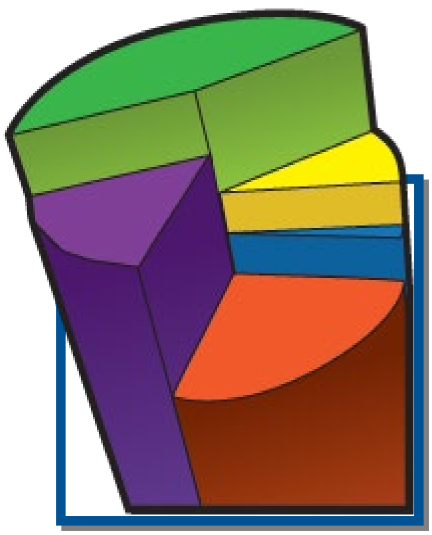
# Budget Forecast
# FY22 – FY27



**Pinellas County, Florida**
**Office of Management & Budget**

Pinellas County

# TABLE OF CONTENTS
# BUDGET FORECAST FY22 – FY27

# Introduction

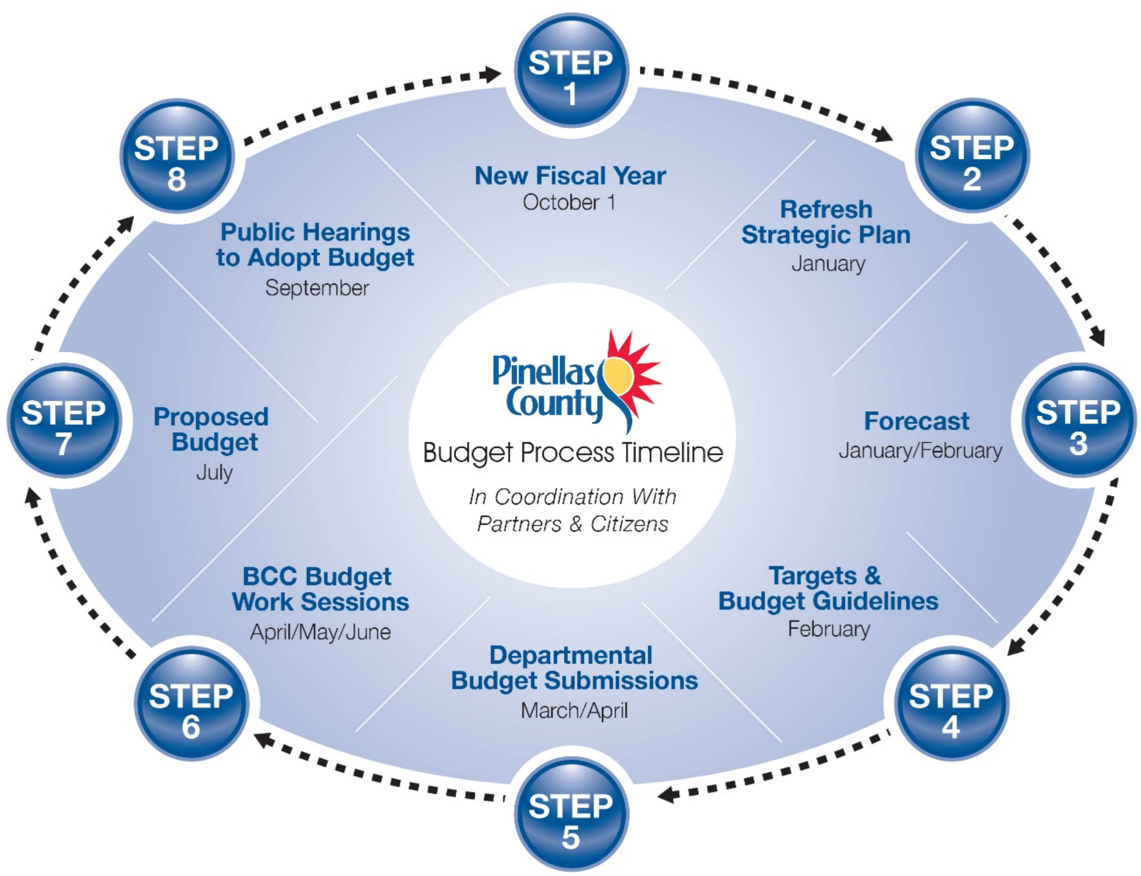
# INTRODUCTION

The *Introduction* section of the Budget Forecast: FY22 – FY27 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
- Purpose of the Forecast
- Developing the Forecast
- Using This Document

