Follow Up From Proposed Budget Work Session on July 13, 2010

Provide more information regarding the Service Level Stabilization Account. (Slides 32, 97-98)

- What is it? The Service Level Stabilization Account (SLSA) is a non-recurring funding source that can be used to lessen the impact of reductions in the future. It is the result of making reductions prior to actually needing them to balance the budget. The idea is that since an amount will need to be reduced in the budget in the following year anyway, making the reduction early allows for a non-recurring revenue pick up. This amount can be used at an appropriate time to fund non-recurring projects or to mitigate potential reductions. The SLSA is important because the Forecast does not predict an improvement in the budget until FY13.

- How is it calculated? For example, in FY11 the SLSA target was set at $20M. The multi-year budget target of $60M included $40M reductions needed to balance the FY11 budget as well as $20M of future reductions that we planned to make in advance. This $20M of reductions over and above what was necessary to balance the budget is the SLSA. The Proposed Budget only includes $12.8M of SLSA because the budget target was not met by the Constitutional Officers and Independent Agencies and because the budget gap was $5M less than originally anticipated due to property tax revenues being higher than forecast.

- How much money is in the SLSA? In FY10, there was a $15M SLSA target and in FY11 there was a $20M SLSA target. The actual contribution to the SLSA in FY10 was $7.2M and in FY11 $12.8M for a total of $20M. None of the SLSA money has been spent or allocated to date.

- Who has contributed to the $20M in SLSA? The BCC Departments have contributed approximately $18M and the Constitutional and Independent Agencies have contributed approximately $2M.

- How do we plan to use the SLSA? Because the SLSA is a non-recurring funding source we would usually use it for strictly non-recurring expenditures. However, we anticipate that most, if not all, of the SLSA will be used to mitigate the amount of reductions necessary in either FY12 or FY13. We would basically spend the SLSA money to fund programs that would otherwise be reduced or eliminated for 1 or 2 years. The idea is that revenues would grow enough to fully support those programs on an ongoing basis that would have otherwise been reduced or eliminated. Doing so would essentially help us avoid making reductions that would otherwise be added back just a year or two later as revenues increased. Spending the SLSA in FY11 is not recommended in the Proposed Budget because we have not “hit bottom” or we do not have enough clarity to know where the bottom is with a high degree of certainty. At this time we anticipate that FY12 will be the year in which taxable values bottom out and we hope to have additional clarity regarding trends in property values this time next year. This increased financial clarity may provide the opportunity to use non-recurring SLSA funds as a “bridge” to better times.

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Discuss the additional $5M in revenue and how it affects both the targets and the proposed BCC reductions. (Slides 90, 95-97)

- How is the $5M calculated? The FY11 forecast for the General Fund was based on a taxable value decrease of 12% as well as a revenue estimate for the rest of the General Fund revenues. The Property Appraiser's revised ad valorem estimate of 9.6% resulted in a $7.4M net adjustment. The other General Fund revenues decreased more than had been forecasted by $2.4M. The net of an additional $7.4M and a decrease of $2.4M in the General Fund results in a revised General Fund impact of $5.0M.

- How does it affect the $60M target? We forecast that we needed $40M in reductions in FY11 and $40M in reductions in years FY12-15 for a total of $80M. On February 9th, the Board approved a multi-year target of $60M in FY11 and $20M in FY12 to reach the multi-year target of $80M. This approach makes cuts in FY11 in advance of FY12 of $20M which is essentially the contribution to the Service Level Stabilization Account (SLSA). The BCC departments met their share of the $60M goal which is $21M. The Constitutional Officers and Independent Agencies were short of their $39M target by $13M. The additional $5M in revenue, simply reduced the amount we were short from $13M to $8M. Instead of cutting $60M in FY11, the General Fund has been reduced by $47M. Since we only actually needed $40M to balance FY11 and that was revised by $5M to $35M, we contributed about $12M to the SLSA ($47M minus $35M).

- How does it impact the BCC's reductions? The BCC did not reduce it's reductions of $21M by the BCC departments' proportionate share of the $5M. If any of the $5M is apportioned to mitigate any of the BCC Departments' proposed reductions, the expectation is that those programs would probably be reduced in FY12 anyway. It is expected that the General Fund will have to make reductions of $25-$35M to close the gap forecasted from FY12-15.

- Does this mean that the BCC departments are getting cut more than their proportional share? The BCC Departments met their proportional share of the reductions ($21M). That means that if the Constitutionals & Independents submit reductions that do not meet their target, that they are cutting less than their proportional share. The BCC departments did not cut more than their proportional share to make up for the shortfall by the Constitutionals and Independents. This effect is compounded in the following year when the new proportional targets are calculated. This is why the expenditure reductions comparing FY2007 to FY2011 show that the BCC Departments have experienced reductions of 36.4% while the Sheriff (21.5%), Other Constitutional Officers (26.1%), and Independent Agencies (32.5%) have experienced less reductions.

