FY2013 Proposed Budget
First Public Hearing
September 6, 2012
Outline

- Budget background
- FY2013 Budget strategy
- Citizen & employee outreach
- General Fund forecast (July 10)
- Changes to Proposed FY2013 Budget
- Updated General Fund forecast
Outline

- General Fund reserve
- Other funds
- Future Fiscal Issues
- Next steps
Budget Background
FY2012 Background

- In FY2012 property tax revenues decreased 4.6% or $14M due to:
  - Decline in taxable values
    - Foreclosures and distressed sales depress prices
    - Excess inventory compared to demand
    - Low volume of new construction
  - 7.2% decrease in total General Fund revenue

- Between FY2007 and FY2012
  - Property taxes have decreased 35%
  - Total General Fund revenues have decreased 30%
Position Reductions
(FY2007 to FY2012)

- Constitutional Officers and Independent Agencies decreased 730 positions or 19%
  - Lowest position count since FY1991

- BCC Departments decreased 975 positions or 35%
  - Lowest position count since FY1985
Expenditure Reductions
(FY2007 to FY2012)

- General Fund expenditure reductions from FY2007 to FY2012

<table>
<thead>
<tr>
<th>Agency</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCC Departments</td>
<td>($100.2M)</td>
<td>38.9%</td>
</tr>
<tr>
<td>Sheriff</td>
<td>($72.5M)</td>
<td>26.8%</td>
</tr>
<tr>
<td>Other Constitutional Officers</td>
<td>($14.4M)</td>
<td>26.1%</td>
</tr>
<tr>
<td>Independent Agencies</td>
<td>($6.6M)</td>
<td>27.0%</td>
</tr>
</tbody>
</table>

**Note:**
- Comparisons are between FY2007 and FY2012 budget except the Sheriff (FY2008 and FY2012)
FY2013 Budget Strategy
FY2013 Budget Strategy

- Over the past five years, the Board has pursued a multi-year strategy to achieve a sustainable market basket of services
- Budget reductions were made by BCC departments, Constitutional Officers, Court Support, and Independent Agencies
  - $193.7M in General Fund reductions from FY2007-12
  - 1,705 positions eliminated from FY2007-12
- A Service Level Stabilization Account (SLSA) was established to cover potential future shortfalls in the General Fund
The Service Level Stabilization Account (SLSA) is a prudent financial strategy to mitigate forecasted multi-year shortfalls in the General Fund.

The SLSA represents non-recurring funds generated by taking reductions in FY2010, 2011, and 2012 over and above what was necessary to balance the budget.

The FY2012 budgeted balance in the SLSA is $28.6M.
Service Level Stabilization Account

- Building up this “savings” account provides increased flexibility to successfully adjust to the new fiscal reality

- The SLSA can be used on a one-time basis to cover potential shortfalls in the General Fund
  - Provides flexibility in the budget to avoid making reductions to the point where revenues bottom out
  - Allows us to bridge to a time when the budget has stabilized and begins to improve
  - Because it is a non-recurring funding source, the SLSA will not structurally balance the General Fund on a recurring basis
FY2013 Budget Strategy

- **Stay the Course**
  - Limit growth in the budget to revenue growth
  - Continue streamlining and efficiency reductions
  - Address unfunded Medicaid mandate by increasing revenue
  - Spend down the Service Level Stabilization Account to balance the General Fund
FY2013 Budget Strategy

- Plan the budget based upon ten-year forecasts for the County’s major funds
  - Forecasts are updated throughout the year
  - Budget targets are developed based on the unique forecasts for each fund

- Develop the budget consistent with the Board’s adopted budget policies
  - Budget Policies appear as Exhibit A of the Budget Message
FY2013 Budget Process

- Focus on ability to sustain programs given revenue decreases, new unfunded mandates and ongoing property tax caps
- Community outreach prior to budget development
- “Deep dives” with departments as part of strategic planning process
- Continued focus on program-based budgeting and levels of service
- Constitutionals and Independents have individual budget work sessions with the Board
Management Initiatives

- The Board has established several strategic initiatives to chart a positive course for the future
  - Strategic Planning
  - High Performing Workforce
  - Volunteerism
  - Program-Based Budgeting
  - Multi-Year Forecasting
Program-Based Budgeting

- FY2013 Proposed Budget represents a transition from line-item, management-driven perspective to program-based perspective

- Citizen-friendly perspective
  - Programs represent services that citizens can relate to and understand
  - Performance measures relate cost of service to the level of service being delivered
Benefits of Program Budgeting

- Program budgeting initiative began in FY2008
  - Built on performance measurement initiative from FY2002
  - Increases transparency and understanding of the budget
  - Stratifies the budget into programs and allocates expenditures, revenues, positions, performance measures, and cost recovery for each program
  - New OPUS systems support program budgeting

