dropped, annual property tax revenue fell from $42.6M to $30.6M. Increasing deficits were covered with fund balance until accumulated reserves dropped to 25.0% in FY11. Board adopted policy reduced the target level for reserves from 33.0% to 25.0% in December 2011. With property values still falling, the millage rate was increased to 0.8506 in FY12 and to 0.9158 in FY13. Revenue increased enough to meet expenses and maintain the EMS Fund’s reserve above the 25.0% target. Since FY13, the millage rate has remained at 0.9158. Property values rose from FY14 through FY16, and with continued economic recovery, property tax revenue is projected to increase 5.0% in FY17.

The current millage of 0.9158 is projected to support the current service delivery system and allow the fund to remain above the Board adopted reserve target of 25.0% through the forecast period. Due to higher than expected revenues from the increased number of transports in FY15, the fund reserve is projected at 33.3% in FY16. From FY16 to FY22, the fund balance is projected to increase by $1.8M. However, the reserve (fund balance as a percentage of expenditures) decreases to 27.4% as the level of expenditures increases $28.5M by FY22. The potential for maintaining the 25.0% reserve without a future millage rate increase will be affected by: the ambulance service contract; changes in property values; potential changes to Medicare/Medicaid reimbursements; and adjustments in future service agreements with the first responders.

First responder contracts are currently funded based on actual first responder costs as defined in Board Resolution 09-38. Projected expenses for FY17 reflect the current negotiated agreements with the 18 providers. For FY18 and FY19, this forecast projects first responder expense growth at 3.8%, reflecting the assumption for annual growth in the Tampa Bay Regional CPI (2.8%) plus a potential additional 1.0% for qualified expenses. The forecast projects adjustments for first responder agreements at 4.4% from FY20 through FY22. The County negotiated a new ambulance service contract with Paramedics Plus for a 5-year term beginning FY16. Over the past two years, progress in containing costs, combined with better than anticipated growth in revenue, improved the outlook for the EMS Fund. Long term sustainability will require continued growth in revenue and diligent management of system costs.

Revenues

The primary funding sources for the EMS Fund are ambulance user fees and property taxes.

Ambulance User Fees

The ambulance service user fees provide funding for the ambulance program, which includes the ambulance provider contractual expenditures, ambulance billing costs, and ambulance program support costs. Ambulance user fee revenues are based on transport volume and transport charges. The average retail rate charge is $657 per transport in FY16. The County bills Medicare, Medicaid, private insurance, and various other payors for transport service. Billing for the service is done by Pinellas County. The County provides transports for non-emergencies and mental health transports as well. The County utilizes the 9-1-1 System to dispatch calls for the proper response to the call. Ambulance user fee revenue is projected to reach $49.8M in FY16 and then increase by 4.0% annually over the forecast period. The Board of County Commissioners has the authority to increase ambulance user fees as necessary. In addition, Board Resolution 89-208 provides for an automatic increase in user fee rates by the percentage increase in the medical consumer price index for the previous year until the prudent reserve level is reached (25.0%). Retail rates increased by 4.0% in FY13, 3.1% in FY14 and 2.1% in FY15, but a retail rate increase has no impact on Medicare and Medicaid, which are approximately 63.0% of the payor mix. The County also offers an ambulance user fee membership program that citizens can join to minimize out of pocket expenses associated with the cost of EMS transports. Consistent with average receipts for the past five years, membership revenue is projected to generate $200,000 per year through the forecast period.

Property Taxes

Property taxes are used to fund the first responder program. Property tax revenues decreased significantly from FY08 to FY11 due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market, and the recession. As the countywide EMS millage rate remained flat at 0.5832 during this period, actual ad valorem revenue decreased each year, from $42.6M in FY08 to $30.6M in FY11. The Board of County Commissioners has the authority to increase or decrease the millage rate, and in FY12 the millage rate was increased to 0.8506. This resulted in ad valorem revenues recovering to $42.2M. For FY13, a millage rate of 0.9158 was approved in order to balance the budget and maintain a beginning balance/reserve of 25.0% (level set by County Ordinance, approved by the Board on December 20, 2011). The millage cap for this revenue is 1.5000 mills.

Emergency Medical Service Fund
Ad Valorem Revenue & Millage History

Fiscal Year	Millage	Budget
2011	0.5832	$30,027,730
2012	0.8506	$41,564,950
2013	0.9158	$43,852,140
2014	0.9158	$45,374,820
2015	0.9158	$48,287,310
2016	0.9158	$51,637,690
Note: Budget figures are at 95.0% of anticipated revenue		

Expenditures

The Emergency Medical Service Fund supports budgeted expenditures totaling $102.3M in FY16. The primary expenditures in the fund are $45.0M for payments to the ambulance contractor, which includes $1.2M for medical supplies used by the first responder units, and $44.1M for contractual payments and capital reimbursement to the first responders. Program support expenditures total $11.5M for contract management, training, quality assurance, capital purchases and billing of ambulance claims. Other expenditures include $1.5M for transfers to the Property Appraiser and Tax Collector and $200,000 in the Trust Fund Grant.

<u>Ambulance Contractor Payments</u>

For FY16, the County negotiated a new 5-year service contract with Paramedics Plus to continue operating the Sunstar ambulance system. FY16 expense, including medical supplies for first responder units, is budgeted at $45.0M. The forecast includes an expenditure increase of up to 4.0% per year from FY17 through FY22 based on projected annual increases in the CPI and transport volume.

<u>First Responder Contractual Payments</u>

The County contracts with 18 first responder EMS providers that respond to calls with paramedics using Advanced Life Support (ALS) equipment. FY16 expense is budgeted at $44.1M. The County also has an agreement with Eckerd College for basic life support water rescue. First responder service levels increased in the FY16 contracts, with five (5) priority additions totaling $1.6M. The additions included 49th Street Corridor support; St. Pete Beach Rescue 22 support; an administrative coordinator in Clearwater; an additional Tierra Verde response vehicle; and reinstatement of Squad 26 to serve Indian Shores, Redington Shores and North Redington Beach.

EMS Contracted First Responder Providers
City of Clearwater Fire Rescue
City of Dunedin Fire Department
East Lake Tarpon Special Fire Control District
City of Gulfport Fire Rescue
City of Largo Fire Rescue
Lealman Special Fire Control District
City of Madeira Beach Fire Department
City of Oldsmar Fire Rescue
Palm Harbor Special Fire Control District
City of Pinellas Park Fire Department
Pinellas Suncoast Special Fire Control District
City of Safety Harbor Fire Department
City of Seminole Fire Rescue
City of South Pasadena Fire Department
City of St. Pete Beach Fire Department
City of St. Petersburg Fire Rescue
City of Tarpon Springs Fire Department
City of Treasure Island Fire Department

EMS Program Support Costs

The County incurs additional costs in support of the EMS program ($11.5M). A staff of 35 provides ambulance billing services. Other costs include the Medical Director's contract, Continuing Medical Education training expenses for all County Paramedics and Emergency Medical Technicians (EMTs), the purchase and maintenance of communication and Electrocardiogram (EKG) equipment, capital outlay and contract administration. The FY16 Adopted Budget includes the addition of $725,400 in recurring expense to support training for specialized tactical operations.

Transfers

The Emergency Medical Service fund makes transfers to the Property Appraiser and Tax Collector to cover the costs for assessment and collection of ad valorem revenues. FY16 costs for this function are $1.5M. Commissions for the Property Appraiser and Tax Collector are pursuant to Florida Statutes.

Reserves

Pinellas County Ordinance 88-12, which was amended with Resolution 89-208, authorized the establishment of a prudent reserve equal to one-third of the annual budget for this fund. On December 20, 2011, the Board approved changing the prudent reserve amount to 25.0%. One reason for a high reserve level is to have response capacity for disasters. Equipment and vehicles may need to be replaced quickly in an event such as a hurricane. The reserve can also

provide enough working capital for a potential transition, if contract requirements are not met by the service provider. In addition, this reserve level will provide cash flow in the event of interruptions to ambulance collections due to a disaster or a Medicare and/or Medicaid audit. With high monthly contractor payments, it is critical that cash flow needs are met. In FY15, actual revenue came in $5.8M higher than expenses, and the year ended with the reserve increasing to 35.3%. On a forecast basis, with ad valorem revenue at 96.0% and ambulance revenues at 100.0%, the estimated reserve level is projected at 33.3% for the end of FY16. With current assumptions, revenues are expected to exceed expenses each year except FY17 and FY22. The beginning fund balance is projected to grow from $34.0M in FY17 to $35.8M by FY22, but as the level of expenditures increases each year, the fund balance as a percent of expenditures (reserve) decreases. With a projected net gain of $1.8M in fund balance, and annual expenditures increasing $28.4M by FY22, the reserve level would decline from 33.3% to 27.4% over the forecast period.

Six-Year Forecast

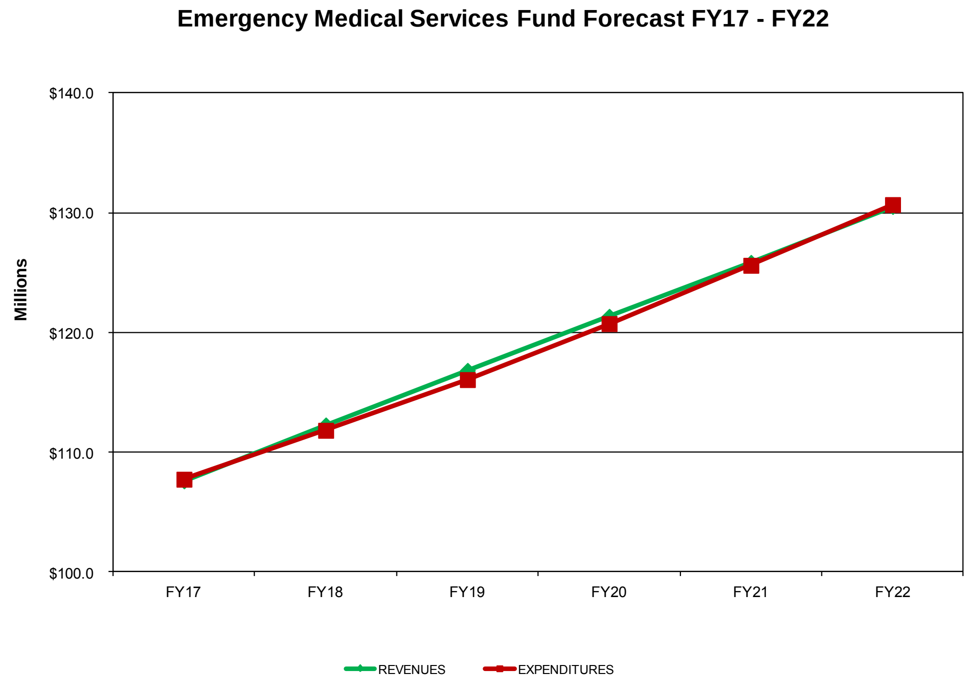
<u>Key Assumptions</u>

The EMS countywide millage is assumed to remain at the adopted FY16 rate of 0.9158 mills through the forecast period. Ad valorem tax revenue is projected to grow 5.0% in FY17, 4.5% in FY18, 4.0% in FY19, and continue with a 3.5% annual growth factor from FY20 to FY22. During the forecast period, ambulance user fee revenues are estimated to increase by 4.0% each year, which trends 1% less than projected increases to transport volume.

Contractual payments for ambulance service are projected to increase by 4.0% through the forecast period due to increased transport volume and increases in the CPI. The County will work with the provider to manage expenses while still maintaining quality service.

The current first responder service agreements provide for potential contract extensions in FY18 and FY19, with the annual increase tied to the lesser of percentage increase in the Tampa Bay regional CPI or 125.0% of the percentage increase in taxable property value. The forecast assumes annual growth in the regional CPI at 2.8% in FY18 and FY19. An additional 1.0% may be approved for qualified expenses, allowing an increase up to 3.8% in FY18 and FY19. Beginning in FY20, the forecast assumes annual increases of 4.4%, reflecting 125% of the projected 3.5% growth in ad valorem tax revenue.

EMERGENCY MEDICAL SERVICE FUND



Key Results

In the previous chart for the total EMS Fund, the forecast shows revenues exceeding expenditures in four of the six forecast years. Expenditures are projected to exceed revenues in FY17 and FY22. Based on current assumptions, the reserve stays above the target of 25.0% through the forecast period.

Potential Risks

A major variable impacting future revenues for this fund is ad valorem revenue and taxable values. If market values grow more slowly than projected, or decline, revenue would be negatively affected. Another factor in future revenues will be ambulance user fee revenues. It is unknown how health care reform will impact ambulance user fee revenue.

Tourism and inflow into the local area of more visitors and residents will impact the number of users of the EMS system. Continued aging of the general population (baby boomers) could also result in more transport volume in the ambulance area.

Balancing Strategies

The forecast shows that the fund is balanced through the forecast period. Future balancing strategies will focus on maximizing ambulance revenues and containing or reducing system costs.

EMERGENCY MEDICAL SERVICES FUND FORECAST
Fund 1006

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Ad Valorem Revenue (@95%)	5.0%	4.5%	4.0%	3.5%	3.5%	3.5%
Ambulance Service Fees	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Grant Revenue (EMS Trust Fund)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%
Operating Expenses-First Resp Med Supplies	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Capital Outlay	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Ambulance Contract	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
EMS Trust Fund Grant Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants & Aids (First Responder Agmts)	7.4%	3.8%	3.8%	4.4%	4.4%	4.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Regional Consumer Price Index, % change	2.8%	2.8%	2.8%	2.9%	2.9%	2.9%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

EMERGENCY MEDICAL SERVICES FUND FORECAST
Fund 1006

(in $ thousands)	Actual FY15	Budget FY16	Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
			FORECAST (@ 96% Ad Valorem Revenue and @100% Ambulance Revenue)						
BEGINNING FUND BALANCE	**27,566.1**	**32,102.2**	**33,351.6**	**34,035.9**	**33,892.7**	**34,341.9**	**35,112.9**	**35,722.4**	**35,966.5**
REVENUES									
Ad Valorem Revenue @95%	49,090.6	51,637.7	51,637.7	54,219.6	56,659.5	58,925.8	60,988.2	63,122.8	65,332.1
Ambulance Service Fees @ 95%	49,996.7	47,300.2	47,300.2	49,192.2	51,159.9	53,206.3	55,334.5	57,547.9	59,849.8
Ambulance Annual Members Fees	238.0	188.9	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Grant Revenue (EMS Trust Fund)	76.6	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Cty Off Fees (TC & PA)	324.7	308.0	324.2	327.5	330.7	334.0	337.4	340.7	344.2
Interest	191.8	142.5	233.5	238.3	372.8	480.8	667.1	678.7	683.4
Refund of prior yrs exp	338.5	-	-	-	-	-	-	-	-
Other revenues	53.4	54.2	54.2	54.2	54.2	54.2	54.2	54.2	54.2
Adjust Tax Revenues to 96%			543.6	570.7	596.4	620.3	642.0	664.5	687.7
Adjust Ambulance Revenues to 100%			2,500.0	2,599.6	2,703.2	2,810.9	2,922.9	3,039.4	3,160.5
TOTAL REVENUES	**100,310.4**	**99,831.5**	**102,993.3**	**107,602.0**	**112,276.7**	**116,832.3**	**121,346.4**	**125,848.3**	**130,511.9**
% vs prior year		-0.5%	2.7%	4.5%	4.3%	4.1%	3.9%	3.7%	3.7%
TOTAL RESOURCES	**127,876.5**	**131,933.7**	**136,344.9**	**141,637.9**	**146,169.4**	**151,174.2**	**156,459.3**	**161,570.6**	**166,478.4**
EXPENDITURES									
Personal Services	3,194.6	3,568.5	3,568.5	3,725.5	3,889.4	4,056.6	4,231.1	4,413.0	4,602.8
Operating Expenses	5,188.1	6,413.3	6,413.3	6,560.8	6,711.7	6,872.8	7,037.7	7,206.6	7,379.6
Operating Expenses - Ambulance Contract (First Responder Medical Supplies)	1,419.8	1,224.0	1,224.0	1,260.7	1,298.5	1,337.5	1,377.6	1,419.0	1,461.5
Capital Outlay **	743.6	1,495.2	1,495.2	1,529.6	1,564.8	1,600.8	1,639.2	1,678.5	1,718.8
Ambulance Contract	41,971.4	43,776.0	43,776.0	45,527.0	47,348.1	49,242.0	51,211.7	53,260.2	55,390.6
EMS Trust Fund Grant Expenditures	76.6	200.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Grants & Aids (First Responder Agmts) *	40,209.4	43,012.6	43,012.6	46,214.6	47,970.8	49,793.6	51,972.1	54,245.9	56,619.2
Grants & Aids (First Responder Capital) **	285.0	1,070.0	1,070.0	1,100.0	1,144.0	1,189.8	1,237.4	1,286.8	1,338.3
Trfrs to PA & TC	1,436.4	1,549.5	1,549.5	1,627.0	1,700.2	1,768.2	1,830.1	1,894.1	1,960.4
TOTAL EXPENDITURES	**94,524.9**	**102,309.1**	**102,309.1**	**107,745.2**	**111,827.5**	**116,061.3**	**120,736.9**	**125,604.2**	**130,671.2**
% vs prior year		8.2%	8.2%	5.3%	3.8%	3.8%	4.0%	4.0%	4.0%
ENDING FUND BALANCE	**33,351.6**	**29,624.6**	**34,035.9**	**33,892.7**	**34,341.9**	**35,112.9**	**35,722.4**	**35,966.5**	**35,807.2**
Ending balance as % of Expenditures	35.3%	29.0%	33.3%	31.5%	30.7%	30.3%	29.6%	28.6%	27.4%
TOTAL REQUIREMENTS	**127,876.5**	**131,933.7**	**136,344.9**	**141,637.9**	**146,169.4**	**151,174.2**	**156,459.3**	**161,570.6**	**166,478.4**
REVENUE minus EXPENDITURES (NOT cumulative)	5,785.5	(2,477.6)	684.3	(143.2)	449.2	771.0	609.5	244.1	(159.3)

* The First Responder Agreements reflect the negotiated compensation for FY17. The percent increase over FY16 looks high because provider funding requests for FY16 were lower than the maximum allowed in the 3-year agreement.