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Provide additional detail regarding the $2.4M decrease in other General Fund revenues. (Slide 95)

- The other revenues decreased $2.4M from the Forecast to the Proposed Budget as follows:
    - State Revenue Sharing was $1.0M less than forecast
    - Communications Services Tax was $100K less than forecast
    - The remaining $1.3M is the net difference in several revenue items including: grants, cost recovery, interest, and user fees.

Have we renegotiated the leases for County buildings paid out of the General Fund with the Airport to leverage potential savings?

- There are a total of 8 MOU's and lease agreements between the County and the Airport. All are on the same renewal and escalation schedule. There are provisions in the lease for an adjustment based on the CPI (or, as a requested option, an appraisal) every five years. The next one would take place in 2014; the last one was in 2009.

Provide clarity regarding the budget for the Curbside Recycling Program (Slide 86)

- In FY10, funds in the amount of $24.5 million were budgeted for the proposed recycling program. This included approximately $14.8 million to purchase recycling bins and $9.7 million for the curbside recycling collection program. The Board did not authorize the program and directed staff to pursue a more comprehensive recycling program. Accordingly, the funds will not be expended in FY10 and lapsed into fund balance where they are available for appropriation in FY11.

- In the FY11 Proposed Budget, $9.0 million has been appropriated to implement the curbside recycling program. These funds will be expended only if the Board approves proceeding with a curbside recycling program. If the program is not approved, these funds will lapse into reserves in the Solid Waste Fund. Agreements and contracts must be approved by the Board prior to a program being launched. Staff is currently researching different options and working with the stakeholders to develop a program that will be most beneficial to the County. A presentation on the proposed curbside recycling program will be scheduled for a work session early in the 2011 calendar year.

Discuss cost recovery for the Consumer Protection program. (Slide 78)

- Investigative costs for Consumer Protection have been assessed previously; however, years ago, the practice had stopped with varying statutory interpretations. The following outlines anticipated methods for the assessment and potential revenues:
    - Upon the determination of a complaint being a criminal case, the Department works closely with the State Attorney's Office to pursue an investigation and eventually have charges filed. During this time, the Investigator maintains an investigative log within the case file. For this process, the Investigator will add investigative time for major case events in order to track impact. Using this as the basis for the request, the Department will include investigative costs with the case submissions. For lower cost cases, a flat rate cost will likely be established. For higher cost, multi-victim cases or cases which take extraordinary resources, the department will seek to submit a summary of investigative time for consideration.
    - Initial discussions have occurred with the State Attorney's Office. At this time, the County and SAO are both willing to pursue implementation. A meeting is being set for the week of July 19th for further review. Implementation could reasonably occur within the next two months as new cases are submitted to the State Attorney's Office for prosecution. With a collection rate estimated at 60%, revenue potential would be $60,000 annually.

Provide additional detail regarding the application of Low-Income Pool (LIP) funds.

- At the June 15, 2010 meeting, the BCC approved a Medicaid Buy-Back Agreement with Bayfront Medical Center, Inc. Under the Agreement, Pinellas County would provide an intergovernmental transfer of $1.4M to the Agency for Health Care Administration in order to have the Medicaid pre-reduction rate returned and allow earnings of an estimate $4.4M (includes the intergovernmental transfer). The revenue net of local contribution would be $2.9M.

- Per BCC action, the County will receive one-half of this amount (approximately $1.5M). Although not included in the Proposed Budget, if approved by the Board, these funds will allow a portion of the cuts to the Health Care Program to be restored and permit the plan to maintain its current enrollment cap of 11,000.

Provide additional detail regarding the Health & Human Services reductions in Homeless Services programs and the non-recurring allocation of $1M for Homeless Initiatives. (Slides 74 and 113)

- Homeless Services Programs

  - Financial Assistance: The $1.3M reduction includes the elimination of four positions and a reduction in the number of people receiving financial assistance from 1,200 per month to 950 per month. The Health and Human Services Department implemented more stringent eligibility criteria during the current fiscal year that only provides long term financial support to those individuals that have a greater chance to receive approval for SSI. The new criteria also offer a greater opportunity for the County to be reimbursed for its expenses once a person is deemed eligible for SSI. Short term financial assistance will continue to be available.

  - Homeless Street Outreach: The proposed budget eliminates the social worker/mental health workers ($180,000) on the three homeless street outreach teams. This reduction may impact the teams' ability to triage clients and make appropriate referrals. If the Homeless Initiatives non-recurring funding is approved, some of those funds will be used to re-fund the teams as well as expand their role throughout the county.

- Homeless Initiatives Non-Recurring Allocation of $1M:

  - The BCC approved non-recurring funding for homeless initiatives of $1 million in the current budget. This was an effort to provide support to Pinellas Hope and to address the growing number of homeless persons in our community. The economy has not significantly improved and homelessness continues to be a problem.