**Forecasting and the Annual Budget Process**

After the Board of County Commissioners (Board or BCC) refreshes the strategic plan, the first step in the annual budget process is to update the Forecast in order to develop the budget guidelines for the FY22 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.

# INTRODUCTION

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. 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, along with budget preparation instructions and resources, are communicated to the County's departments and agencies for use during development of their budget requests.

Updating the Forecast

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

**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 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 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 for 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 program, 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.

**Developing the Forecast**

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

# INTRODUCTION

Developing Projections

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

The process for developing the Forecast includes replacing the projections for FY20 with actual revenue and expenditure information following the close out of the fiscal year as of September 30, 2020. At the same time, the current FY21 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 budget development process as departments provide their projections. The coming FY22 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 FY27 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, 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 adjustments, expenditure adjustments, or a mix of both.

**Using This Document**

The *Executive Summary* section of this document summarizes the key elements of the forecast 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 fund 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* section which includes 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

# EXECUTIVE SUMMARY

## Introduction

The Budget Forecast has been produced as a stand-alone document since the Great Recession over a decade ago. The first step in the annual budget process is to update the Budget Forecast in order to develop the budget guidelines for the budget development 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

Virtually every aspect of the economy suffered due to the COVID-19 pandemic. As many businesses shut down or reduced capacity, more than 22.2M jobs were lost during the initial weeks of the pandemic in the U.S. During the second quarter of 2020, GDP experienced a decrease of 31.4%, the largest single drop ever. Between May 2020 and November 2020, the job market added back 12.3M jobs, 55.6% of the jobs lost the in March and April. The unemployment rate increased by 11.2 percentage point from February to April, to 14.7%, and has partially recovered to 6.7% in November. In Florida, the tourism industry suffered greatly in 2020 as total visitors dropped 34.0% during the first three quarters compared to the same period in 2019. This led to a loss of 187,500 jobs in the tourism industry through November 2020, 44.8% of the total jobs lost in Florida. Despite the GDP and job losses, Median Sales Price of single family homes increased 8.0% over the last 12 months across Florida.

## General Fund Forecast

The General Fund encompasses the principal governmental activities of the County that are not primarily supported by dedicated revenues. The four main external revenue sources for the General Fund are Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes. As a result of the economic slowdown related to the COVID-19 pandemic, many of the General Fund's revenues will continue to experience decreases in FY21 before an anticipated return to growth in FY22, with several revenue sources not returning to 'normal' until FY23. Half Cent Sales tax revenue dropped 5.2% in FY20 after several years of annual increases averaging 3.9%, while State Revenue Sharing fell 7.7%. Both revenue sources are projected to increase by 8.8% in FY22 as consumer spending recovers from the pandemic-induced recession. Property Tax revenue remains strong in FY21 as the assessment process was completed before the recession and residential home sales continued to show strength. However, due to the anticipated slow-down in sales and falling values of commercial properties, projected growth slows to 1.0% in FY22. While the County continues to expend funds to respond to the COVID-19 pandemic, federal stimulus funds and anticipated Federal Emergency Management Agency (FEMA) reimbursement are anticipated to mitigate a majority of this non-recurring fiscal impact.

The forecast projects that the General Fund is balanced throughout the forecast period and maintains reserves exceeding the minimum policy target of 15.0% without a millage increase.