** Capital outlay for County EMS is inflated at the countywide assumption rate. Capital expense reimbursement to First Reponders (Grants & Aids) is projected at 4% to track with Fleet's vehicle annual increase assumption.

AIRPORT FUND

Description

In March 1941 construction started for the St. Pete-Clearwater International Airport at its present site. After Pearl Harbor, the Airport, known as Pinellas Army Airfield, was used as a military flight-training base. After World War II, many army airfields were declared surplus and turned over to cities, counties, and state sponsors to manage. The Pinellas Army Airfield property was granted to Pinellas County in 1946 by the U.S. Government to operate as a commercial airport. It was originally called the Pinellas International Airport, and given the airport call letters, PIE.

The Airport Revenue and Operating Fund is used to account for the self-supporting operations of the Airport. Of the Airport's 2,000 acres, approximately half is dedicated to the airfield, terminal building, and car parking. The remaining acreage includes the 129 acre future planned development site (formerly the Airco Golf course), a 200 acre Airport Business Center, and leased industrial, commercial, and governmental operations. All of the Airport property is designated as a Foreign Trade Zone. All activities necessary for airport operations (e.g. administration, operating, and maintenance expenses) are included in this fund. Also included are airport capital improvements, which typically receive federal and state grant funding of up to 95.0% of costs, depending on the type of project, with some projects funded 100.0% when Passenger Facility Charges are included.

The St. Pete - Clearwater International Airport in 2015 successfully passed its annual Federal Aviation Administration (FAA) Safety and Certification Inspection with no discrepancies, marking its 11th consecutive year without a single deficiency. The Airport has hosted Honor Flights with the support of Allegiant Airlines since 2011, and hosted four flights in 2015. Veteran Honor Flights recognize American veterans for their sacrifices and achievements by flying them to Washington, D.C. to see the appropriate war memorial at no cost to the veteran.

The Airport realized a 32.0% increase in airline passengers in 2015 by serving 1,645,402 passengers in the calendar year. Allegiant Airlines continues to be the Airport's largest airline, representing 95.5% of passengers served. The airline added twelve new cities in 2015. Allegiant now flies non-stop from the Airport to 47 destinations. In early 2016, Allegiant Airlines will add service to Flint-MI, and Dayton-OH. Other commercial airlines operating at the Airport are Sun Country Airlines, Beau Rivage Charter, and Sunwing Airlines.

Summary

The Airport Operating and Revenue Fund is an enterprise fund that accounts for all revenues and expenditures at the Airport. This includes management of passenger and cargo airline operations, military, and general aviation, along with commercial and industrial airport property. The Airport is entirely self-supporting, meaning that no property tax dollars are used to support the operation of the airport.

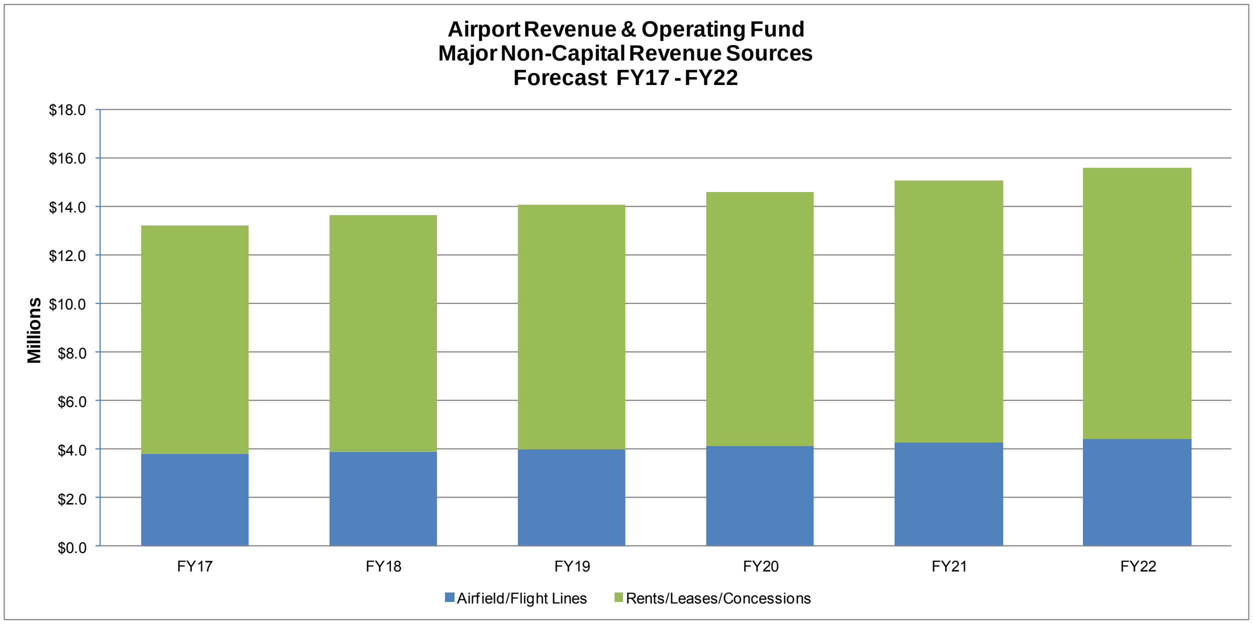
Airport airline and concession revenues have grown in recent years due to increased service from Allegiant Airlines. These revenues are forecast to increase by 3.4% per year over the forecast period based on the Airport's agreement with Allegiant and with the continued recovery of the U.S. economy. The forecast for availability of capital contributions and other grant funding is based on current Federal and State funding participation ratios.

The forecast for the Airport Revenue and Operating Fund shows that the fund is balanced throughout the forecast period. This presumes the timing of capital projects may need to be

adjusted to reflect the timing and amounts of any grant revenues, changing priorities or capacity issues, and other adjustments to operating expenses may be required to match operating revenues.

Revenues

Excluding capital contributions and grants, the two major funding sources supporting the Airport Revenue and Operating Fund during the forecast period are Rentals, Leases, & Concessions income and Airfield & Flight Line Fees. Rentals, Leases, & Concessions include all direct and indirect revenue related to passenger airlines. In addition, it includes long-term ground lease income. Airfield & Flight Line revenue include US Coast Guard fees, airline landing and fuel flowage fees, and general aviation rent/fees.



Rentals/Leases/Concessions

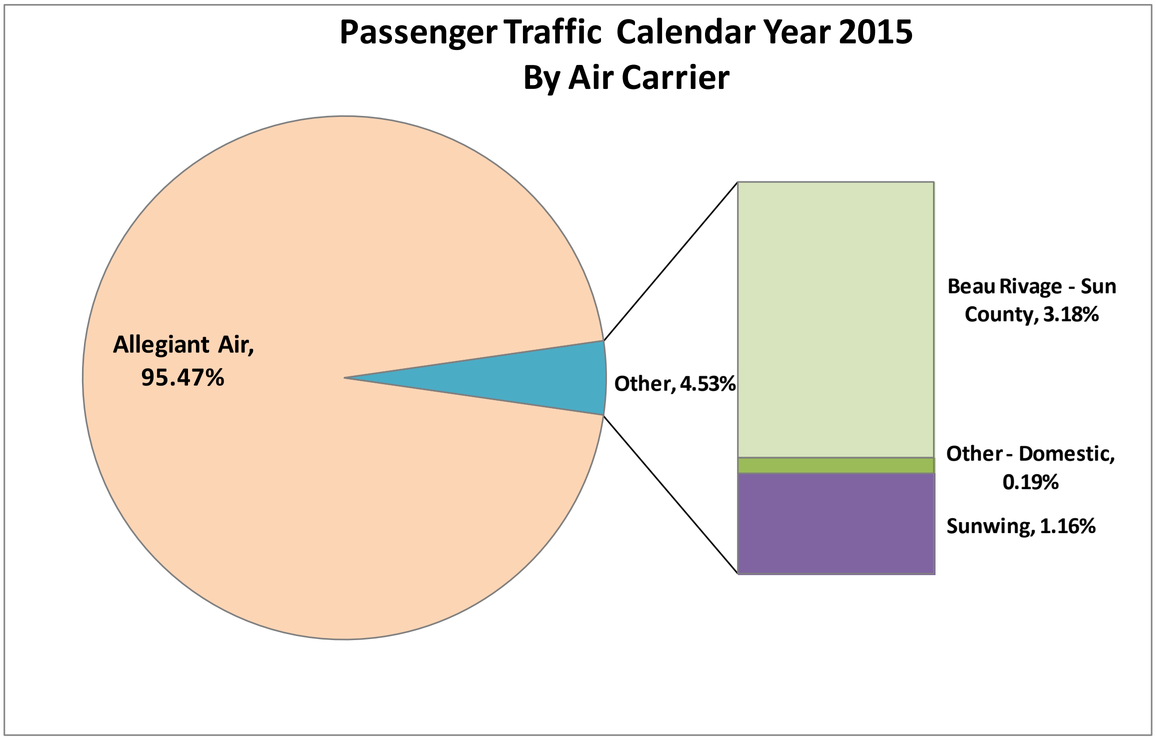
St. Petersburg-Clearwater International Airport, which is classified as a small-hub airport by the Federal Aviation Administration (FAA), provides commercial and private aviation services for the community. The Airport also has a significant amount of land which is under long-term ground leases, and provides a stable source of revenues. Pinellas County Justice Center, Cracker Barrel Restaurant, and Dynamet Inc. are examples of the long-term ground leases at the Airport. The long-term ground lease revenue percentage of total revenues has continued to decrease due to the increase in aviation revenues. Long-term ground leases typically have a five-year adjustment based on the CPI.

Also included in this revenue source are concessions operating at the airport terminal, such as the paid parking, car rentals, gift shop, and restaurant. These revenue sources are expected to increase an average of 3.5% per year over the forecast period.

Airfield/Flight Line

As noted above, Airfield revenue includes US Coast Guard fees, airline and cargo landing fees, and fuel flowage fees. Flight Line includes long-term leases that are related to general aviation activities which include land for hangar rent, aircraft parking, and condominium T-hangars. These revenue sources are expected to increase by approximately 3.0% per year over the forecast period.

The following chart illustrates passenger traffic for the 2015 calendar year. The chart shows that Allegiant Airlines represents 95.4% of the passengers served on passenger airlines operating at the Airport. Revenues from Terminal concession leases, along with airline landing fees and fuel flowage fees, are dependent on passenger airline service. As compared to the same period in 2014, airline passenger traffic for 2015 increased 32.8%.



Capital Contributions and Grants

Grants from the FAA and the Florida Department of Transportation (FDOT), along with passenger facility charges provide the funding base for Airport capital improvement projects. These are the revenue sources typically used for the Airport's capital project funding. On occasion, Airport Reserves are also used to assist with funding of capital improvement projects.

The Passenger Facility Charge (PFC) Program by the FAA allows the collection of fees for every boarded passenger at commercial airports that have implemented a PFC through an FAA application approval process. These fees are used for FAA approved projects that enhance safety, security, or capacity, reduce noise, or increase air carrier competition. The Airport currently uses these funds for capital improvements only.

Expenditures

In FY16 the Airport Revenue and Operating Fund supports budgeted expenditures and reserves totaling $61.5M of which $25.9M is allocated for capital projects and $24.6M for reserves. Early estimates for FY16 show total expenses slightly less than budget due to updated capital project plans and the 1.0% expenditure lapse assumption used in the forecast.

Airport Programs

Of the remaining $11.0M budgeted for operating expenditures, 95.5% supports the Aviation Services program and 4.5% the Airport Real Estate program. The Aviation Services program consists of all facets of day-to-day aviation activities. The Airport Real Estate program oversees and negotiates leases with tenants and future development at the Airport to ensure compliance with Federal Aviation Administration lease requirements. Early estimates for FY16 operating expenses remain at budget.

Personal Services

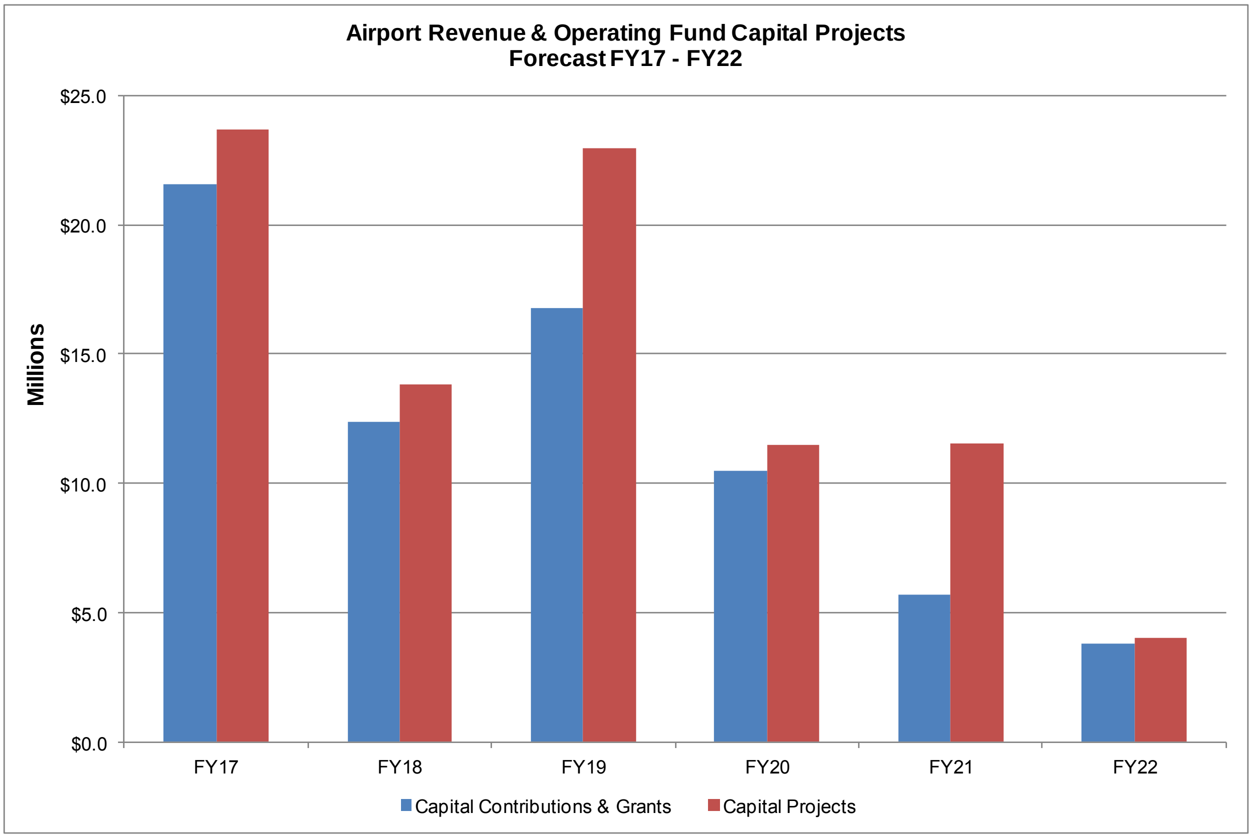
Personal Services expenses are for the salaries and benefits of the 60.5 full-time equivalent positions needed to operate both programs at the Airport. Budgeted Personal Services expenditures in FY16 total $5.0M.

Capital Projects

The FY16 budget for Capital Projects is $25.9M. These projects receive partial funding in the form of grants from the Federal Aviation Administration and the Florida Department of Transportation. Passenger Facility Charge revenue may also be used when state or federal funds are unavailable. These projects will only commence when the appropriate grant funding is received from the funding agencies. The following chart shows the relationship between the scheduling of the revenues and the expenditures of capital projects. When additional funds are needed, Reserves may be used. Other outside revenues may be planned, such as private investment funds, but these sources are not included in the revenue forecast for Capital Projects in this analysis. As stated previously, preliminary FY16 capital project expenditures are estimated to be lower than budget for FY16 due to project scheduling.