- Supports BCC Strategic Plan

- Focuses on outcomes and impacts
Updated Budget Document

- Proposed budget document represents transitional document
- Adopted budget document will include additional program-based information (performance measures)
- Shift from “numbers” budget format to more user-friendly, program-oriented format
- Focus on alignment with the Strategic Plan, resources obligated, and outcomes
Power of the Forecast

- Valuable tool that reflects the impact that decisions made in the present can have on future fiscal capabilities
  - Ex) adding a new program
  - Ex) approving a new revenue source

- Helps to identify future challenges, weigh potential options, and craft policy well in advance

- Provides transparency to the budget planning process
FY2013 Citizen & Employee Outreach
Community Outreach & Input

- Received valuable public input at three community meetings
- Telephone Citizens Preference Survey
- On-line Citizens Preference Survey
- Citizen Suggestions via County website
General Fund Forecast (July 10)
Ad Valorem Update

- Budget forecast (February, 2012) assumed 4% decrease of taxable values for FY2013

- Certified taxable values from the Property Appraiser as of July 1st:
  - Countywide: 1.8% decrease
  - MSTU: 3.3% decrease

- Positive impact to the General Fund of $5M in FY2013 (vs February forecast)

- Also impacts future forecast years
Revised General Fund Forecast
(July 10, 2012)

Use SLSA to balance FY13 and FY14

$17.3M shortfall in FY15

Net recurring rev - exp:

0  (1.6M)  (17.3M)  (16.1M)  (17.7M)  (13.2M)  (14.5M)  (16.0M)  (18.9M)  (21.5M)
Unincorporated Area (MSTU)

- Another term for the unincorporated area is the Municipal Services Taxing Unit or MSTU.
- The population of the MSTU is larger than any of the cities in the County (276,000).
- MSTU services are paid for by unincorporated area residents only.
- MSTU residents do not pay utility taxes or franchise fees like most city residents.
- MSTU General Fund Millage Rate:
  - Proposed Budget: 2.0857 mills
  - No change in rate since FY2008.
Changes to Proposed FY2013 Budget
Ad Valorem Update

- County-wide General Fund Millage Rate
  - Proposed Budget: 5.0608 mills
    - Included 0.25 mill rate increase to address unfunded Medicaid mandate
  - TRIM Notice: 5.0307 mills
    - Board reduced rate based on updated Medicaid mandate requirements
  - Revised Proposed Rate: 5.0105 mills
    - Board directed reduced rate based on updated Medicaid mandate requirements
Non-Recurring Project Allocations Included in Proposed Budget (General Fund)

- **Justice CCMS project: $3.9M**
  - Funds the anticipated expenditures through the third year of the project. To date, $7.7M will have been budgeted for this project. Additional funding in future years will be needed to complete this project ($3.9M).

- **Centralized Chiller Project: $1.5M**
  - Funds one-fifth of the interfund loan from Solid Waste fund. Remaining loan balance due to be paid in future years ($6.0M).
Additional Funding Approved (General Fund)

- Clerk of the Circuit Court - OPUS Staffing Support ($149K recurring)
- BTS - OPUS Technical Staff ($250K recurring)
- BTS - Wide Area Network Redundancy ($78K recurring)
- BTS - WiFi Connectivity ($360K one-time; $110K recurring starting FY2014)
Additional Funding Approved
(General Fund)

- **Health & Human Services: $840K recurring**
  - Support for homeless initiatives
  - Funded on one-time basis annually since FY2010
  - Pinellas Hope - $500K
  - Homeless street outreach activities - $300K
  - Turning Point - $40K
Funding Options
(General Fund)

- County-wide Requests: $1,470,390 recurring
- Non-recurring Requests: $360,000

- Per Board direction on 7/31 and 8/7, Service Level Stabilization Account funds have been allocated to support the additional requests.
Additional Funding Requests (Non-General Fund)

- BTS - CADD Technical Staff ($160K recurring for Capital Improvement Program fund)
  - Administrative costs charged to projects are increased

- DEI – ATMS/ITS In-Sourcing ($40K recurring SAVINGS for Transportation Trust Fund)
Updated General Fund Forecast
Revised General Fund Forecast

Net recurring rev - exp: 0  (8.6M)  (20.6M)  (19.7M)  (21.9M)  (20.4M)  (22.0M)  (23.5M)  (26.5M)  (29.4M)