## Emergency Medical Services (EMS) Fund Forecast

The EMS Fund is sensitive to property values as, in addition to ambulance user fee revenues, it is funded by ad valorem (property) tax revenue collected from property owners countywide. Property values have risen each year from FY15 through FY20 and have had a positive effect on the fund. With COVID-19 expected to impact economic growth, property tax revenue is projected to slow and increase by 1.0% in FY22. The remainder of the forecast period projects a gradual recovery, with property tax revenue to grow by 4.3% in FY27. The fund's millage rate is projected to remain at 0.9158 mills throughout the forecast period. This millage rate has been in place since FY13.

The current millage rate 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 FY27. The fund reserve is projected at 40.0% in FY21 and is projected to be 27.7% in FY27. From FY21 through FY27, the ending fund balance is projected to decrease by $6.6M. As the reserve balance (fund balance as a percentage of expenditures) decreases, the level of expenditures increases $37.1M by FY27. The ability to maintain the 25.0% reserve level 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 FY21 reflect the current negotiated agreements with the 18 providers. The forecast projects inflationary increases to first responder agreements at 4.5% per year through FY27.

The County negotiated a new ambulance service contract with Paramedics Logistics, LLC for a 5-year term beginning FY16 and executed a three (3) year extension through FY23. Over the past few years, progress in containing costs, combined with better than anticipated growth in revenue, has improved the outlook for the EMS Fund. Long-term sustainability will require continued growth in revenue and diligent management of system costs.

**Surface Water Utility Fund Forecast**

The Surface Water Utility Fund is reliant on the assessment of unincorporated properties' calculated impervious area as expressed in ERUs. This assessment is based on program funding needs to achieve and maintain the target 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 Utility Fund indicates the fund is not balanced throughout the forecast period. From FY22 to FY27, annual revenues will not be enough to cover new requirements and inflationary increases for ongoing expenditures; therefore, accumulated fund balance resulting from appropriation lapses in prior years will be used to offset the variance. It is expected, however, that by FY26 Surface Water program expenditures will decrease as the ten-year level of service for corrugated metal pipes is achieved. Inflationary increases will continue driving expenditures upward in FY26 – FY27. A rate study is underway and may impact the assessment methodology and projected revenues.

**Tourist Development Tax Fund Forecast**

The Tourist Development Tax Fund is funded by the Tourist Development Tax (TDT), a revenue that is sensitive to general economic conditions. Tourist Development Tax revenue had been steadily increasing since Spring 2010, with record-setting revenue from FY13 – FY19. In FY20, revenue fell by 22.6% as the effects of COVID-19 severely reduced overnight visitors in Pinellas County. Tourist Development Tax revenue is estimated to grow by 12.1% in FY21 compared to

FY20 but remain below pre-COVID-19 levels until FY25. Revenue is projected to increase 5.4% in FY22 and 3.0% annually from FY23 – FY27.

Total expenditures are projected to decrease by 33.4% in FY21 as the City of Dunedin's Spring Training project, which was part of the list of Capital Funding Program projects approved by the BCC in FY17, was completed in FY20. Operating expenditures, which include the department's marketing and promotions contracts, are projected to increase 38.9% compared to FY20, while the Capital Funding Program is projected to decrease by 95.5%.

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

**Transportation Trust Fund Forecast**

The Transportation Trust Fund is primarily funded by state and local fuel taxes. Revenue is projected to show a minimal gradual incline but not keep pace with inflationary increases for expenditures in this fund. The growth of revenue is limited by more efficient cars and fuel conservation efforts, as well as restrictions imposed by state laws that do not allow indexing fuel taxes for inflation.

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues throughout the forecast period. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Gasoline usage declined during the COVID-19 pandemic and the anticipated decline in future commuting will likely place further constraints on this revenue growth. The fund balance is used each year to cover the gap until the fund balance is depleted in FY22.

**Capital Projects Fund Forecast**

The Fund is balanced for FY21 only. The Fund will need to be rebalanced during the FY22 budget process based upon actual activity and prioritization of projects.