In FY16 through FY18, capital projects include internal terminal drive circulation re-configuration and additional parking areas, security system rehabilitation, a new airport maintenance facility, the second phase of airfield taxiway rehabilitation, an update to the Airport Master Plan, and an inline baggage handling system. The FY17 Airport Master Plan will be an important update with Board of County Commissioners policy decisions on the level and sources of investment for future capital improvements.

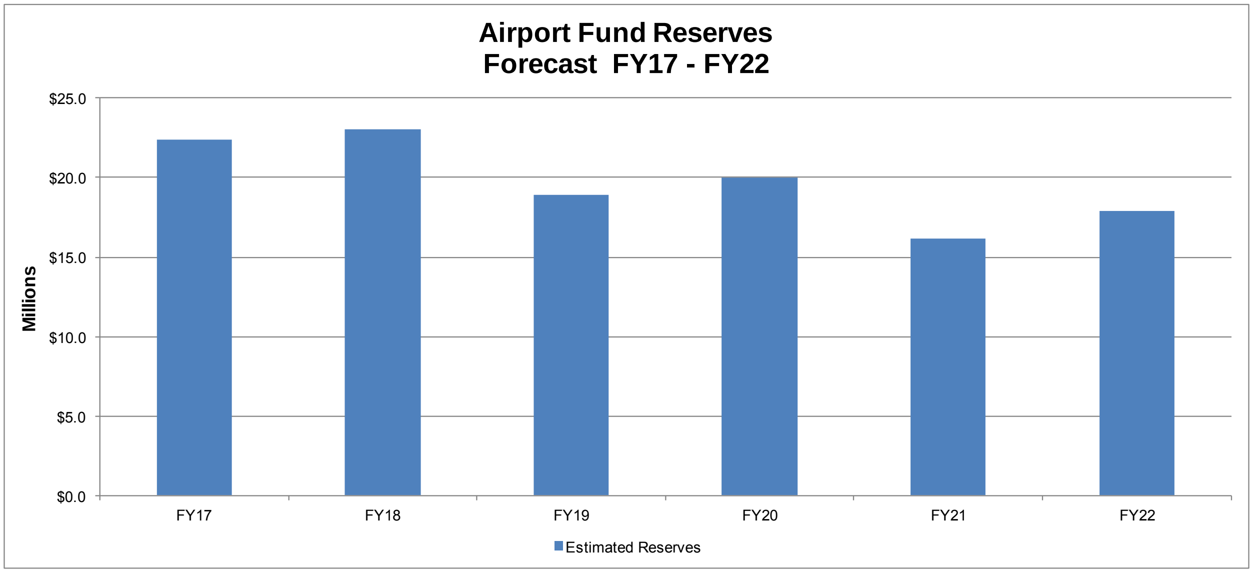
The scheduled capital projects in the outer years of the forecast period include construction of new taxiways and ramps to the former Airco parcel, a parking garage, construction of new T-Hangars, airfield lighting rehabilitation, a new fire-fighting vehicle, and construction of a new airport fire station.



<u>Reserves</u>

The total reserve level in the Airport Revenue and Operating fund is budgeted at $24.6M (40.0%) for FY16. The Airport built reserves over the past several years from the increased passenger airline service revenues and conservative operating expenditures which resulted in increased annual operating profits. The reserves are available in the event of unanticipated revenue shortfalls as well as to support future capital funding needs. During the last eight fiscal years except in FY09, this drawdown on fund balance has only occurred to fund CIP projects. The Airport reserves also include the projected cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual on the financial statements. The amount of OPEB for the Airport Fund in the FY14 Comprehensive Annual Financial Report, Proprietary Funds Statement of Net Position is $2.2M.

AIRPORT FUND



Six-Year Forecast

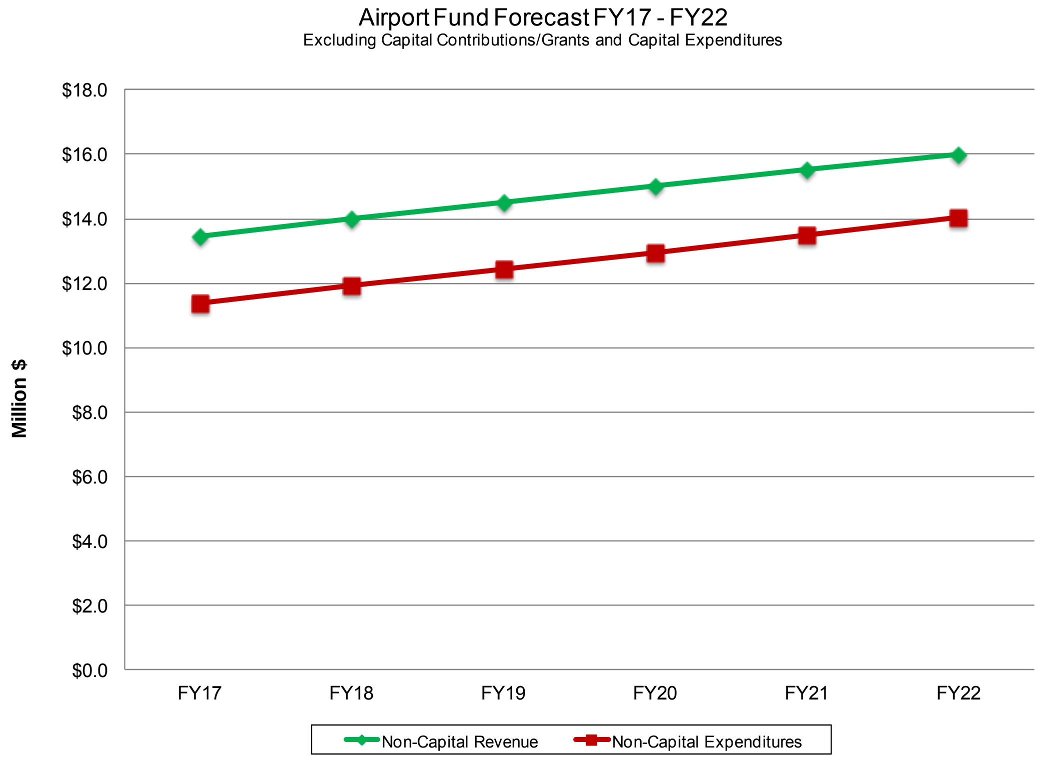
<u>Key Assumptions</u>

The key assumptions for the six-year forecast are based on the following:

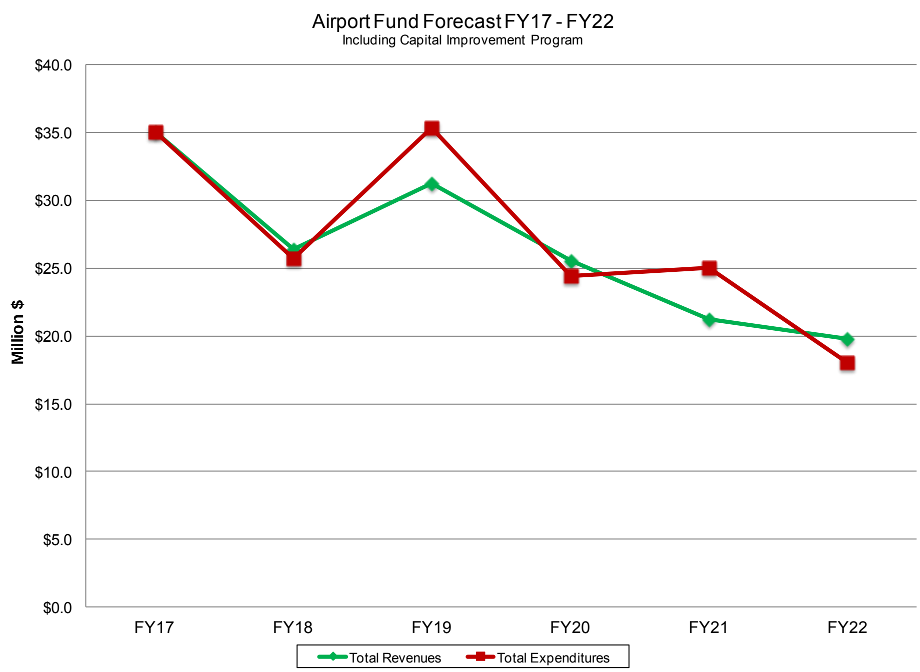
- Operating revenues and expenditures are based on the current level of traffic as announced in November 2015 by Allegiant Airlines.
- Operating revenues and expenditures assume the following:
  - FY15 – Estimated at 1.5M total passengers
  - FY16 – Estimated at 1.7M total passengers
  - FY17 – FY21 – 4.0% average annual passenger growth which equates to an average passenger growth of 60,000 total passengers each year
  - Operating expenditures are forecasted to increase an average 4.3% over the forecast period due to traffic growth, or new Federal mandates
- Conservative assumptions based on the following:
  - Rental revenues are adjusted for inflation
  - Most airport industrial land that can be leased is currently leased, so no growth in acreage leased is projected except for the former golf course area
  - New city destination growth forecasted at two cities each year for passenger airlines
  - Largest sources of concession revenue are paid parking and car rental income
  - If needed in the future, expenditures will be adjusted to reflect changes in airline service and revenues

No significant new revenue from commercial or industrial development on the former golf course acreage is projected in the forecast until FY19. However, new property development will depend on factors such as site restrictions and future economic conditions. The following chart shows that the net of recurring (excludes capital projects) revenues and expenditures is positive through the forecast period, resulting in forecast annual operating profits of more than $1.3M.

AIRPORT FUND



With the addition of the Capital expenditures and revenues, the chart below tracks the estimated revenues and expenditures in the fund through the forecast period. Reserves are modeled in the forecast to cover the shortfall in revenue shown in FY18 due to capital project expenditures.



AIRPORT FUND

Key Results

The forecast for the Airport Fund is balanced over the forecast period.

The fluctuations in total revenues and expenditures are caused by the timing of capital projects. Capital project impact to both revenues and expenditures is fund neutral, since the projects are dependent on the availability of grants. If grants are not available, then projects are not started.

Potential Risks

Several items can alter the six-year forecast of Airport revenue collections. A primary concern is the strength of the airline industry and the continued dependence on one very successful airline, Allegiant Airlines. Operating revenues could increase if the airport were to attract additional passenger airline service. New passenger service with an increase of 250,000 airline passengers could provide over $1.0M in additional income without a significant increase in operating expenses.

Increases in rental/lease income will result when current leases and agreements are renewed and rate base formula escalations occur.

Also, the former Airco Golf Course has been rezoned for future aviation and commercial development. The potential lease income value of this parcel is approximately $1.5M annually when all land is fully leased. In addition, other vacant land parcels could add another $100,000 to $300,000 in annual lease income if fully leased.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period presuming that the operating and capital budget would be adjusted in step with revenues and/or capital grants.

AIRPORT FUND FORECAST
Fund 4001

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Airfield/Flight Lines	3.2%	2.8%	2.5%	3.1%	3.4%	3.1%
Rents/Leases/Concessions	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Capital Contributions inc. PFCs	-9.9%	-42.5%	35.2%	-37.4%	-45.9%	-33.2%
Interest	0.7%	1.1%	1.4%	1.9%	1.9%	1.9%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Capital Outlay	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Grants & Aids	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

AIRPORT FUND FORECAST
Fund 4001

(in $ thousands)	Actual FY15	Budget FY16	FORECAST Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
BEGINNING FUND BALANCE	**20,997.4**	**25,557.6**	**21,946.6**	**22,416.9**	**22,383.2**	**23,032.1**	**18,912.9**	**19,993.5**	**16,184.3**
REVENUES									
Airfield/Flight Lines *	3,441.5	3,497.3	3,497.3	3,609.2	3,710.3	3,803.0	3,920.9	4,054.2	4,179.9
Rents/Leases/Concessions *	9,101.5	8,665.7	8,665.7	8,969.0	9,282.9	9,607.8	9,944.1	10,292.1	10,652.4
Grants-Operating	88.6	88.2	88.2	90.0	91.8	93.6	95.5	97.4	99.3
Capital Contributions includes PFCs	15,527.9	23,636.7	23,977.7	21,594.3	12,407.3	16,775.8	10,508.0	5,685.0	3,800.0
Interest	117.7	83.0	83.0	156.9	246.2	322.4	359.3	379.9	307.5
Other revenues	55.4	1.9	1.9	1.9	2.0	2.0	2.1	2.1	2.1
Adjust Operating Revenues to 100.0%			608.2	628.9	649.7	670.5	693.3	717.3	741.6
TOTAL REVENUES	**28,332.6**	**35,972.8**	**36,922.0**	**35,050.2**	**26,390.1**	**31,275.4**	**25,523.2**	**21,228.1**	**19,783.0**
% vs prior year			30.3%	-5.1%	-24.7%	18.5%	-18.4%	-16.8%	-6.8%
TOTAL RESOURCES	**49,330.0**	**61,530.4**	**58,868.5**	**57,467.2**	**48,773.3**	**54,307.4**	**44,436.2**	**41,221.7**	**35,967.3**
EXPENDITURES									
Personal Services	4,578.8	4,985.6	4,985.6	5,205.0	5,434.0	5,667.6	5,911.4	6,165.5	6,430.7
Operating Expenses **	4,093.9	5,379.7	5,379.7	5,648.7	5,931.1	6,227.7	6,476.8	6,735.9	7,005.3
Capital Outlay	268.9	176.2	176.2	183.2	190.6	198.2	206.1	214.4	222.9
Full Cost Allocation	483.0	447.8	447.8	458.1	468.6	479.4	490.9	502.7	514.8
Debt Service	-		-	-	-	-	-	-	-
Non-recurring CIP expenditures	17,958.9	25,918.7	25,567.7	23,699.3	13,832.5	22,942.5	11,483.4	11,550.0	4,000.0
Expenditure Lapse 1% ***			(105.4)	(110.4)	(115.6)	(120.9)	(125.9)	(131.2)	(136.6)
TOTAL EXPENDITURES	**27,383.5**	**36,908.0**	**36,451.6**	**35,083.9**	**25,741.3**	**35,394.5**	**24,442.6**	**25,037.3**	**18,037.1**
% vs prior year			33.1%	-3.8%	-26.6%	37.5%	-30.9%	2.4%	-28.0%
ENDING FUND BALANCE	**21,946.6**	**24,622.4**	**22,416.9**	**22,383.2**	**23,032.1**	**18,912.9**	**19,993.5**	**16,184.3**	**17,930.2**
Ending balance as % of Resources	44.5%	40.0%	38.1%	38.9%	47.2%	34.8%	45.0%	39.3%	49.9%
TOTAL REQUIREMENTS	**49,330.0**	**61,530.4**	**58,868.5**	**57,467.2**	**48,773.3**	**54,307.4**	**44,436.2**	**41,221.7**	**35,967.3**
REVENUE minus EXPENDITURES	949.2	(935.2)	470.4	(33.7)	648.8	(4,119.2)	1,080.6	(3,809.2)	1,745.9
note: non-recurring CIP expenditures			**25,567.7**	**23,699.3**	**13,832.5**	**22,942.5**	**11,483.4**	**11,550.0**	**4,000.0**
non-recurring revenue (capital contributions)			**(23,977.7)**	**(21,594.3)**	**(12,407.3)**	**(16,775.8)**	**(10,508.0)**	**(5,685.0)**	**(3,800.0)**
net recurring rev- exp			**2,060.4**	**2,071.3**	**2,074.0**	**2,047.5**	**2,056.0**	**2,055.8**	**1,945.9**

* Operating Revenues
** Operating Expenses net of Full Cost Allocation
*** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.
GASB 68 rule for Pensions is effective for FY15 requiring local governments to report their proportionate share of the pension obligation of cost-sharing pension plans (FRS).
FY15 calculations are not yet complete, but based on 6/30/14 values from FRS, the impact on the Airport fund will be approximately $1.7M one-time reduction in fund balance.

WATER FUNDS

Description

The Pinellas County Water System is responsible for providing quality, cost effective potable water service to County retail and wholesale customers, as shown in the included map. The Water System must adhere to State and Federal laws, rules, and regulations while operating and maintaining this delivery system. The Water System is continually being upgraded to provide customers with a safe and sufficient water supply for domestic needs as well as an ample supply for fire protection. The Water System also continues to educate its customers on important water conservation issues.

The Water Funds are enterprise funds, and are committed solely to support Water System functions. The Pinellas County Water System utilizes three funds: Revenue and Operating, Renewal and Replacement (capital), and Impact Fees. This forecast covers all three funds.

Summary

The forecast for the Water System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY22. This assumes that the 1.75% annual rate increase through FY19 is extended through FY22. In FY16 and FY17, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Water Funds are structurally balanced through the forecast period.

Revenues

The Water Funds are projected to generate revenues in FY16 totaling $84.1M. The Water Funds have two primary funding sources: retail water sales of $68.4M and wholesale water sales of $10.2M.