  - The proposed funding would provide another year of funding for Pinellas Hope ($500K) and address the elimination of the social/mental health worker of the street outreach teams and increase the teams' role throughout the county.

Provide additional information regarding the Centralized Chiller Project. (Slides 114 and 168)

- Purpose: This proposed project is consistent with the Board's policy of conservation and sustainability, leveraging grants and the investment of non-recurring funds to generate high return on investment and reduce going forward recurring operating and maintenance costs.

- Scope of Work: Construct a new chilled water facility central to the Clearwater Campus. This facility would be sized to provide approximately 1500 tons of cooling capacity to support 11-15 County buildings. Cooling capacity can be increased to support the sale of chilled water to non-County entities. The work scope also includes the underground piping network to distribute chilled water from the central facility to each building.

- <u>Budget</u>: The total project estimate is $10.0M, which includes design and construction. Design is estimated to be approximated $1.0 – 1.5M, which will be funded by the $1.5M federal Energy Efficiency Block Grant (EEBG). The allocation of these grant funds was previously approved by the BCCC. Of the $8.5M balance for construction; approximately 35% would fund the central facility and 65% would fund the underground piping distribution.

- <u>Best Contract/Finance Options Available</u>: There are two major private/public models (options) available with several variations thereon. For either option, the County could fully fund the initial costs and own outright or partially fund the capital project. Should the County partially fund the project, the private partner will assume responsibility for the balance. The private/public agreement could be structured to enable the County to buy-down the private financing anytime in the future. Generally, the more the County funds, the lower the chilled water rate will be and the higher the opportunity to generate revenue by selling chilled water to other non-County entities.

  Since the County is providing the land to support the facility, negotiations should result in a lower chilled water rate and the County owning the building outright at the end of any financing obligation.

  1. Design, Build, Operate and Maintain
     - Contractor designs and builds the facility for fixed price
     - Contractor enters into a comprehensive long-term operations and maintenance services agreement with County to deliver a guaranteed level of capacity, quality and reliability
     - Subject to adjustments, a flat fee will be charged to recover costs for plant operations and maintenance
     - County to insure and pay utility bills for entire facility
     - Contractor will maintain and guarantee the energy efficiency of the facility and systems

  2. Design, Build, Own, Operate and Maintain

     - A third party firm owns the facility, while contractor designs, builds, operates and maintains it through contract with third party. County would purchase utilities from the third party firm
     - A Utility Services Agreement between the users and third party firm to purchase chilled water from the facility at negotiated pre-determined rates.
     - Third party firm responsible for insurance and utility bill. County has option to pay utility bills to avoid sales tax and optimize chilled water rates

- <u>Advantages of the Project:</u> Successful implementation of this project would eliminate stand alone cooling systems at each existing building, which reduces maintenance and equipment replacement projects. A reduction in maintenance directly correlates to reductions in staffing, contract maintenance and operating supply costs.

  - Large chilled water facilities are significantly more efficient that stand alone air-cooled or direct expansion cooling systems. When properly designed and sized, a larger chilled

water facility becomes more efficient and reduces the cost to generate chilled water. Hence, a reduction in electric and water/sewer utility costs will be realized.

- Employing only the $1.5M EEBG and no other funds, operating costs (staff, contract maintenance and utilities) would be reduced by approximately $300-350K/year.

- Full County financing would reduce operating costs (staff, contract maintenance and utilities) by approximately $500K/year.

- Full County financing would provide a revenue opportunity from the sale of chilled water to non-County entities. Conservatively, the sale of 400 ton-hrs would generate approximately $400K/year. The County and contractor would jointly market services prior to design and construction. The City of Clearwater has expressed preliminary interest.

- The useful life of a central energy plant is conservatively 25 years. With a central chilled water facility in place for the next 25 years, there would be no need to budget and replace stand alone building cooling systems which currently comprise: (5) air-cooled chillers, (3) water-cooled chillers, (2) water cooling towers and approximately 35 direct expansion refrigerant condenser units. In present dollars, the cost avoidance to replace these systems (CIP FY11-36) is approximately $3.8M.

- The simple payback with County's full financing of $8.5M, excluding future CIP cost avoidance, is 9.5 years for a facility with a 25-year useful life.

- Other Government Successes: In 2005, Hillsborough County Government implemented a similar project, about twice the cooling capacity. From 2005 – 2008, the reported reduction in energy from this project was approximately 17.5%, which resulted in $4.33M in cost savings/avoidance. The system supplies chilled water to a nearby County school and generated approximated $550K in revenue during same reported period.

Provide additional information summary of changes information for Pop Stansell Park, Joe's Creek Greenway, and North County Recreation Fields. Also provide a detailed accounting of the funds spent over the years for the North County Recreation Fields.

- This item is addressed in the "Follow Up From CIP Budget Information Session on June 10, 2010" document on page 5.

Describe the plan to reduce potholes through resurfacing.

- This item is addressed in the "Follow Up From CIP Budget Information Session on June 10, 2010" document on page 6.