County staff and administration have implemented the Capital Improvement Program Project Portfolio Management (CIP PPM) process for prioritizing, coordinating, and managing projects to enhance output, reporting, and decision support. Departments will review all projects in a systematic and holistic manner. Projects that can provide the County with multiple benefits (e.g. - a project that will improve drainage, reduce stormwater/wastewater overflows, and provide infrastructure to support economic development) will be prioritized. This will enhance the coordination of cross-functional projects to provide efficient delivery of projects and best use of resources.

**Airport Revenue and Operating Fund**

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

Excluding impacts from COVID-19, airline and concession revenues have grown in recent years due to increased passenger service from Allegiant Air. After the projected passenger level increase in FY22 and FY23, these revenues are forecasted to increase on average 1.4% per year over the remaining forecast period. These projections are based on the anticipated recovery from the COVID-19 impact on traveling, the negotiated agreement with Allegiant, and the retail/food/beverage concessionaire agreement approved in FY19. The forecast for availability of capital contributions and other grant funding is based on current federal and state funding participation ratios for those capital projects that are eligible for Federal Aviation Administration (FAA) or Florida Department of Transportation (FDOT) funding.

The forecast for the Airport Revenue and Operating Fund shows that the fund is utilizing reserves to implement the Capital Improvement Program through 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. Federal stimulus funds mitigated revenue reductions resulting from COVID-19.

**Sewer Funds Forecast**

The forecast for the Sewer Funds shows that the multi-year rate increases approved in May of 2019 will provide sufficient revenues to maintain reserves, sustain the debt service coverage ratio, and fund capital replacement needs through the forecast period. This assumes a 9.5% annual rate increase through FY24, and a 3.0% annual rate increase thereafter. Through FY23, expenditures will exceed revenues, using fund balance to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

**Solid Waste Funds Forecast**

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

The forecast for the Solid Waste Funds indicates that the funds are not balanced throughout the forecast period. The current Power Purchase Agreement (PPA) with Duke Energy expires in December 2024. If the current agreement with Duke Energy to sell WTE power for revenue is not renegotiated, then DSW will be forced to enter into a new standard offer contract or sell electrical power on the open market. In either case, the forecast for Solid Waste Funds reflects a significant gap in revenue starting in FY25 due to the uncertainty regarding this agreement.

**Water Funds Forecast**

The forecast for the Pinellas County Water System funds shows that the multi-year rate increases approved in May of 2019 will provide sufficient revenues to maintain reserves and fund capital replacement needs through the forecast period. This assumes that the 1.0% annual rate increase through FY23 is extended through FY27. The Water Funds are structurally balanced through the forecast period.

# Economic Overview

# ECONOMIC OVERVIEW

The *Economic Overview* section of the Budget Forecast: FY22 – FY27 provides important context for the various forecasts in this document and includes the following sections:

- Overall Economic Outlook
  - COVID-19
  - Recession
  - Tourism Industry Suffers from COVID-19
  - Population growth

- Employment & Wages
  - Unemployment Breaks Records
  - Across-the-Board Job Loss

- Housing Trends
  - Home sales volume and median prices
  - Foreclosures and Evictions
  - Taxable property values

- Summary

**Overall Economic Outlook**

COVID-19

In the 12 months since we presented the FY21 Budget Forecast, a previously unknown virus quickly spread around the world, causing infection and death in virtually every country. Coronavirus disease 2019 (COVID-19) is a highly contagious disease that has infected more than 86.0M people worldwide and caused more than 1.9M deaths since it was first discovered in December 2019 in Wuhan, China. The World Health Organization quickly declared the outbreak a *Public Health Emergency of International Concern* in January 2020 and a pandemic in March 2020. On January 21, 2020, the first known case of COVID-19 in the United States was confirmed in the state of Washington. In early February, the United States began restricting air travel and declared a *Public Health Emergency.* On March 13, a *National Emergency* was declared by President Trump, which allowed for billions of dollars in federal funding to become available to fight the spread of the disease. On March 27th, President Trump signed the $2.2T CARES Act (Coronavirus Aid, Relief, and Economic Security Act), providing aid to hospitals, small businesses, and state and local governments, along with direct payments to Americans and expansions in unemployment insurance payments to the unemployed.