<u>Retail Water Sales</u>

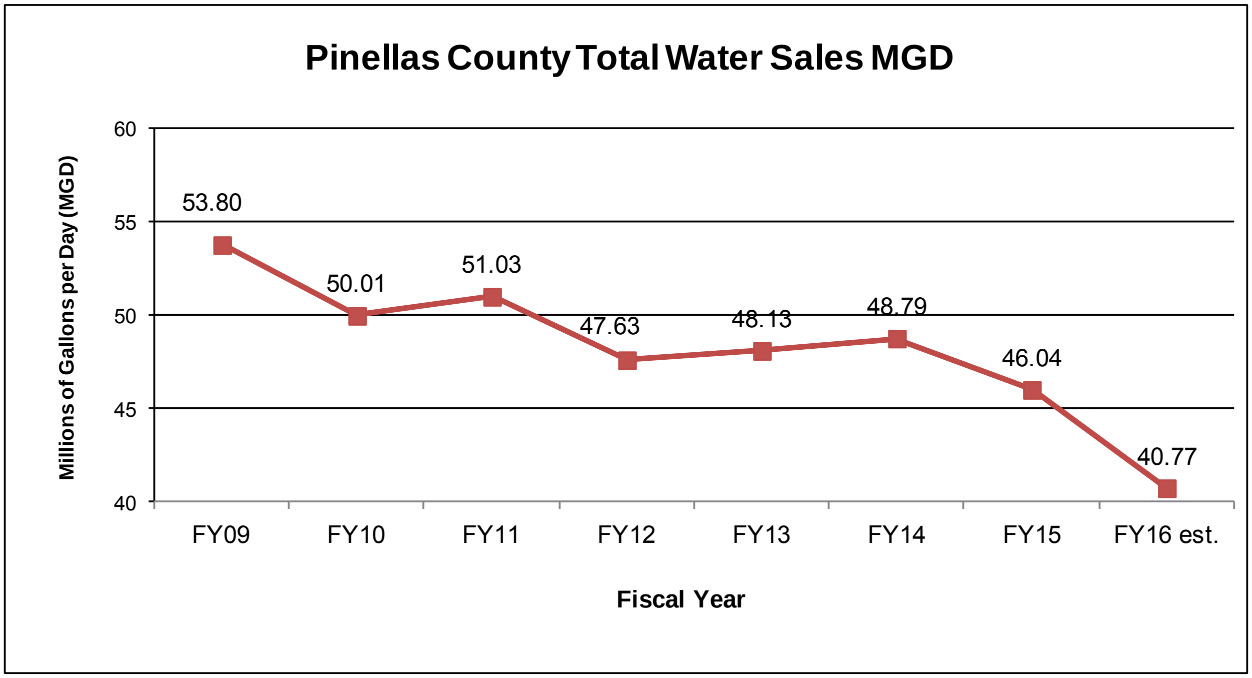
The Water System charges $6.46 per month base rate and $4.86 per 1,000 gallons for retail water service in FY16, an increase of $0.19 per month from FY15. The customer base for retail water sales is both commercial and residential properties in the Pinellas County Water service area. The volume of water sold has declined 10.8% from FY08 to FY15. The amount of water sold can be affected by economic conditions, housing and commercial vacancies, rainfall, and levels of conservation.

<u>Wholesale Water Sales</u>

The Water System rate for FY16 is $3.9232 per 1,000 gallons for wholesale water service. Wholesale Water Sales provide water to the cities of Clearwater, Tarpon Springs, Safety Harbor, Oldsmar, Belleair, and Pinellas Park. The volume of water sold has declined 35.2% from FY08 to FY15, which can be attributed to the development of independent water sources by wholesale customers and the same economic and conservation pressures seen in retail water sales. During FY13, Oldsmar substantially reduced their purchase of water from Pinellas County. During FY15, the City of Clearwater and the City of Tarpon Springs completed the expansion and development of their own water supply facilities, substantially reducing their purchase of water from Pinellas County. Beginning in FY16, wholesale water sales volume is projected to be at a steady level.

WATER FUNDS

The graph below shows the recent history of the volume of total Water sales by the Water System.



Source: Pinellas County Utilities Department

Expenditures

The Water Funds support budgeted expenditures in FY16 totaling $93.7M. The primary expenditures in the fund are $41.0M for the purchase of water, $13.7M for personal services, $15.7M for operating expenses (excluding the purchase of water), and $23.3M for capital outlay.

Purchase of Water

Under Section 373.1963 of the Florida Statutes, the Water System is required to purchase water from Tampa Bay Water, the regional water supply authority. In 1997, an Interlocal Agreement and the Master Water Supply Contract was signed under which Tampa Bay Water provides water to their members: Pinellas County, Hillsborough County, Pasco County, City of St. Petersburg, City of Tampa, and City of New Port Richey. Tampa Bay Water sets their rates according to the adopted budget and collects those rates from all members, according to the Master Water Supply Contract.

Personal Services

The Water System is budgeted for 166.5 full-time equivalent employees in FY16. The Personal Services expenses of $13.7M are for the salaries and benefits of those positions needed to operate the Water System. Water System benefits include the $880,800 cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

Operating Expenses

The Water System incurs annual recurring costs for repair and maintenance, supplies, fuel, and communications. The Water System also pays for electrical power to run its facilities and for chemicals to treat the water.

Capital Outlay

The Water System must maintain its equipment, facilities, pipelines, and plants in good working order, utilizing revenues generated within its proprietary funds. Capital outlay reflects the construction and purchase needs as estimated by engineering staff in the Capital Improvement Program 10-year work plan.

Reserves

The reserve level in the Water System is estimated at 35.6% in FY16, which exceeds the 5.0% - 15.0% reserve level budget policy adopted by the Board. As a self-supporting enterprise, the Water System maintains these reserves for cash flow, emergencies, and future capital needs.

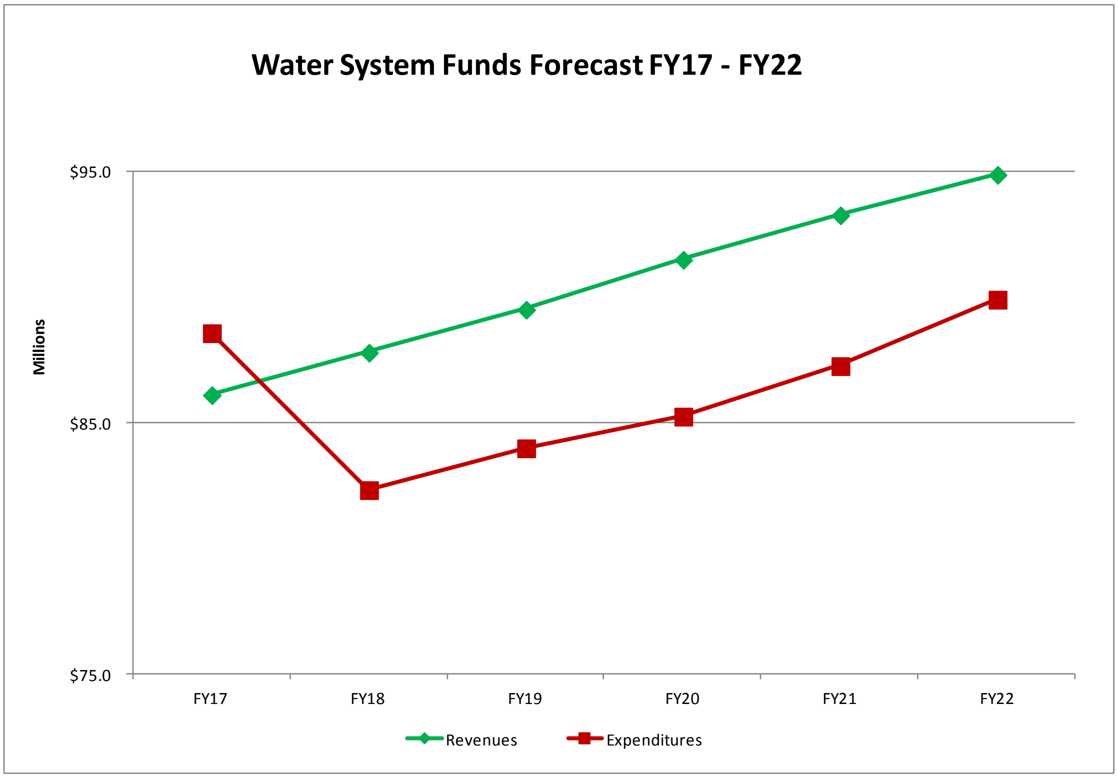
Six-Year Forecast

Key Assumptions

Due to the expected slow growth in the economy, the forecast assumes that FY17 to FY22 revenues are projected to increase 1.7% to 2.4% per year. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The change in the Purchase of Water costs is derived from the FY16 Tampa Bay Water five-year budget through FY21, then assumes an increase of 2.6% for FY22. Electricity and chemical costs are projected to increase 5.0% and 7.0% respectively per year through the forecast period, based on historical trends. The capital outlay forecast reflects the construction and purchase needs as estimated by the engineering staff.

To balance revenues with projected expenditures, the forecast includes rate increases through FY19 of 1.75% per year for both retail and wholesale water, approved as part of the FY16 budget. Burton & Associates, independent consultants, computed that rate increases for FY20 through FY22 are needed at 1.75% per year as well, based on a blend of growth and consumption assumptions, inflationary cost increases, and capital needs at the projected water demand levels.

WATER FUNDS



Key Results

The forecast for the Water System Funds shows that the approved and forecasted rate increases will provide sufficient revenues to maintain reserves and fund capital replacement needs. In FY16 and FY17, expenditures will exceed revenues as fund balance is drawn down to complete major capital projects. From FY18 through FY22 the Water Funds are structurally balanced.

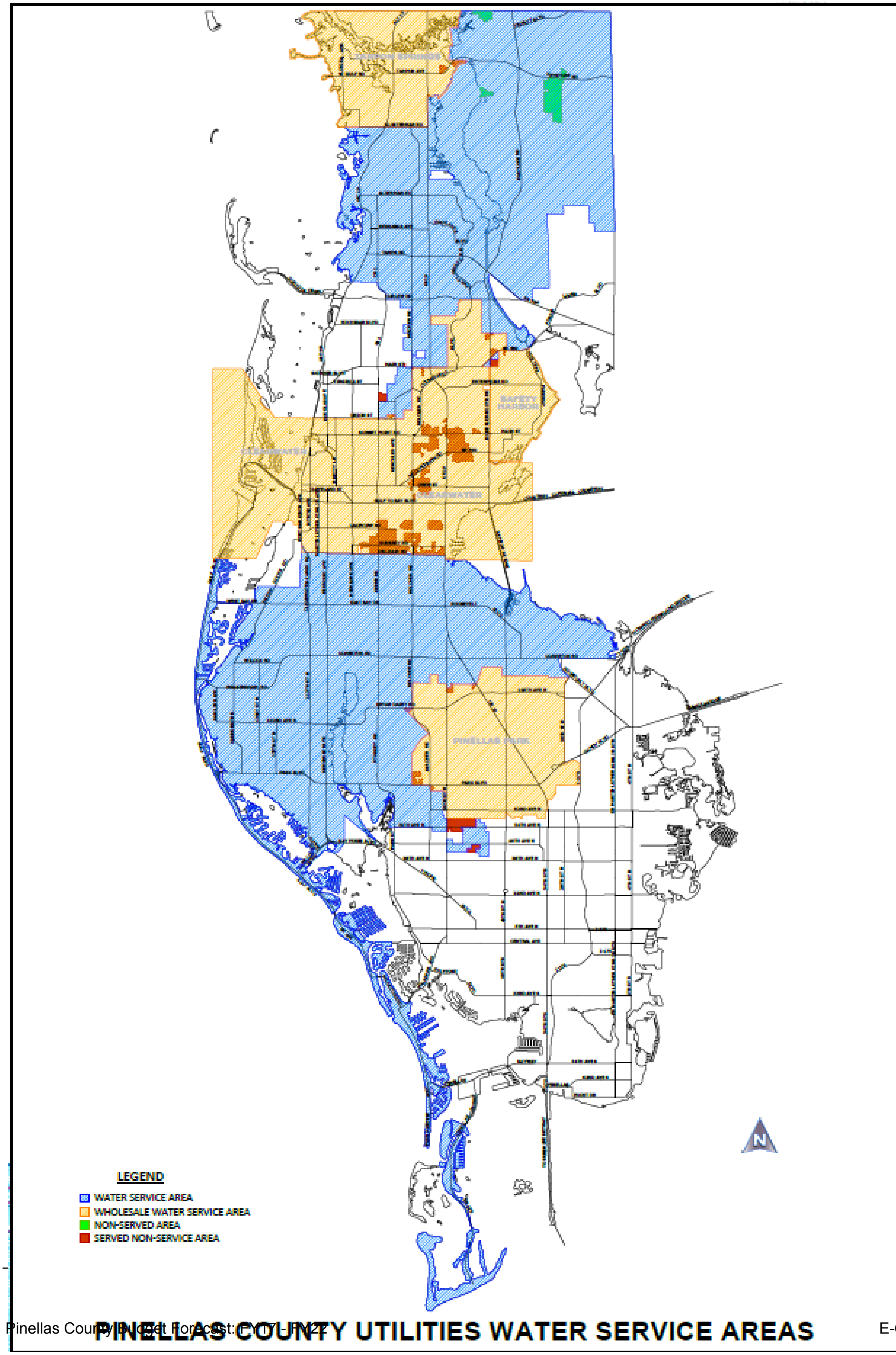
Potential Risks

There are some impacts that can alter the six-year forecast of the Water System. Any future economic decline would reduce water demand, which would impact revenue more than expenses. Operating costs (including the purchase of water from Tampa Bay Water) could increase more than projected. The Water System could experience a need for more maintenance than anticipated, causing increased operating and capital costs. Regulatory pressures could cause an increase of expenditures to maintain the system.

Balancing Strategies

With the multi-year rate increases approved during the FY16 budget process, the Water System is balanced over the forecast period. With the exception of FY16 and FY17, when large capital improvements are planned, recurring revenues will be sufficient to cover projected expenditures and maintain sufficient reserves each year during the forecast period.

WATER FUNDS


LEGEND
WATER SERVICE AREA
WHOLESALE WATER SERVICE AREA
NON-SERVED AREA
SERVED NON-SERVICE AREA
N
PINELLAS COUNTY UTILITIES WATER SERVICE AREAS

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Water Sales-Retail	2.3%	1.9%	1.9%	1.9%	1.9%	1.9%
Water Sales-Wholesale	3.6%	1.8%	1.8%	1.7%	1.8%	1.7%
Interest	0.7%	1.1%	1.4%	1.9%	1.9%	1.9%
Other revenues	-1.9%	-0.5%	-1.4%	0.3%	0.6%	-2.9%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Purchase of Water	-0.4%	1.1%	1.0%	1.4%	2.6%	2.6%
Power	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Chemicals	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

The adopted rate adjustment for Retail Water is an increase of:

FY16	FY17	FY18	FY19
1.75%	1.75%	1.75%	1.75%

The adopted rate adjustment for Wholesale Water is an increase of:

FY16	FY17	FY18	FY19
1.75%	1.75%	1.75%	1.75%

WATER FUNDS FORECAST
Fund 4031, 4034, & 4036

(in $ thousands)	Actual FY15	Budget FY16	FORECAST (@100%) Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated 2022
BEGINNING FUND BALANCE*	**51,039.7**	**51,203.5**	**60,331.8**	**51,424.3**	**48,960.0**	**54,429.7**	**59,947.6**	**66,191.3**	**72,195.5**
REVENUES									
Water Sales - Retail	64,337.8	64,940.8	68,358.8	69,904.3	71,253.9	72,629.4	74,031.1	75,459.7	76,915.6
Water Sales - Wholesale	17,967.6	9,645.0	10,152.7	10,517.5	10,701.6	10,888.9	11,079.4	11,273.3	11,470.6
Interest	350.5	130.6	137.5	360.0	538.6	762.0	1,139.0	1,257.6	1,371.7
Other Revenues	7,001.5	5,191.2	5,464.5	5,359.5	5,334.2	5,260.3	5,278.6	5,308.2	5,153.6
TOTAL REVENUES	**89,657.5**	**79,907.6**	**84,113.4**	**86,141.3**	**87,828.3**	**89,540.5**	**91,528.1**	**93,298.8**	**94,911.6**
% vs prior year	-1.2%	-10.9%	-6.2%	2.4%	2.0%	1.9%	2.2%	1.9%	1.7%
TOTAL RESOURCES	**140,697.2**	**131,111.1**	**144,445.2**	**137,565.7**	**136,788.3**	**143,970.3**	**151,475.8**	**159,490.1**	**167,107.1**
EXPENDITURES									
Personal Services	12,110.7	12,835.1	12,835.1	13,399.8	13,989.4	14,591.0	15,218.4	15,872.8	16,555.3
OPEB	843.7	880.8	880.8	919.6	960.0	1,001.3	1,044.4	1,089.3	1,136.1
Operating Expenses	3,746.4	6,670.4	6,670.4	6,823.8	6,980.8	7,141.3	7,312.7	7,488.2	7,668.0
Purchase of Water	44,309.6	41,000.0	41,000.0	40,835.5	41,292.7	41,688.9	42,266.7	43,386.8	44,536.4
Power	1,191.0	1,425.3	1,425.3	1,496.5	1,571.3	1,649.9	1,732.4	1,819.0	1,910.0
Chemicals	627.3	803.2	803.2	859.4	919.6	984.0	1,052.9	1,126.6	1,205.4
Grants & Aids	919.8	-	-	-	-	-	-	-	-
Cost Allocation	6,162.2	6,763.4	6,763.4	6,918.9	7,078.1	7,240.9	7,414.6	7,592.6	7,774.8
Expenditure Lapse**			(695.0)	(703.3)	(718.3)	(733.0)	(750.0)	(772.9)	(796.5)
Debt Service	3.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Capital Equipment	2,273.4	2,425.8	2,425.8	1,147.9	1,147.9	1,147.9	1,147.9	1,147.9	1,147.9
Capital Outlay	8,178.1	20,904.8	20,904.8	16,900.4	9,130.0	9,303.4	8,837.4	8,537.4	8,797.4
TOTAL EXPENDITURES	**80,365.3**	**93,715.8**	**93,020.8**	**88,605.6**	**82,358.5**	**84,022.6**	**85,284.4**	**87,294.7**	**89,941.8**
% vs prior year	-9.8%	16.6%	15.7%	-4.7%	-7.1%	2.0%	1.5%	2.4%	3.0%
TOTAL ENDING FUND BALANCE	**60,331.8**	**37,395.3**	**51,424.3**	**48,960.0**	**54,429.7**	**59,947.6**	**66,191.3**	**72,195.5**	**77,165.3**
Ending balance as % of Resources	42.9%	28.5%	35.6%	35.6%	39.8%	41.6%	43.7%	45.3%	46.2%
TOTAL REQUIREMENTS	**140,697.2**	**131,111.1**	**144,445.2**	**137,565.7**	**136,788.3**	**143,970.3**	**151,475.8**	**159,490.1**	**167,107.1**
REVENUE minus EXPENDITURES (NOT cumulative)	9,292.1	(13,808.2)	(8,907.5)	(2,464.3)	5,469.8	5,517.9	6,243.7	6,004.2	4,969.8

* Includes OPEB Impact

** Expenditure lapse of 1.0% is calculated on all expenses excluding OPEB, Debt Service and Capital Outlay.

Revenues reflect the combined impact of changes in rates and/or levels of consumption.