Use SLSA to balance FY13 and FY14

Long-term Structural shortfall of $20M-$30M

$20.6M shortfall in FY15
Multi-Year Budget Strategy

- Forecasted long-term structural shortfall of $20-30M

- Balancing options
  - Make recurring reductions needed to structurally balance the General Fund over the long-term
  - Increase revenues to offset all or a portion of projected shortfalls
  - Blend of expenditure reductions and revenue increases
Multi-Year Budget Strategy

- Potential Risks to the Forecast
  - Florida Retirement System costs
  - Fragile Economic Recovery
  - Proposed Constitutional Amendments
  - State response to Affordable Care Act
  - Other State Mandates
General Fund Reserve
General Fund Reserve Policy

- **Budget reserve of at least 15% of General Fund Resources**
  - Consistent with recent County practice
  - Aligned with Government Finance Officers Association Recommended Best Practice
  - Board indicated desire to bolster reserves when possible

- **Propose $81.8M in FY2013 budget (15%)**
  - Accommodates funding of non-recurring allocations
Proposed FY2013 General Fund Reserve

- FY2013 Reserve of $81.8M is consistent with adopted reserve policy of at least 15% of General Fund Resources
Components of Reserve

- Contingency Reserve: $27.2M
  - Unanticipated revenue shortfalls or expenditures
    - Revenue examples
      - Sales tax proceeds
      - Local government sharing from the State
      - Development driven revenues such as building permits and zoning fees
    - Expenditure examples
      - Volatile fuel costs
      - Electric rate increases
      - Water/Sewer rate increases
      - Leave payouts for laid off positions
Components of Reserve

- **Encumbered Contracts Reserve:** $7.6M
  - Resources committed to be expended in the following fiscal years due to timing issues
    - Accrued leave earned but not used
    - Encumbrances
    - Grants revenue received but not spent

- **Cash Flow Reserve:** $35.7M
  - Necessary to meet cash flow needs (working capital)
    - Property tax revenue represents two-thirds of total revenues and most is not received for at least two months
Components of Reserve

- **Disaster Reserve: $11.3M**
  - Pinellas is a high hazard coastal county
  - Need cash on hand to pay for disaster response
    - Emergency operations center and emergency shelters
    - Sheriff overtime
    - Public Works emergency response personnel
    - Debris removal
  - FEMA or State reimbursement only covers a portion of the costs and may not be received for months or years
  - Depending on timing, other available reserves could also be used for disaster response
## Costs for Recent Hurricanes

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Location</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Hurricane Dennis</td>
<td>Escambia County</td>
<td>$29M</td>
</tr>
<tr>
<td>2004</td>
<td>Hurricane Charley</td>
<td>Charlotte County</td>
<td>$124M</td>
</tr>
<tr>
<td>2004</td>
<td>Hurricane Ivan</td>
<td>Escambia County</td>
<td>$196M</td>
</tr>
<tr>
<td>2005</td>
<td>Hurricane Wilma</td>
<td>Palm Beach County</td>
<td>$325M</td>
</tr>
</tbody>
</table>
Other Funds
Fund Review: Transportation Trust Fund

- Fund is **not** in balance beginning in FY2013 resulting in depletion of fund balance in FY2019
  - Results from inflationary pressures on expenditures exceeding the relatively flat growth in gas tax collections
  - Will need to take action by FY2017 or FY2018

- Balancing strategies
  - Revenue subsidy from General Fund
  - Offset $10.5M of storm water expenditures with an independent revenue source
  - Imposition of additional local option gas taxes
  - Reductions in program service levels
Fund Review: EMS Fund

- Fund is not balanced through the forecast period
  - FY2013 is balanced based on increasing EMS millage rate from 0.8506 to 0.9158 (7.7% increase)
  - Proposed millage increase requires majority vote
  - Reduces reserve from 25% to 18.6% ($16.8M)
  - Additional millage increases will be necessary to sustain same level of service with current delivery model
  - Millage cap is 1.5000
Fund Review: EMS Fund
(Millage Increase Drivers)

- Increased Requests from First Responders ($2.0M or 5.1% increase)
- Decrease in Taxable Values (1.7% decrease)
- Matching Recurring Revenues to Recurring Expenditures
- Maintaining an 18.6% Reserve Level
Fund Review: EMS Fund
(without millage increase)

- **FY2013**
  - Millage rate maintained at 0.8506
  - Reserve level = 15.1% ($13.7M)

- **FY2014 (based on forecast)**
  - Reserve level = 2.2% ($2.0M)
  - Fund balance/reserves depleted in FY2015
  - Millage rate increase of 53.8% to 1.3079 necessary to raise reserve level to 25%

- **FY2015 (based on forecast)**
  - Millage rate increase of 90.9% to 1.6241 necessary to raise reserve level to 25%
  - Exceeds 1.5 mill cap
EMS Fund Forecast