With the closing of many small businesses due to economic impacts of the pandemic, jobless claims increased dramatically nationwide, with 22.2M new claims in March and April, and almost 20.8M occurring in April alone. The U.S. unemployment rate shot up 10.3 percentage points from 4.4% in March to 14.7% in April. The U.S. economy officially entered into a recession in February 2020, ending an expansion period that lasted 128 months, as the economy declined 5.0% in the first quarter of 2020, and another 31.4% in the second quarter, the largest quarterly loss in history. The third quarter rebounded, growing 33.1% with the help of the direct payments and expanded unemployment insurance payments to consumers and the Payroll Protection Program, which provided loans to help businesses keep their workforce employeed during the pandemic. This loan program, which was enacted through the CARES Act, provides low-interest loans to businesses that may be forgiven by the federal government, if all employee retention criteria are met and funds are used for eligible expenses. Since April, only 12.3M of the almost 22.2M jobs lost in the early months of the COVID-19 pandemic have been recovered, leaving almost 10.0M previously employed people searching for work.

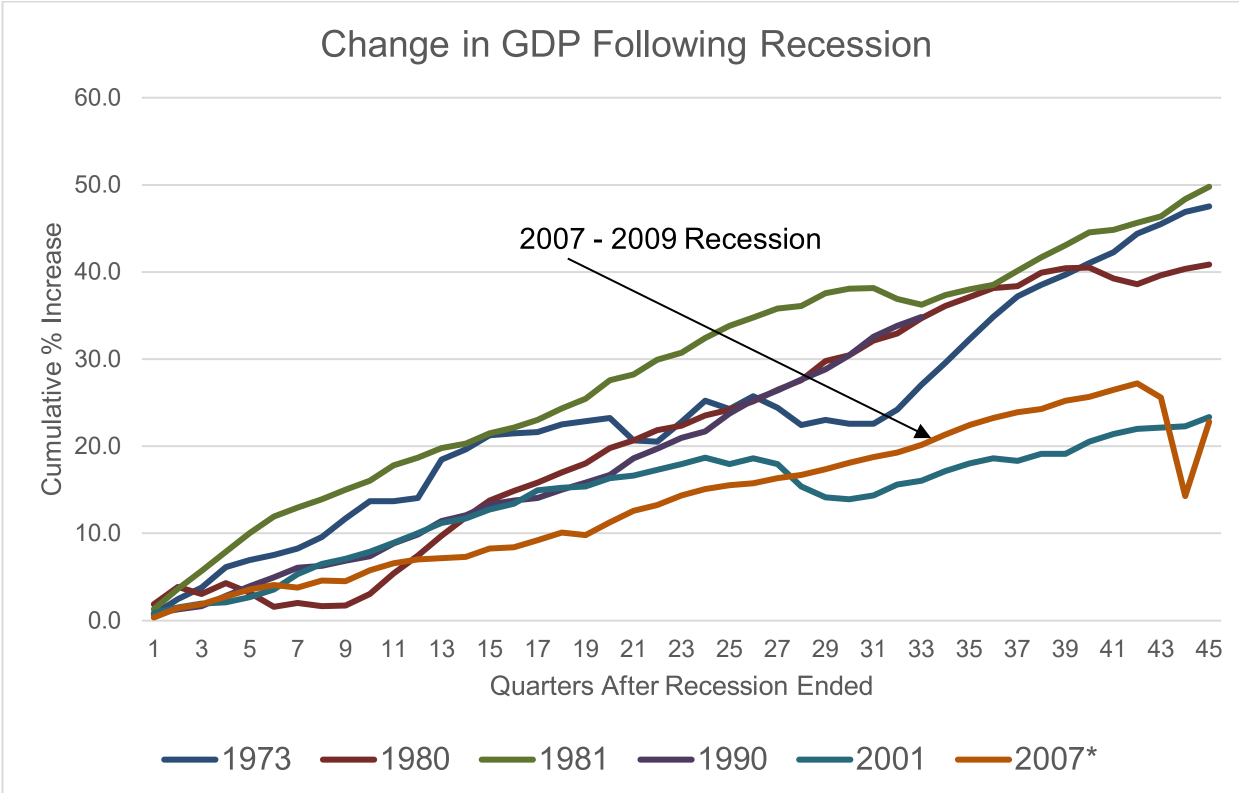
In Florida, the tourism and hospitality industries essentially shut down in March as bars, restaurants, cruise lines, and theme parks were forced to close or limit operations throughout the State. Hotels saw overnight visitors stay away as cases of COVID-19 infections spread from the Northwest across the country. Florida reported its first cases on March 1st, with two cases in the Tampa Bay area. Florida schools were closed to in-person learning after Spring Break, and many employees were asked to work from home to help stop the spread of the virus. The loss of tourists and their spending in the local economy had an immediate impact as statewide sales tax revenue plunged almost $1.8B between April and July. While maintaining relatively low infections in the early months of the pandemic, Florida experienced a surge in cases during the summer months. Daily cases of infections ballooned to over 15,000, with deaths following shortly after, and reaching almost 300 in a single day in early August.