GASB 68 rule for Pensions is effective for FY15 requiring local governments to report their proportionate share of the pension obligation of cost-sharing pension plans (FRS).

FY15 calculations are not yet complete, but based on 6/30/14 values from FRS, the impact on the Water funds will be approximately $5.0M one-time reduction in fund balance.

SEWER FUNDS

Description

The Pinellas County Sewer System is responsible for quality, cost effective sewer service to the citizens and business owners within the County sewer service areas. The Sewer System must adhere to State and Federal laws, rules, and regulations while operating and maintaining this system. The System provides an environmentally safe and sanitary means of collecting and transmitting discharged domestic waste from residential, commercial, and industrial users. The Sewer System provides for the treatment and disposal of objectionable materials and organisms from the waste in order to protect public health, property, and environment.

The Sewer Funds are enterprise funds, and are committed solely to support Sewer System functions. The Pinellas County Sewer System utilizes three funds: Revenue and Operating, Renewal and Replacement (capital), and Interest and Sinking (Debt Service). The Sewer System is required to maintain a debt service coverage ratio of 1.25x per the bond covenants; however the fund is maintained at a debt service coverage ratio of at least 1.50x to sustain the current bond ratings.

Summary

The Pinellas County Sewer Funds are proprietary funds dedicated solely to supporting the Pinellas County Sewer System (Sewer System).

The forecast for the Sewer System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves, sustain the targeted debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. There is also a 1.0% annual rate increase projected for FY20 through FY22. In FY16 through FY19, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

Revenues

The Sewer Funds are projected to generate revenues in FY16 totaling $75.5M. The Sewer Funds have four primary funding sources: retail sewer charges of $59.7M, wholesale sewer charges of $9.3M, retail reclaimed water charges of $4.6M, and wholesale reclaimed water charges of $259,200.

<u>Retail Sewer Charges</u>

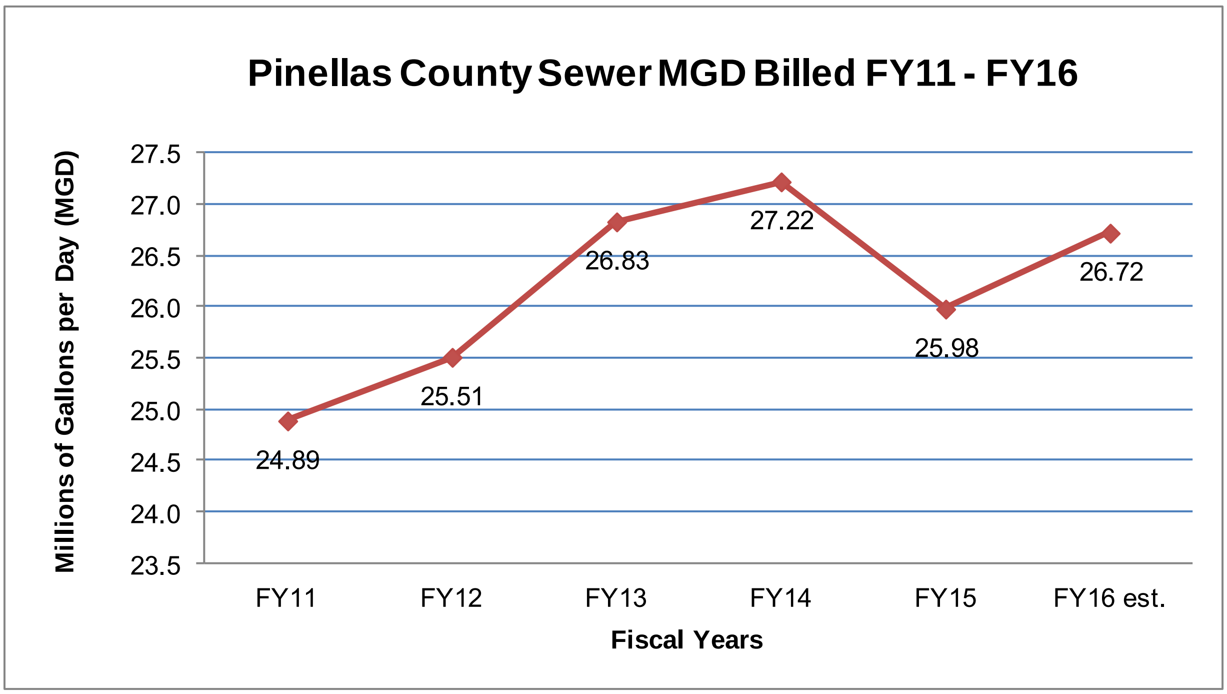
In FY16, a rate increase was adopted that left the FY16 rate unchanged for retail customers at a base rate of $13.26 per month and $4.84 per 1,000 gallons, with FY17 through FY19 increasing at 1.0% per year. Prior to this approved rate increase, there was a 6.0% increase annually from FY12 through FY15, a 1.5% increase in FY11, a 3.5% increase in FY10, and no rate increases from FY04 through FY09. The customer base for retail sewer service is both commercial and residential properties in the Pinellas County Sewer service area. The residents and businesses of the City of Indian Rocks Beach became retail customers effective in FY15. The amount of waste processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

SEWER FUNDS

Wholesale Sewer Sales

The Sewer System charges $4.1783 per 1,000 gallons for wholesale sewer service in FY16, with an adopted rate increase of 1.0% per year for FY17 through FY19. Wholesale customers are three cities within Pinellas County that purchase sewer service from the Sewer System in bulk after collecting it from their retail sewer customers. The cities of North Redington Beach, Redington Shores, and Pinellas Park are the wholesale customers of the Sewer System. The City of Indian Rocks Beach was a wholesale customer until the sale of their sewer collection system to Pinellas County, effective October 1, 2014. The amount of waste processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

The graph below shows the recent history of the volume of waste billed by the Sewer System.



Source: Pinellas County Utilities Department

Retail Reclaimed Water Charges

The Reclaimed Water System charges a $13.00 per month rate for unfunded un-metered service (systems without existing distribution lines), a $7.00 per month availability charge and $1.01 per 1,000 gallons for retail reclaimed water service for metered service unfunded systems (systems without existing distribution lines), a $19.00 per month base rate for funded un-metered service (systems with pre-existing distribution lines), and $1.01 per 1,000 gallons for metered funded systems (systems with pre-existing distribution lines). Rates for unfunded systems are higher as the Sewer System must recover the cost of constructing the reclaimed water distribution lines. Only those accounts that have metered service pay the volumetric rate, with most paying only the flat monthly rate.

Wholesale Reclaimed Water Charges

The Reclaimed Water System charges volumetric rates by contract for wholesale reclaimed water service. Wholesale customers are four cities within Pinellas County that purchase reclaimed water service from the Reclaimed Water System in bulk and distribute it to their retail customers. The cities of St. Pete Beach, South Pasadena, Belleair, and Pinellas Park are the wholesale customers of the Reclaimed Water System.

Expenditures

The Sewer Funds support budgeted expenditures in FY16 totaling $86.3M. The primary expenditures in the funds are $17.0M for personal services costs, $29.6M for operating expenses, $18.3M for debt service, and $21.4M for capital outlay.

Personal Services

The Sewer System is budgeted for 199.2 full-time equivalent employees in FY16. The Personal Services expenses of $17.0M are for the salaries and benefits of those positions needed to operate the Sewer System. Sewer System benefits include the $981,400 cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual. This cost is included in the calculation of the debt service coverage ratio.

Debt Service

The Sewer System has $162.5M of bond principal outstanding as of September 30, 2015. The bonds were issued to fund various sewer system capital projects and require annual principal and interest payments to the holders of those bonds. From FY16 through FY28, the debt service requirement is between $14.5M and $14.8M. From FY29 through FY33, debt service payments fall to between $5.0M and $5.5M. The bonds mature between 2017 and 2032.

Operating Expenses

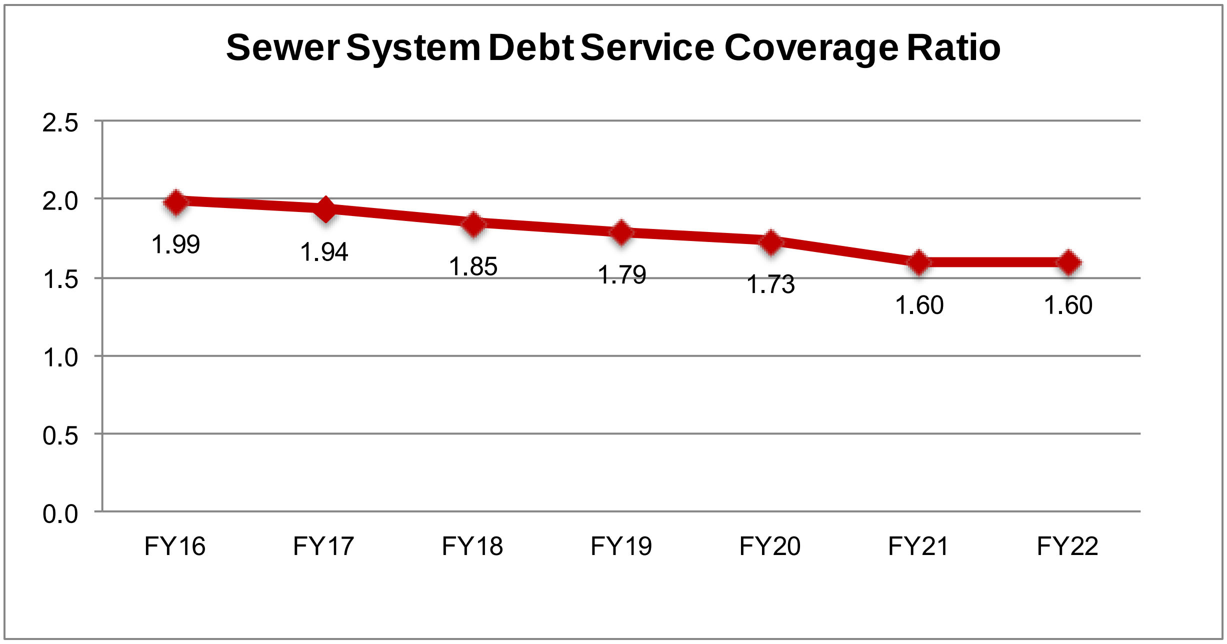
The Sewer System incurs annual recurring costs for repair and maintenance, supplies, fuel, and communications. In addition, utilities to run the facilities and chemicals to treat the waste are major components of the Sewer System’s operating expenses.

Capital Outlay

The Sewer System must maintain its equipment, facilities, pipelines, and plants in good working order, using revenues generated within their proprietary funds. Capital outlay reflects the construction and purchase needs as estimated by the engineering staff.

Reserves

The estimated reserve level in the Sewer System is 43.0% in FY16, which is higher than the 5.0% - 15.0% reserve level budget policy adopted by the Board. As a self-supporting enterprise, the Sewer System maintains $22.8M of reserves for cash flow and emergencies and $38.8M to fund future capital needs. In addition, the 2008 bond issue requires a debt service reserve of $1.9M.



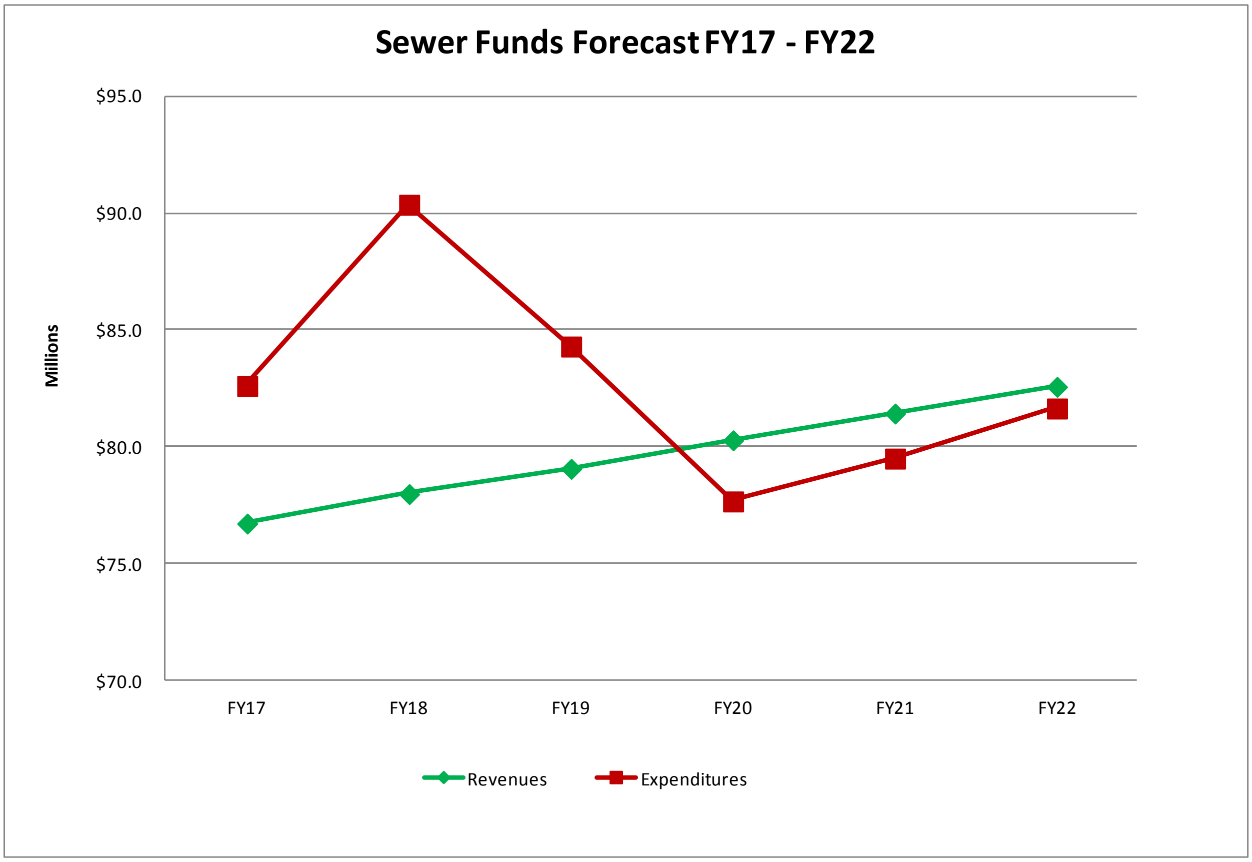
Six-Year Forecast

Key Assumptions

The forecast assumes a 0.2% decrease in revenue in FY16. From FY17 through FY22, revenues are projected to increase 1.4% to 1.7% each year, due to the expected slow growth in the economy. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. Electricity and chemical costs are projected to increase 5.0% and 7.0% respectively per year through the forecast period, based on historical trends. The capital outlay forecast reflects the construction and purchase needs as estimated by the engineering staff.