- Current level of EMS funding is not sustainable
  - Assumes 0.0652 mill increase in FY2013 to 0.9158
  - Annual increases to first responder agreements and ambulance contract

Recurring expenditure exceed recurring revenues beginning in FY2014; shortfall of $8.6M

Fund balance/reserves depleted
EMS Fund Forecast

- Current level of EMS funding is not sustainable
  - Assumes no millage increase
  - Annual increases to first responder agreements and ambulance contract

Recurring expenditure exceed recurring revenues beginning in FY2013; shortfall of $7.5M
Fund balance/reserves depleted

Dollars (millions)

- REVENUES @ 95%
- EXPENDITURES
EMS Millage Implications

Time

EMS Authority

Increasing Costs of Doing Business

Revenue Constraints (available $)
Fund Review: Fire Districts Fund

- Fund is not in balance due to reductions in property tax revenue collections
  - Fund information presented in a consolidated manner to provide a high level perspective
    - Budgetarily, each fire district is balanced separately
  - Taxable values decreased in 9 of 12 fire districts (3.1% increase to 6.4% decrease)
  - 5 out of 12 fire districts have proposed millage increases in FY2013
## Fire District Millage Rates

<table>
<thead>
<tr>
<th>Fire Districts</th>
<th>FY2012 Adopted Millage</th>
<th>FY2013 Proposed Millage</th>
<th>Variance</th>
<th>Millage Caps</th>
<th>Millage Increase Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belleair Bluffs</td>
<td>1.7320</td>
<td>1.7320</td>
<td>-</td>
<td>5.0</td>
<td>Taxable Value decrease (6.4%), Operating request increase ($150K), Reserve request increase ($254K)</td>
</tr>
<tr>
<td>Clearwater</td>
<td>2.6591</td>
<td>3.2092</td>
<td>0.5501</td>
<td>5.0</td>
<td>Taxable Value decrease (0.5%), Decrease in BFB ($178K), Operating request increase ($153K), Reserve request increase ($8K)</td>
</tr>
<tr>
<td>Dunedin</td>
<td>2.2576</td>
<td>3.5525</td>
<td>1.2949</td>
<td>5.0</td>
<td></td>
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<tr>
<td>Gandy</td>
<td>2.2602</td>
<td>2.2602</td>
<td>-</td>
<td>5.0</td>
<td></td>
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<tr>
<td>Largo</td>
<td>3.5133</td>
<td>3.5609</td>
<td>0.0476</td>
<td>5.0</td>
<td>Taxable Value decrease (4.0%)</td>
</tr>
<tr>
<td>Pinellas Park</td>
<td>2.3675</td>
<td>2.3675</td>
<td>-</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Safety Harbor</td>
<td>2.6800</td>
<td>2.7631</td>
<td>0.0831</td>
<td>5.0</td>
<td>Reserve request increase ($29K)</td>
</tr>
<tr>
<td>Tarpon Springs</td>
<td>2.3745</td>
<td>2.3745</td>
<td>-</td>
<td>5.0</td>
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<tr>
<td>Seminole</td>
<td>1.9581</td>
<td>1.9581</td>
<td>-</td>
<td>10.0</td>
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<tr>
<td>High Point</td>
<td>4.1916</td>
<td>4.1916</td>
<td>-</td>
<td>10.0</td>
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<tr>
<td>Tierra Verde</td>
<td>1.9087</td>
<td>1.9118</td>
<td>0.0031</td>
<td>3.0</td>
<td>Operating request increase ($7K), Reserve request increase ($63K)</td>
</tr>
<tr>
<td>South Pasadena</td>
<td>3.1257</td>
<td>2.6181</td>
<td>(0.5076)</td>
<td>5.0</td>
<td>Operating request decrease ($122K)</td>
</tr>
</tbody>
</table>
Palm Harbor
Recreation & Library District

- Proposed millage increase to 0.5000 mills in FY2013
- Increase 14.2% from current rate of 0.4378 mills
- Requested by Palm Harbor Community Services Agency at May 8 BIS
- Generates additional $189K in ad valorem revenues and offsets 2.6% decrease in tax base ($36K decrease in revenue)
- Restores maximum millage rate that was rolled back per state legislative action in FY2008
Future Fiscal Issues
Future Fiscal Issues

- General Fund
- EMS Fund and Fire Districts
- Transportation Trust Fund
- Stormwater
- Attracting & Retaining Talent with Competitive Compensation
Next Steps
Next Steps

**September**

- **September 6:** 1st Public Hearing – BCC adopts tentative FY2013 millage rates and budgets

- **September 18:** 2nd Public Hearing – BCC adopts final FY2013 millage rates and budgets

**October**

- **October 1:** Beginning of fiscal year 2013
www.pinellascounty.org/budget