By early-December, the United States was recording more than 210,000 new cases of COVID-19 and more than 2,400 deaths per day. Of the more than 86.0M global cases through the end of 2020, the United States accounted for more than 20.8M, or 24.7%. The U.S. accounted for 19.5% of total deaths, more than 362,000 people. All 50 states have now been considered to be COVID-19 Hot Spots, which is defined as states where cases have increased by greater than 5.0% over the past 14 days, positivity rate is greater than 10.0%, and new daily cases per million population are 100 or greater.

With cases surging around the world and the U.S. economy on the brink of a dip back into recession, two potential vaccines that claim a 95.0% effective rate against COVID-19 infections were announced in early November 2020. The prospects of a vaccine give hope for a return to normalcy in the not-too-distant future. In addition, a second COVID-19 relief package was signed by President Trump on December 27, 2020, and provides direct payments to most taxpayers, extends enhanced unemployment payments to those still without jobs, and provides aid to businesses and schools.

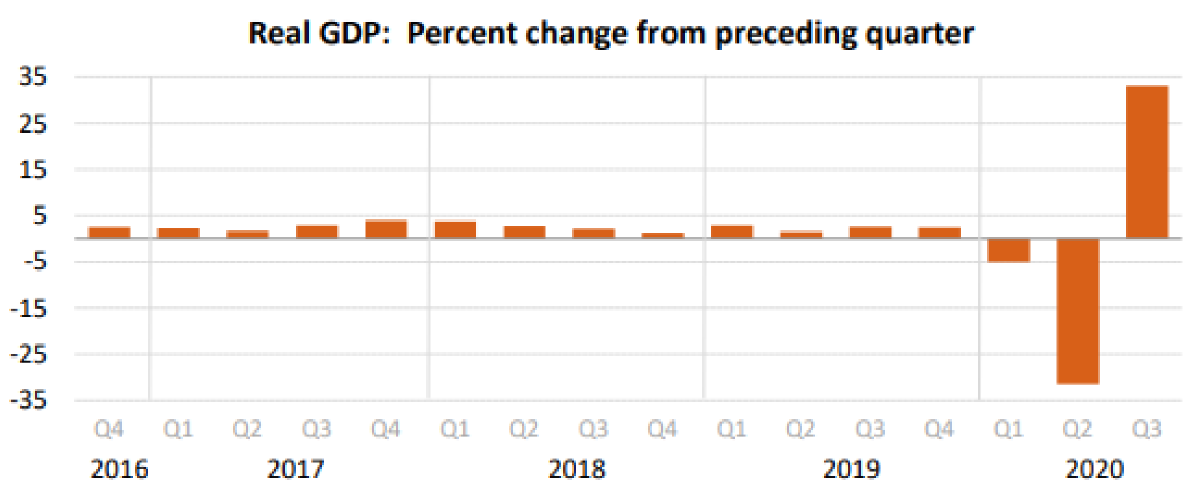
## Recession

As stated above, the U.S. officially entered a recession in February 2020, ending 128 consecutive months of expansion. Even prior to the COVID-19 Recession, the U.S. economy was underperforming four of the last five recession recoveries. More than ten years post-recession, the economy grew only 27.2% from the end of the Great Recession of 2007 - 2009, compared to an average of 46.1% following the ten previous recessions (1948 to 2001). Once the current recession hit, cumulative growth fell 8.0 percentage points below the rate following the 2001 recession.




Source: Federal Reserve Bank of Minneapolis/National Bureau of Economic Research

Real GDP increased by 33.1% at an annual rate in the 3rd quarter of 2020, the largest in U.S. history. This increase followed the 5.0% decrease and 31.4% decrease in the first two quarters of the year. The increase reflects a rebound in consumer spending following the pent-up demand from the COVID-19 shut downs around the country. Consumer spending accounts for approximately 68.0% of the U.S. economy.