To balance revenues with projected expenditures, multi-year rate increases were approved during the FY16 budget process for both retail and wholesale rates. Burton and Associates, independent consultants, have computed that the following sewer rate increases were necessary to meet the projected expenses and reserve needs at the projected sewer demand levels: 1.0% each year FY17 – FY19 for retail and wholesale sewer, 5.0% each year for retail metered reclaimed water and $1.00 to the monthly charge for unmetered retail reclaimed water, and 5.0% for wholesale reclaimed customers. Prior year rate increases were 6.0% each year FY12 through FY15 for retail sewer; and 9.0% each year FY12 through FY15 for wholesale sewer; reclaimed water/retail customers: $1.00 to the monthly charge each year FY12 through FY15 for unmetered service and an increase of $0.08 to the user fee per 1,000 gallons each year FY12 through FY15. There is also a 1.0% annual rate increase projected for FY20 through FY22.

SEWER FUNDS



Key Results

The forecast for the Sewer System Funds shows that the multi-year rate increases approved in FY16 will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio of 1.50x, and fund capital replacement needs over the forecast period. In FY16 through FY19, expenditures will exceed revenues as fund balance is drawn down to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

Potential Risks

There are some impacts that can alter the six-year forecast of the Sewer System. Any future economic decline could reduce water demand, which reduces sewer revenue that is based on volume. Operating costs could increase more than projected. The Sewer System could experience a need for more maintenance than anticipated, causing increased capital costs.

Balancing Strategies

With the rate increases approved during the FY16 budget process and anticipated future rate increases, Sewer System revenues will be sufficient to cover projected expenditures, maintain sufficient reserves, and sustain the recommended debt service coverage ratio of 1.50x.

SEWER FUNDS FORECAST
Fund 4051, 4052, & 4053

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Sewer Charges - Retail	0.9%	1.2%	1.2%	1.2%	1.2%	1.2%
Sewer Charges - Wholesale	2.4%	1.2%	1.2%	1.2%	1.2%	1.2%
Reclaimed - Retail	5.3%	4.8%	4.5%	4.3%	4.2%	4.0%
Reclaimed - Wholesale	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	0.7%	1.1%	1.4%	1.9%	1.9%	1.9%
Other revenues	-1.2%	0.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURE						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Power	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Chemicals	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

The adopted rate adjustment for Retail Sewer is an increase of:

FY16	FY17	FY18	FY19
0.00%	1.00%	1.00%	1.00%

The adopted rate adjustment for Wholesale Sewer is an increase of:

FY16	FY17	FY18	FY19
0.00%	1.00%	1.00%	1.00%

Reclaimed Water Retail Funded Systems Un-Metered Service:

FY16	FY17	FY18	FY19
$19.00	$20.00	$21.00	$22.00

Reclaimed Water Retail Funded Systems Metered Service per 1,000 gallons:

FY16	FY17	FY18	FY19
$1.01	$1.06	$1.11	$1.16

Reclaimed Water Retail Unfunded Systems Un-Metered Service:

FY16	FY17	FY18	FY19
$13.00	$14.00	$15.00	$16.00

Reclaimed Water Retail Unfunded Systems Metered Service per 1,000 gallons:

FY16	FY17	FY18	FY19
$1.01	$1.06	$1.11	$1.16

Reclaimed Water Wholesale Metered Service:

FY16	FY17	FY18	FY19
5.00%	5.00%	5.00%	5.00%

SEWER FUNDS FORECAST
Fund 4051, 4052, & 4053

(in $ thousands)	Actual FY15	Budget FY16	FORECAST (@100%) Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
BEGINNING FUND BALANCE*	**63,421.6**	**69,549.7**	**75,078.5**	**64,723.6**	**58,843.9**	**46,470.9**	**41,240.2**	**43,853.9**	**45,779.9**
REVENUES									
Sewer Charges - Retail	59,382.2	56,743.3	59,729.8	60,283.7	60,992.0	61,708.4	62,433.1	63,166.1	63,907.6
Sewer Charges - Wholesale	8,570.1	8,794.4	9,257.2	9,479.0	9,593.8	9,709.8	9,827.3	9,946.1	10,066.3
Reclaimed - Retail	4,476.0	4,377.4	4,607.8	4,850.3	5,081.3	5,312.3	5,543.2	5,774.2	6,005.2
Reclaimed - Wholesale	222.6	246.2	259.2	273.0	286.0	299.0	312.0	325.0	338.0
Interest	411.8	207.4	218.3	453.1	647.3	650.6	783.6	833.2	869.8
Other Revenues**	2,622.6	1,355.6	1,427.0	1,410.2	1,410.2	1,410.2	1,410.2	1,410.2	1,410.2
TOTAL REVENUES	**75,685.4**	**71,724.2**	**75,499.3**	**76,749.3**	**78,010.6**	**79,090.4**	**80,309.4**	**81,454.9**	**82,597.1**
% vs prior year	5.9%	-5.2%	-0.2%	1.7%	1.6%	1.4%	1.5%	1.4%	1.4%
TOTAL RESOURCES	**139,107.0**	**141,274.0**	**150,577.8**	**141,472.9**	**136,854.5**	**125,561.3**	**121,549.7**	**125,308.8**	**128,377.0**
EXPENDITURES									
Personal Services	15,536.7	16,002.5	16,002.5	16,706.6	17,441.7	18,191.7	18,973.9	19,789.8	20,640.8
OPEB	940.0	981.4	981.4	1,024.6	1,069.6	1,115.6	1,163.6	1,213.6	1,265.8
Operating Expenses	10,454.4	13,109.5	13,109.5	13,411.0	13,719.5	14,035.1	14,371.9	14,716.8	15,070.0
Power	4,106.3	5,062.1	5,062.1	5,315.2	5,581.0	5,860.0	6,153.0	6,460.7	6,783.7
Chemicals	2,621.7	3,887.8	3,887.8	4,160.0	4,451.2	4,762.8	5,096.2	5,452.9	5,834.6
Cost Allocation	6,514.6	7,600.3	7,600.3	7,775.1	7,953.9	8,136.8	8,332.1	8,532.1	8,736.8
Expenditure Lapse***			(456.6)	(473.7)	(491.5)	(509.9)	(529.3)	(549.5)	(570.7)
Transfer from Water	(919.8)	-	-	-	-	-	-	-	-
Debt Service****	10,556.0	18,302.6	18,302.6	14,451.6	14,771.8	14,771.3	14,778.7	14,762.0	14,758.9
Capital Equipment	2,906.1	4,104.3	4,104.3	1,628.4	1,628.4	1,628.4	1,628.4	1,628.4	1,628.4
Capital Outlay	11,312.5	17,260.4	17,260.4	18,630.2	24,258.0	16,329.2	7,727.2	7,522.2	7,522.0
TOTAL EXPENDITURES	**64,028.5**	**86,310.8**	**85,854.2**	**82,629.0**	**90,383.6**	**84,321.0**	**77,695.7**	**79,528.9**	**81,670.4**
% vs prior year	4.7%	34.8%	34.1%	-3.8%	9.4%	-6.7%	-7.9%	2.4%	2.7%
TOTAL ENDING FUND BALANCE	**75,078.5**	**54,963.1**	**64,723.6**	**58,843.9**	**46,470.9**	**41,240.2**	**43,853.9**	**45,779.9**	**46,706.6**
Ending balance as % of Resources	54.0%	38.9%	43.0%	41.6%	34.0%	32.8%	36.1%	36.5%	36.4%
TOTAL REQUIREMENTS	**139,107.0**	**141,274.0**	**150,577.8**	**141,472.9**	**136,854.5**	**125,561.3**	**121,549.7**	**125,308.8**	**128,377.0**
Debt Service Coverage	**3.30**	**1.69**	**1.99**	**1.94**	**1.85**	**1.79**	**1.73**	**1.67**	**1.60**
REVENUE minus EXPENDITURES (NOT cumulative)	11,656.9	(14,586.6)	(10,354.9)	(5,879.7)	(12,373.0)	(5,230.6)	2,613.7	1,926.0	926.7

* Includes OPEB Impact
** Does not include Capital Contribution from the Water Fund for Reclaimed Water
*** Expenditure lapse of 1.0% is calculated on all expenses excluding OPEB, Debt Service and Capital Outlay
**** FY16 Budget and Estimate Debt Service higher due to timing change of principal payments
Revenues reflect the combined impact of changes in rate and/or levels of consumption.
GASB 68 rule for Pensions is effective for FY15 requiring local governments to report their proportionate share of the pension obligation of cost-sharing pension plans (FRS).
FY15 calculations are not yet complete, but based on 6/30/14 values from FRS, the impact on the Sewer funds will be approximately $6.0M one-time reduction in fund balance.

Pinellas County

SOLID WASTE FUNDS

Description

Pinellas County Solid Waste provides safe and environmentally sound integrated solid waste services to all citizens of Pinellas County. These services emphasize public awareness and communication to enable the citizens to make educated choices concerning proper management of their solid waste and to help maintain the quality of life in Pinellas County. In support of that mission, Solid Waste operates the landfill, the Waste-to-Energy (WTE) plant, household electronic and hazardous waste collection, and recycling programs.

The Solid Waste Funds are enterprise funds and are committed solely to support Solid Waste functions. Solid Waste utilizes two funds: Revenue and Operating, and Renewal and Replacement (capital).

Summary

The Pinellas County Solid Waste Funds are enterprise funds dedicated solely to supporting the Solid Waste functions.

The forecast for the Solid Waste Funds shows that the fund is balanced through the forecast period. Solid Waste tipping fee revenues are expected to grow slightly during the forecasted six-year period. As was expected with the change in WTE service contractor, the cost to operate the WTE plant increased in FY15 and FY16.

Revenues

The Solid Waste Funds are projected to generate revenues in FY16 totaling $95.7M. The Solid Waste Funds consist almost exclusively of two primary funding sources: tipping fees of $33.8M and capacity and electricity sales of $58.8M.

Tipping Fees

Solid Waste charges $37.50 per ton for all waste brought to the Solid Waste Facility. The rate has not changed since 1988. No rate increase is proposed for FY17, and no rate increases are included in this forecast. A multi-year rate study was conducted by an outside consultant with the potential to build a rate stabilization fund to minimize impacts of anticipated future increases in fees. This rate study will be reevaluated in the coming years to determine any potential future fee modifications. The volume of waste brought to the Solid Waste Facility is expected to increase slightly during the forecast period. The amount of waste brought to the facility is affected by economic conditions and levels of recycling.

Electricity Sales

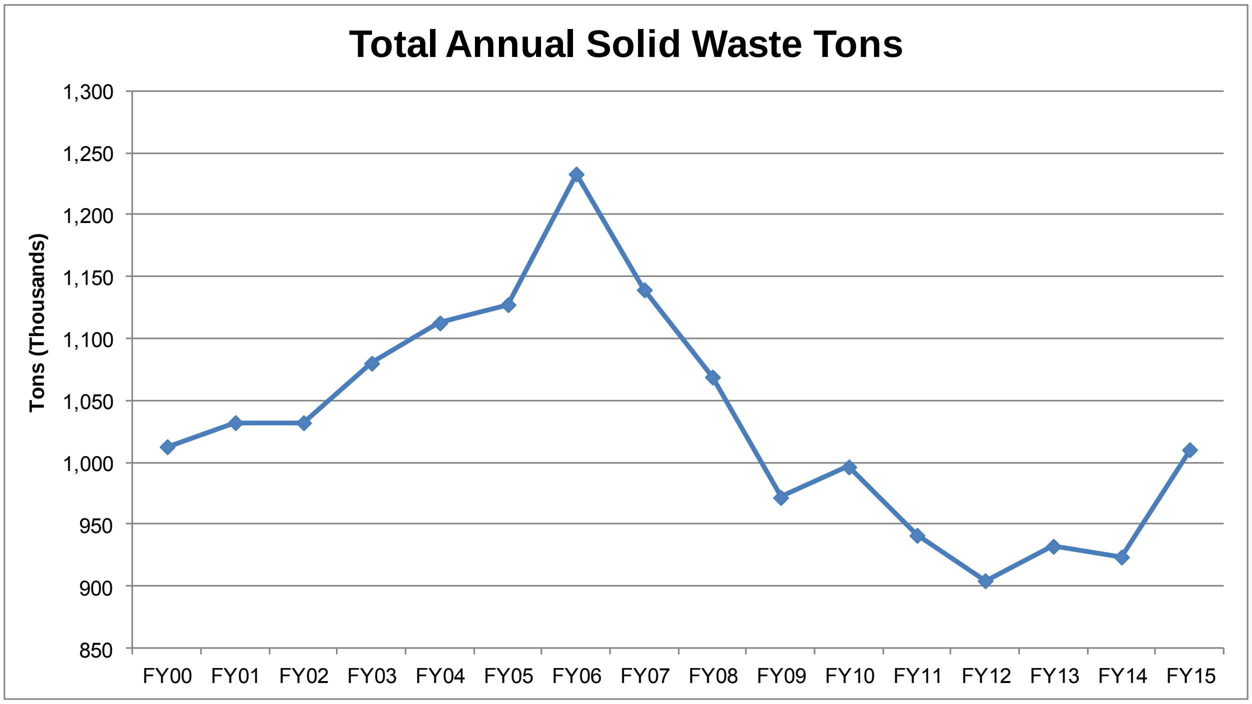
Solid Waste receives revenue from the electrical capacity contract with Duke Energy for power produced by the WTE plant. The revenue from this contract is defined by rates specified in the contract, which expires in 2024. Solid Waste also receives revenue for electricity sales as part of the capacity contract with Duke Energy. This revenue stream is affected by the amount of waste received by the plant and the operating capacity of the plant. A 5.0% increase in Electricity Sales revenue is anticipated in FY18 due to increased waste processing after the WTE plant restoration work is completed. Thereafter, this revenue is forecast to increase by 0.5% per year throughout the forecast period.

SOLID WASTE FUNDS

Recycling Revenue

Solid Waste receives revenue for contract sales of recyclable materials that are brought to the Solid Waste Facility. A 5.0% increase in Recycling Revenue is anticipated in FY18 due to increased waste processing after the WTE plant restoration work is completed. Thereafter, this revenue is forecast to remain constant throughout the forecast period.

The following graph shows historical total annual waste tons delivered to the Solid Waste Facility. Tons delivered are impacted by economic activity.



Source: Pinellas County Solid Waste

Interfund Loan Repayment

Debt service revenues over the forecast period are associated with an interfund loan from the Solid Waste Renewal and Replacement Fund to the Capital Projects Fund. On September 21, 2010 the Board authorized an interfund loan up to $85.0M to assist with cash flow in the Capital Projects Fund through FY20. The original 2010 to 2020 Penny Program was anticipated to be financed with a $150.0M bond issue in order to accelerate several key projects. The benefits of an interfund loan versus bonding include lower borrowing costs, no reserve requirements, interest accrual to a county entity, and greater flexibility in the implementation and terms of the loan.

The first $15.0M was transferred in to the Capital Improvement Fund in FY10. The principal was paid in full in FY15. The FY17 estimated budget includes a transfer of $35.0M. The annual rate of interest is a variable rate, which is currently less than 1.0%. The principal payments for the estimated $35.0M loan are budgeted for FY18 – FY20.

SOLID WASTE FUNDS

Expenditures

The Solid Waste Funds support budgeted expenditures for FY16 totaling $183.3M. The primary expenditures in the fund are $91.4M for capital outlay, $52.8M for the WTE service contract, $20.7M for all other operating expenses, and $11.4M for the landfill service contract.

Waste-to-Energy Service Contract

Solid Waste is under contract with Covanta Projects, LLC (Covanta) to operate the WTE plant. This contract began December 2014 and has a 10-year term.

Landfill Service Contract

Solid Waste is under contract with Advanced Disposal Inc. to operate the landfill. This contract expires in August 2018 and will be rebid prior to that date.

Capital Outlay

Solid Waste maintains its equipment, facilities, and plants in good working order utilizing revenues generated within their enterprise fund. Decisions regarding equipment / technology improvements and construction projects are based on condition assessments, permit or regulatory requirements, and recommendations from consultants.

Personal Services

The Solid Waste System is budgeted for 75.6 full-time equivalent employees in FY16. The Personal Services expenses of $6.5M are for the salaries and benefits of those positions needed to operate the Solid Waste System. Solid Waste System benefits include the cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

Interfund Loan to Capital Projects Fund

The forecast includes a transfer of $35.0M in FY17 from the Solid Waste Renewal and Replacement Fund as part of the interfund loans to the Capital Projects Fund.