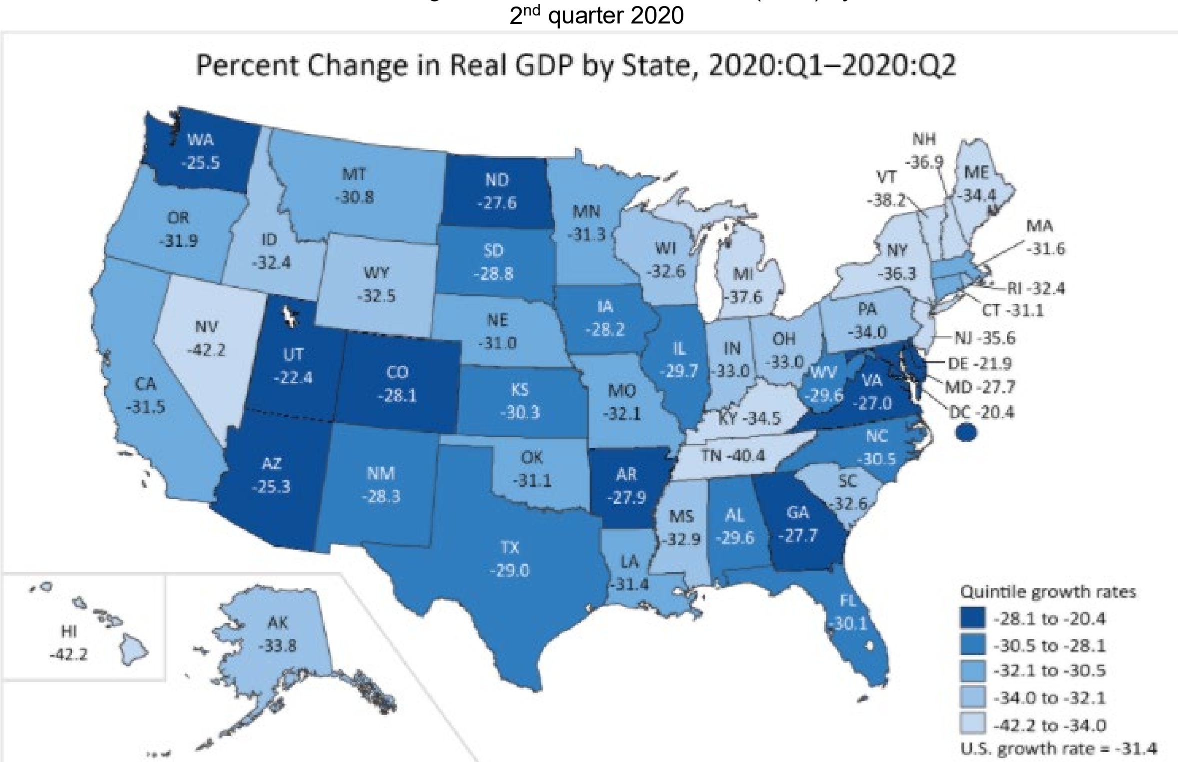

Source: U.S. Bureau of Economic Analysis

Inflation also impacts the outlook for consumer spending. The Consumer Price Index (CPI), the generally accepted measure of overall inflation, rose by an average of 1.2% during the first half of 2020. According to the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* and the State of Florida's *National Economic Estimating Conference,* projections for the CPI range from an annual increase of 2.1% to 2.6% during the forecast period.

Between June 2009 and December 2015, the Federal Reserve maintained the Federal Funds target rate between 0.0% - 0.25% as they tried to stimulate the economy out of the Great Recession. The rate gradually rose to a recent high range of 2.00% - 2.25% in September 2018, as the economy began to improve from the slow growth following the Great Recession. On March 15, 2020, the Federal Reserve dramatically lowered rates from the 1.00% - 1.25% range to 0.00% - 0.25% as the economy entered recession and many businesses closed or severely trimmed operations when COVID-19 began to spread throughout many parts of the country. According to projections from the Federal Reserve Bank of St. Louis, the Fed Funds Rate is expected to stay at its current level through 2023.