Reserves

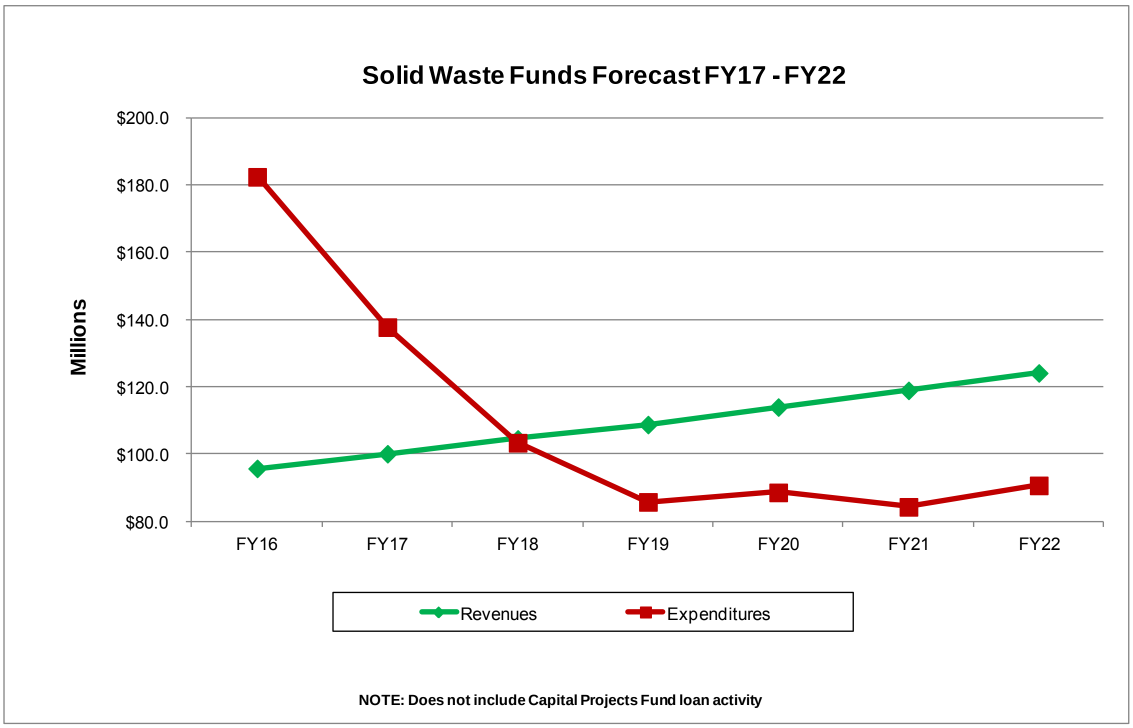
The budgeted FY16 reserve level in the Solid Waste System is 41.5%, which is above the 5.0-15.0% reserve level budget policy adopted by the Board. Solid Waste maintains the following reserves: $7.5M required reserves per the contract with Covanta, $11.0M for insurance deductibles, $23.3M for three months of operating expenses, and the remaining $88.0M is for future needs, consistent with the Solid Waste 25-year capital plan. This higher reserve level is required to meet upcoming capital improvement requirements that are forecasted.

SOLID WASTE FUNDS

Six-Year Forecast

Key Assumptions

The revenue forecast assumes a 5.0% increase in electricity sales in FY18, a modest 0.5% increase in electricity sales for the remaining years, a slight increase in tipping fee revenue collections during the forecast period, and a 5.0% increase in recycling revenue in FY18. The revenue forecast does not include any increases in tipping fee rates. For expenditures, Personal Services and Operating Expense reflect the forecast trends described in the Key Assumptions section of this document. The capital outlay forecast reflects the construction and purchase needs based on condition assessments, permit or regulatory requirements, and recommendations from consultants. There are large capital needs forecasted through FY18 in anticipation of tighter regulatory requirements and additional required improvements.



Key Results

The forecast for the Solid Waste Funds shows that revenues are sufficient to provide for expenditures over the forecast period, while still maintaining sufficient reserves. The forecast chart does not include the loans to the Capital Projects Fund or the future repayments from that fund. Solid waste revenues exceed expenditures in FY16 and FY17. In FY16 through FY18, expenditures reflect non-recurring costs associated with additional capital improvements and restorations. Reserves are not anticipated to drop below 33.0% of revenues at any time during the forecast period, and are anticipated to exceed 60.0% in four of the forecast years.

Solid Waste conducted a multi-year rate study via an outside consultant. This rate study will be reevaluated in the coming years to determine any potential future fee modifications. The results

of this rate study may suggest building a rate stabilization fund to minimize impacts of anticipated future increase in tipping fees.

The rate study also addressed the potential need to begin setting aside funds for the future post-closure care of the landfill. These funds would be necessary to provide for maintenance and environmental care of the landfill at a future date when the landfill is envisioned to close. Staff will begin examination of cost estimates, future needs, and reserve funding options as part of the FY17 budget process.

Potential Risks

There are some impacts that can alter the six-year forecast of the Solid Waste Funds. A decline in the economy could reduce the volume of incoming waste, which would reduce revenue from both the tipping fees and electricity sales. The historical impact of economic conditions on the volume of waste is evidenced in the graph of Total Annual Solid Waste Tons. The WTE plant could experience more maintenance downtime than anticipated, reducing electricity sales and causing increased capital costs.

Additionally, the current electrical capacity contract with Duke Energy expires in 2024. If no contract extensions or supplemental contracts are negotiated to sell WTE power for revenue, the Solid Waste Funds will have a significant gap in revenue and expenditures starting in FY25.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period.

SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Tipping Fees	3.0%	2.0%	1.0%	1.0%	1.0%	1.0%
Electricity Sales	0.5%	5.0%	0.5%	0.5%	0.5%	0.5%
Electrical Capacity	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Recycling Revenue	0.0%	5.0%	0.0%	0.0%	0.0%	0.0%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
WTE Service Fee	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Landfill Service Fee	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Grants & Aids	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost Allocation	2.3%	2.3%	2.3%	2.4%	2.4%	2.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

(in $ thousands)	Actual FY15	Budget FY16	FORECAST (@100%) Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
BEGINNING FUND BALANCE *	**232,603.4**	**219,858.7**	**244,825.8**	**158,122.6**	**85,486.3**	**98,931.1**	**134,159.2**	**170,550.5**	**205,180.1**
REVENUES									
Tipping Fees	36,575.3	32,119.5	33,810.0	34,824.3	35,520.8	35,876.0	36,234.8	36,597.1	36,963.1
Electricity Sales	10,144.2	10,994.3	11,572.9	11,630.8	12,212.3	12,273.4	12,334.7	12,396.4	12,458.4
Electrical Capacity	44,390.2	47,212.0	47,212.0	50,219.4	53,412.5	56,814.1	60,432.5	64,277.6	68,372.3
Recycling Revenue	1,312.6	2,129.3	2,241.3	2,241.3	2,353.4	2,353.4	2,353.4	2,353.4	2,353.4
Interest	1,081.4	786.5	827.9	1,106.9	940.3	1,385.0	2,549.0	3,240.5	3,898.4
Other revenues	321.4	36.6	37.7	38.4	39.2	40.0	40.8	41.6	42.4
Debt Service on Loan from Capital Fund	0.0	0.0	0.0	20.4	313.5	231.0	17.4	0.0	0.0
Loan repayment from Capital Fund	15,000.0	0.0	0.0	0.0	12,000.0	12,000.0	11,000.0	0.0	0.0
TOTAL REVENUES	**108,825.1**	**93,278.1**	**95,701.8**	**100,081.5**	**116,792.0**	**120,972.9**	**124,962.6**	**118,906.6**	**124,088.1**
% vs prior year		-14.3%	-12.1%	4.6%	16.7%	3.6%	3.3%	-4.8%	4.4%
TOTAL RESOURCES	**341,428.5**	**313,136.8**	**340,527.6**	**258,204.3**	**202,278.4**	**219,903.9**	**259,121.8**	**289,457.0**	**329,268.2**
EXPENDITURES									
Personal Services	5,770.9	6,102.3	6,102.3	6,370.8	6,651.1	6,937.1	7,235.4	7,546.5	7,871.0
OPEB	389.8	401.0	401.0	418.6	437.0	455.8	475.4	495.9	517.2
Operating Expenses	7,814.0	15,285.3	15,285.3	15,636.9	15,996.5	16,364.4	16,757.2	17,159.3	17,571.2
WTE Contract Service	46,363.5	52,758.0	52,758.0	42,272.2	33,240.4	34,237.6	35,264.7	36,322.7	37,412.4
Landfill Contract Service	9,700.3	11,410.6	11,410.6	11,752.9	12,105.5	12,468.6	12,842.7	13,228.0	13,624.8
Grants & Aids	499.7	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Cost Allocations	5,071.4	5,457.5	5,457.5	5,583.0	5,711.5	5,842.8	5,983.0	6,126.6	6,273.7
Capital Equipment	927.0	1,236.7	1,236.7	517.3	517.3	517.3	517.3	517.3	517.3
Capital Outlay	20,066.1	90,168.8	90,168.8	55,487.4	28,930.0	9,184.4	9,781.4	3,189.4	7,194.4
Interfund Loan to Capital Fund**	0.0	0.0	0.0	35,000.0	0.0	0.0	0.0	0.0	0.0
Expenditure Lapse***	0.0	0.0	(915.1)	(821.2)	(742.0)	(763.5)	(785.8)	(808.8)	(832.5)
TOTAL EXPENDITURES	**96,602.7**	**183,320.1**	**182,405.0**	**172,718.0**	**103,347.3**	**85,744.6**	**88,571.4**	**84,276.9**	**90,649.4**
% vs prior year		89.8%	88.8%	-5.3%	-40.2%	-17.0%	3.3%	-4.8%	7.6%
TOTAL ENDING FUND BALANCE	**244,825.8**	**129,816.7**	**158,122.6**	**85,486.3**	**98,931.1**	**134,159.2**	**170,550.5**	**205,180.1**	**238,618.7**
Ending balance as % of Resources	71.7%	41.5%	46.4%	33.1%	48.9%	61.0%	65.8%	70.9%	72.5%
TOTAL REQUIREMENTS	**341,428.5**	**313,136.8**	**340,527.6**	**258,204.3**	**202,278.4**	**219,903.9**	**259,121.8**	**289,457.0**	**329,268.2**
REVENUE minus EXPENDITURES (NOT cumulative)	**12,222.4**	**(90,042.0)**	**(86,703.1)**	**(72,636.5)**	**13,444.8**	**35,228.2**	**36,391.2**	**34,629.6**	**33,438.6**

* Includes OPEB impact
** Interfund Loan to Capital Fund will be made only if Solid Waste funding is available to support it.
*** Expenditure lapse of 1.0% is calculated on all expenses excluding OPEB, Debt Service and Capital Outlay.
Revenues reflect the combined impact of changes in rates and/or levels of consumption.
GASB 68 rule for Pensions is effective for FY15 requiring local governments to report their proportionate share of the pension obligation of cost-sharing pension plans (FRS).
FY15 calculations are not yet complete, but based on 6/30/14 values from FRS, the impact on the Solid Waste funds will be approximately $2.0M one-time reduction in fund balance.

SURFACE WATER SPECIAL ASSESSMENT FUND

Description

In FY14, Pinellas County began a surface water assessment program to generate dedicated revenues for the unincorporated County in response to public demand and increased federal regulations imposed by the U.S. Environmental Protection Agency's National Pollution Discharge Elimination System (NPDES) stormwater permitting program as implemented by the Florida Department of Environmental Protection (FDEP). The Clean Water Act requires the control of the discharges of pollutants to the waters of the United States through NPDES permits. The control of pollutant discharges to the Municipal Separate Storm Sewer System (MS4) is a best management practice.

For FY16, the Board approved a rate of $117.74 per Equivalent Residential Unit (ERU) per year which included a 1.5% increase based on the Consumer Price Index (CPI) from the FY15 rate of $116.00. Although the rate increased, assessment revenue decreased from FY15 due to annexations, mitigation credits, and the removal of such features as private roads and walkways from the assessment. This decrease will be offset by fund balance for FY16; however, this may not be sustainable for the long term.

Summary

The Surface Water Special Assessment Fund is reliant on the assessment of unincorporated properties' calculated impervious area as expressed in ERUs. This assessment revenue is based on program funding needs to achieve and maintain the desired level of service (B-) for surface water services such as flood control, water quality improvements, and NPDES permit requirements.

The forecast for the Surface Water Special Assessment Fund indicates the fund is not balanced throughout the forecast period. Beginning in FY17, revenues will not be enough to cover estimated inflationary increases for expenditures. Fund balance is used each year to offset this variance in the fund. It is expected that planned program expenditure savings will be needed to address projected deficits and to maintain adequate reserve levels throughout the forecast period.

Revenues

The primary funding source for the Surface Water Fund is the Surface Water Assessment Fee for the unincorporated area.

The County originally approved the fee for unincorporated properties in FY14. Surface water assessments are based upon the estimated amount of stormwater runoff generated by impervious surfaces on a parcel. Impervious surfaces include the rooftop, patios, parking lots, and similar areas. The County has determined that the median single-family residence in the Surface Water Area includes 2,339 square feet of impervious surface, which is the value of one "Equivalent Residential Unit" or "ERU Value".

ERU growth is anticipated to decrease by 0.5% annually throughout the forecast due to future annexation efforts which would reduce the number of ERUs that pay into the Surface Water Special Assessment Fund. The FY16 assessment revenue budget of $18.5M is based on 165,529.5 ERUs. Additionally, mitigation credits further reduce the total revenue for the Surface Water Fund. Some developed properties maintain onsite stormwater management systems that

reduce stormwater runoff impacts from the property to the County system. Mitigation credits are intended to reduce the assessed property by a percentage corresponding to the reduction in impact to the County system. For FY16, the reduction in revenue from mitigation credits is estimated at $182,000.

Based on the original analysis of the surface water program, for Pinellas County to achieve and maintain a Level of Service (LOS) B-, the cost per ERU for the first year was calculated at $116.00 per ERU, or $9.67 per month. The rate was recommended to increase annually by a percentage based on the CPI. The annual rate only increases if approved by the Board and if required to sustain the growth in fund expenditures. It was increased in FY16 to $117.74 per ERU per year which included a 1.5% increase based on CPI. Level of Service B- is expected to be achieved during FY16; however, it is anticipated that a CPI-based increase will again be needed in FY17 to cover fund expenditures required to maintain this level of service.

The remaining revenues of the fund include grants, interlocal agreements, interest, and other miscellaneous revenues such as registration fees for water quality education classes provided by the County, and reimbursements from other governments for NDPES regulatory fees.

Expenditures

The Surface Water Special Assessment Fund supports budgeted expenditures in FY16 totaling $20.3M for its operational plan. The primary expenditures in the fund are $6.3M for personal services expenditures, and $13.8M for multiple surface water programs that cover permit compliance, watershed planning, and open and closed conveyance maintenance and rehabilitation.

Prior to the adoption of the Surface Water special assessment, program funding came from a combination of General Fund and Transportation Trust Fund dollars. The allocations from these sources were no longer sustainable. Reallocating these expenditures to the Surface Water Special Assessment Fund alleviated the burden to both funds.

Transfers

The Surface Water Special Assessment Fund transfers funds to the Property Appraiser and Tax Collector to cover the costs for appraisal and collection of the assessment. FY16 budgeted costs for this function are $294,550. These commissions for the Property Appraiser and Tax Collector are pursuant to Florida Statutes.

Reserves

The reserves in this fund are required to meet cash flow needs. During the first two months of the fiscal year, expenditures exceed revenues because most of the special assessment revenue is not received until December. As a result, targeted reserve levels for this fund are equal to two months of operating expenditures. The FY16 reserve level of $2.6M in the Surface Water Special Assessment Fund falls just short of that goal but is equal to approximately 11.5% which is within the 5.0% - 15.0% reserve level budget policy adopted by the Board.

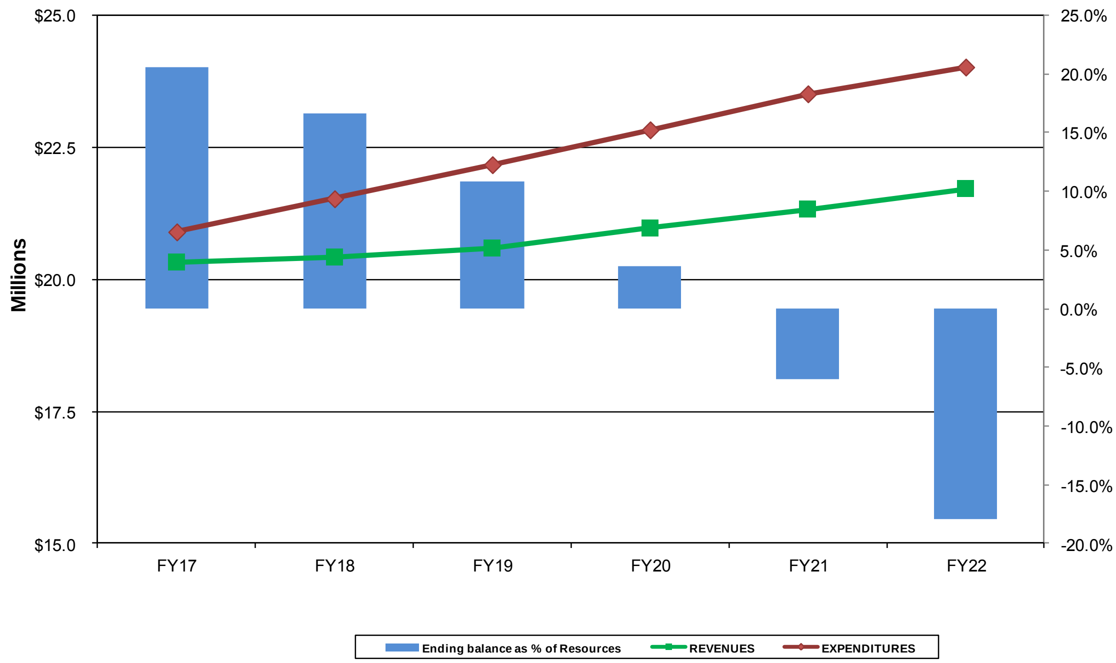
SURFACE WATER SPECIAL ASSESSMENT FUND

Six-Year Forecast:

Key Assumptions

In the forecasted years, ERU growth may be negatively impacted by potential annexations and mitigation credits; therefore, growth is estimated to decrease by 0.5% from FY17 through FY22. The cost per ERU was $116.00 for the first two years of the program, and for FY16, a $117.74 rate was adopted based on the increase in CPI. The rate will continue to require CPI-based increases each year to offset the inflationary increases in program expenditures.

Expenditure assumptions are anticipated to flow with the personal services and inflationary expense growth factors expected for other funds. Throughout the forecast period, the anticipated revenue with increases equivalent to the CPI will not be enough for the anticipated program expenditures and sufficient reserves throughout the forecast period.



Key Results

In the chart above, the forecast shows revenues are less than expenditures beginning in FY17 as inflationary pressures on expenditures outpace revenues. Program expenditures will need to be decreased during the forecast period for the fund to remain in balance. This will impact the ability to maintain the adopted LOS. Permit requirements dictate that certain areas of the surface water program, such as the ditch and pond programs, adhere to a minimum ten-year maintenance cycle; therefore, delaying these program costs could result in non-compliance.

Potential Risks

A major variable impacting future revenues for this fund is the number of unincorporated properties on which to assess the fee. If the number of unincorporated parcels decreases, this fund's revenue will be impacted negatively. This can occur with potential annexations by municipalities. Requests for credits for onsite stormwater management systems will also negatively impact revenues.

The potential impact of the new Waters of the United States proposed rule under the Clean Water Act by the U.S. Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers potentially increases program compliance and resulting future expenditures.

Balancing Strategies

The forecast shows that the Surface Water Special Assessment Fund is out of balance beginning in FY17. With the estimated decrease in ERUs, assessment revenues will not be enough to cover inflationary increases for expenditures and to maintain the fund's reserve. In order to balance the fund, it is expected that expenditure reductions will be needed.

Efforts to find efficiencies and streamline operations will continue to be pursued; however, significant cuts to expenditures could impact the ability to maintain the level of service adopted by the Board.

SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST
Fund 1094

Forecast Assumptions	FY17	FY18	FY19	FY20	FY21	FY22
REVENUES						
Surface Water Assessmt - ERU Growth	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Surface Water Assessmt - CPI incr	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Surface Water Assessmt-Total incr	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%
ERU (excludes govt)	164,702	163,878	163,059	162,244	161,433	160,626
Interest	0.7%	1.1%	1.4%	1.9%	1.9%	1.9%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.4%	4.4%	4.3%	4.3%	4.3%	4.3%
Operating Expenses	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Capital Outlay	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%
FL Per Capita Personal Income Growth	2.8%	2.6%	1.6%	1.7%	1.6%	1.3%

SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST
Fund 1094

(in $ thousands)	Actual FY15	Budget FY16	FORECAST (@100%) Estimated FY16	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22
Annual Rate **	116.00	117.74	117.74	120.44	123.21	126.04	129.06	132.15	135.32
BEGINNING FUND BALANCE	**3,661.6**	**3,847.8**	**6,515.0**	**5,969.2**	**5,394.3**	**4,286.0**	**2,707.3**	**846.6**	**(1,338.4)**
REVENUES									
Surface Water Assessment *									
Non-Ad Valorem Assessment @ 95%	18,577.7	18,515.0	18,011.5	18,844.9	19,181.8	19,524.4	19,892.3	20,266.7	20,649.1
Grants (fed/state/local)	1,075.0	571.3	571.3	465.5	186.3				
Interest	50.4	29.2	29.2	41.8	59.3	60.0	51.4	16.1	-
Other revenues	128.7	27.6	27.6	28.1	28.7	29.2	29.8	30.4	31.0
Adjust Assessment Revenue to 100%			948.0	942.2	959.1	976.2	994.6	1,013.3	1,032.5
Adjust Non-Fee Revenue to 98%			13.0	2.2	2.8	2.8	2.6	1.5	1.0
TOTAL REVENUES	**19,831.7**	**19,143.1**	**19,600.7**	**20,324.7**	**20,418.0**	**20,592.6**	**20,970.7**	**21,328.0**	**21,713.6**
% vs prior year		-3.5%	-1.2%	3.7%	0.5%	0.9%	1.8%	1.7%	1.8%
TOTAL RESOURCES	**23,493.3**	**22,990.8**	**26,115.6**	**26,294.0**	**25,812.3**	**24,878.6**	**23,678.0**	**22,174.6**	**20,375.2**
EXPENDITURES									
Personal Services	5,621.3	6,279.2	6,279.2	6,555.5	6,843.9	7,138.2	7,445.2	7,765.3	8,099.2
Operating Expenses	8,164.6	11,191.7	11,191.7	11,449.1	11,712.4	11,981.8	12,269.4	12,563.9	12,865.4
Capital Outlay	2,912.3	2,581.5	2,581.5	2,640.9	2,701.6	2,763.7	2,830.1	2,898.0	2,967.5
Constitutional Officer Transfers	280.2	294.6	294.6	297.7	303.0	308.4	314.2	320.1	326.2
Expenditure Lapse @1%			(200.5)	(206.5)	(212.6)	(218.8)	(225.4)	(232.3)	(239.3)
CIP Operating Impacts (cumulative)				**163.0**	**178.0**	**198.0**	**198.0**	**198.0**	
TOTAL EXPENDITURES	**16,978.3**	**20,346.9**	**20,146.4**	**20,899.6**	**21,526.4**	**22,171.3**	**22,831.4**	**23,513.0**	**24,019.0**
% vs prior year			18.7%	3.7%	3.0%	3.0%	3.0%	3.0%	2.2%
ENDING FUND BALANCE	**6,515.0**	**2,643.9**	**5,969.2**	**5,394.3**	**4,286.0**	**2,707.3**	**846.6**	**(1,338.4)**	**(3,643.7)**
Ending balance as % of Resources	27.7%	11.5%	22.9%	20.5%	16.6%	10.9%	3.6%	-6.0%	-17.9%
TOTAL REQUIREMENTS	**23,493.3**	**22,990.8**	**26,115.6**	**26,294.0**	**25,812.3**	**24,878.6**	**23,678.0**	**22,174.6**	**20,375.2**
REVENUE minus EXPENDITURES (NOT cumulative)	2,853.4	(1,203.9)	(545.8)	(574.9)	(1,108.3)	(1,578.7)	(1,860.7)	(2,185.0)	(2,305.4)
note: non-recurring expenditures	-		-	-	-	-	-	-	-
net recurring rev- exp	**2,853.4**	**(1,203.9)**	**(545.8)**	**(574.9)**	**(1,108.3)**	**(1,578.7)**	**(1,860.7)**	**(2,185.0)**	**(2,305.4)**

* Per Statute, revenue is budgeted at 95.0% of total calculated amount.
** Annual rate based on 165,529.50 ERU in FY16 . Subsequent rate increases based on CPI and rounded down to nearest penny.

GLOSSARY

Ad Valorem Tax - A tax levied in proportion to the value of the property against which it is levied.

Adopted Budget - The financial plan for the fiscal year beginning October 1. It is required by law to be approved by the Board of County Commissioners at the second of two public hearings.

Amendment One – Approved by the voters of Florida on January 29, 2008, and made the following changes which reduced taxable property values and revenues available to local government:

- "Doubled" the existing $25,000 homestead exemption (except for school taxes)
- Allows for up to $500,000 of the Save Our Homes exemption to be applied to another property (portability)
- Imposed a 10.0% cap on assessments for non-homestead property (school taxes exempt)
- Instituted a new tangible personal property exemption of $25,000

Appropriation - The legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in the amount and as to the time when it may be expended. It is the act of appropriation that funds the budget.

Assessed Value - A valuation set upon real estate or other property by a government as basis for levying taxes. Taxable valuation is calculated from an assessed valuation. The assessed value is set by the Property Appraiser.

Beginning Fund Balance - The Ending Fund Balance of the previous period. (See Ending Fund Balance definition.)

Board of County Commissioners (BCC) - The Board of County Commissioners is the seven member legislative and governing body for Pinellas County.

Bond - Written evidence of the issuer's obligation to repay a specified principal amount on a certain date (maturity date), together with interest at a stated rate, or according to a formula for determining that rate.

Budget - A financial plan containing an estimate of proposed revenues and expenditures for a given period (typically a fiscal year).

Capital Budget - The financial plan of capital project expenditures for the fiscal year beginning October 1. It incorporates anticipated revenues and appropriations included in the first year of the ten year Capital Improvements Program (CIP), and any anticipated unspent appropriation balances from the previous fiscal year. The Capital Budget is adopted by the Board of County Commissioners as a part of the annual County Budget.

Capital Improvement Program (CIP) - A proposed plan, covering each year of a fixed period of years, for financing long-term work projects that lead to the physical development of the County.

GLOSSARY

Capital Outlay or Capital Equipment - Items such as office furniture, fleet equipment, data processing equipment, and other operating equipment with a unit cost of $1,000 or more.

Capital Project - An improvement or acquisition of major facilities, roads, bridges, buildings, or land with a useful life of at least five years.

Charge for Services - Charges for a specific governmental service which covers the cost of providing that service to the user (e.g., building permits, animal licenses, park fees).

Constitutional Officers - They are elected to administer a specific function of County government and are directly accountable to the public for its proper operation. Constitutional Officers include the Clerk of the Circuit Court, the Property Appraiser, the Sheriff, the Supervisor of Elections, and the Tax Collector.

Debt Service - The dollars required to repay funds borrowed by means of an issuance of bonds or a bank loan. The components of the debt service payment typically include an amount to retire a portion of the principal amount borrowed (i.e., amortization), as well as interest on the remaining outstanding unpaid principal balance.

Debt Service Fund - An account into which the issuer makes periodic deposits to assure the timely availability of sufficient monies for the payment of debt service requirements (i.e., principal and interest). The revenues to be deposited into the debt service fund and payments from there are determined by terms of the bond covenants.

Debt Service Coverage Ratio - A ratio indicating the amount of cash available to meet annual principal and interest payments on debt. The general calculation is net operating income divided by the total debt service amount.

Dependent Special District - A special district, whose governing body or whose budget is established by the governing body of the County or municipality to which it is dependent.

Designated Funds – Funds that are set apart for a specific purpose to fund on-going or one-time expenditure. Examples are bond proceeds, reserves for fund balance, reserve for contingencies (“Rainy Day Fund”) and “pay as you go” reserves for future facility renewal & replacement found mostly in the Enterprise Funds.

Elected Officials - Elected Officials include the Board of County Commissioners, the Judiciary, the State Attorney, the Public Defender and five Constitutional Officers: the Clerk of the Circuit Court, the Property Appraiser, the Sheriff, the Supervisor of Elections and the Tax Collector.

Ending Fund Balance - Funds carried over at the end of the fiscal year. Within the fund, the revenue on hand at the beginning of the fiscal year, plus revenues received during the year, less expenses equals ending fund balance. The Ending Fund Balance becomes the Beginning Fund balance in the next fiscal year.

Enterprise Fund - A fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

GLOSSARY

Fiscal Year - A twelve-month period of time to which the annual budget applies. At the end of this time, a governmental unit determines its financial position and the results of its operations. The Pinellas County fiscal year begins on October 1 and ends on September 30 of the subsequent calendar year.

Foreclosure - A legal process by which a mortgagee's right to redeem a mortgage is taken away, usually because of failing to make payments.

Fund - An accounting entity with a complete set of self balancing accounts established to account for finances of a specific function or activity. The resources and uses are segregated from other resources and uses for the purpose of carrying on specific activities or attaining specific objectives in accordance with special regulations, restrictions, or limitations.

Fund Accounting – Accounting method generally used by governmental agencies. Usually consists of eleven classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Funding Sources - The type or origination of funds to finance ongoing or one-time expenditures. Examples are ad valorem taxes, user fees, licenses, permits, and grants.

General Fund - This fund accounts for all financial transactions except those required to be accounted for in other funds. The fund's resources, ad valorem taxes, and other revenues provide services or benefits to all residents of Pinellas County.

Gross Domestic Product - Gross Domestic Product (GDP) is the generally accepted measure of the size of the national economy. GDP measures the total market value of all final goods and services produced in a country in a given year.

Independent Agencies - A variety of agencies, councils, and other organizational entities responsible for administering public policy functions independently of the Constitutional Officers and County Administrator. These entities are subject to Board of County Commissioner appropriation, but operate under the purview of a legislative/policy making body other than the Board of County Commissioners.

Infrastructure - Infrastructure is a permanent installation-such as a building, road, or water transmission system - that provides public services.

Intergovernmental Revenue - Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government.

Internal Service Fund - A fund established to finance and account for services and commodities furnished by one department to other departments on a cost reimbursement basis.

Mandate - A requirement imposed by a legal act of the federal, state, or local government.

Metropolitan Statistical Area (MSA) – MSA is a formal definition of a metropolitan area established by the United States Office of Management and Budget division. MSA's are used

to group counties and cities into specific geographic areas for the purposes of a population census and the compilation of related statistical data.

Millage Rate - A rate applied to a property's taxable value to determine property tax due. As used with ad valorem (property) taxes, the rate expresses the dollars of tax per one thousand dollars of taxable value (i.e., a 5 mill tax on $1,000 equals $5.00).

Mission Statement - A broad statement of purpose, which is derived from organization and/or community values and goals.

Municipal Services Taxing Unit (MSTU) - A special district authorized by the State Constitution Article VII and Florida Statutes 125.01. The MSTU is the legal and financial mechanism for providing specific services and/or improvements to a defined geographical area. An MSTU may levy ad valorem taxes without a referendum. An MSTU may also use assessments, service charges, or other revenue to provide its sources of income. In Pinellas County, the MSTU is all the unincorporated areas of the County.

Operating Budget - The operating budget includes appropriations for recurring and certain one-time expenditures that will be consumed in a fixed period of time to provide for day-to-day operations (e.g., salaries and related benefits; operating supplies; contractual and maintenance services; professional services, and software).

Personal Services - Expenses for salaries, wages and related employee benefits provided for all persons, whether full-time, part-time, temporary, or seasonal.

Pro-rate - A budgetary convention (used in Community Development and Fire Administration) that allows for centralized departmental services to be budgeted for in one cost center, with the actual costs being allocated to the specific users of the service in other cost centers. This is technically accomplished by appropriating a negative amount for the total central departmental service. An allocation of the central services total appropriation is then budgeted in each of the user cost centers, thereby reflecting the total cost to that particular function.

Recession - A significant decline in activity across the economy, lasting longer than a few months, that is visible in industrial production, employment, real income and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP).

Reserves - Included in this category are funds required to meet both anticipated and unanticipated needs; the balance of anticipated earmarked revenues not required for operation in the budget year; those required to be set aside by bond covenants, and accumulated funds set aside to finance capital construction on a pay-as-you-go basis.

Revenue - The amount estimated to be received from taxes, fees, permits, or other sources during a fiscal year.

Revised Budget - The current year adopted budget adjusted to reflect all budget amendments approved by the Board of County Commissioners as of a certain date.

GLOSSARY

Rolled-Back Rate - The millage rate which, when applied to the total amount of taxable value of property (excluding new construction), produces the same amount of tax dollars as the previous year. Calculation of the "rolled-back rate" is governed by Florida Statutes.

Save Our Homes Amendment - The amendment was intended to protect homeowners from escalating property tax bills resulting from growth in market value, a situation that was perceived to be forcing some people, particularly residents on fixed incomes, to sell their homes.

Special Assessment Fund - A fund used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Special Revenue Fund - A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Statute - A written law enacted by a duly organized and constituted legislative body.

Support Funding - Support funding is provided by the Board of County Commissioners for those activities for which costs do not apply solely to any specific county department's function, but are either applicable to the operation of county government as a whole, or are provided for the public good.

Taxable Value - The assessed value of property minus any authorized exemptions (i.e., agricultural, homestead exemption). This value is used to determine the amount of property (ad valorem) tax to be levied.

Taxes - Compulsory charges levied by a government for the purpose of financing services performed for the common benefit.

Transfers - Because of legal or other restrictions, monies collected in one fund may need to be expended in other funds. This is accomplished through Transfer-In (a source of funds) for the recipient fund and an equal Transfer-Out (a use of funds) for the donor fund. When this movement occurs between different funds, it is known as the Interfund Transfer.

Unincorporated Area - That portion of the County which is not within the boundaries of any municipality.