- Economic performance at the state level has been dismal in the COVID-19 era. During the 1st and 2nd quarters of 2020, no state experienced positive growth in its economic output. In the 1st quarter, the District of Columbia (-1.2%) and Colorado (-1.3%) were the best performing, while Louisiana (-11.9%) and Delaware (-11.4%) performed the worst. During the second quarter, the U.S. economy experienced the largest decrease in GDP in history, falling 31.4%. Delaware (-21.9%) and Utah (-22.4%) contracted the least of all states, while Hawaii (-42.2%) and Nevada (-42.2%) contracted the most. Florida's economy ranked 18th among the 50 states during the 2nd quarter of 2020, declining 30.1%, but performing slightly better than the national economy.

Percent Change in Gross Domestic Product (GDP) by state
2nd quarter 2020

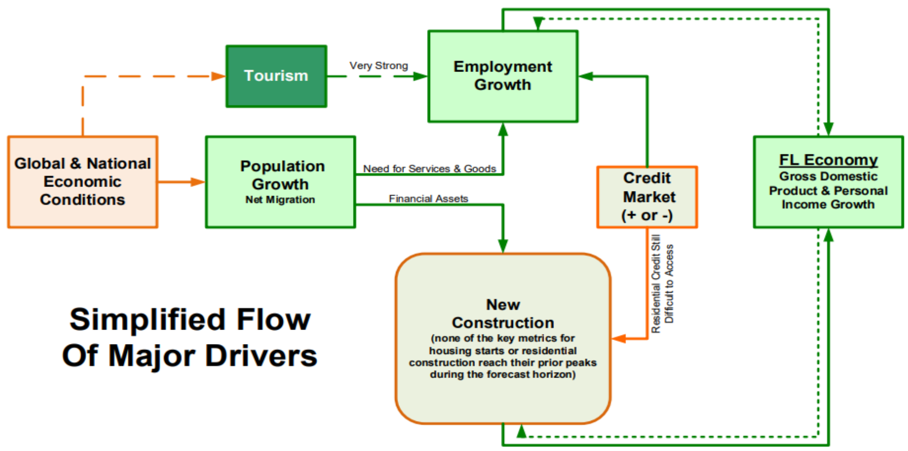



Source: U.S. Bureau of Economic Analysis

In terms of size, Florida's economy is the fourth largest in the United States, representing 5.2% of the total economic output of the country at more than $1.1T in 2019.

In Pinellas County, 2019 GDP was $47.9B, the 7th largest in the State. During 2019, the economy grew by 3.3%, the 42nd fastest of Florida's 67 counties.

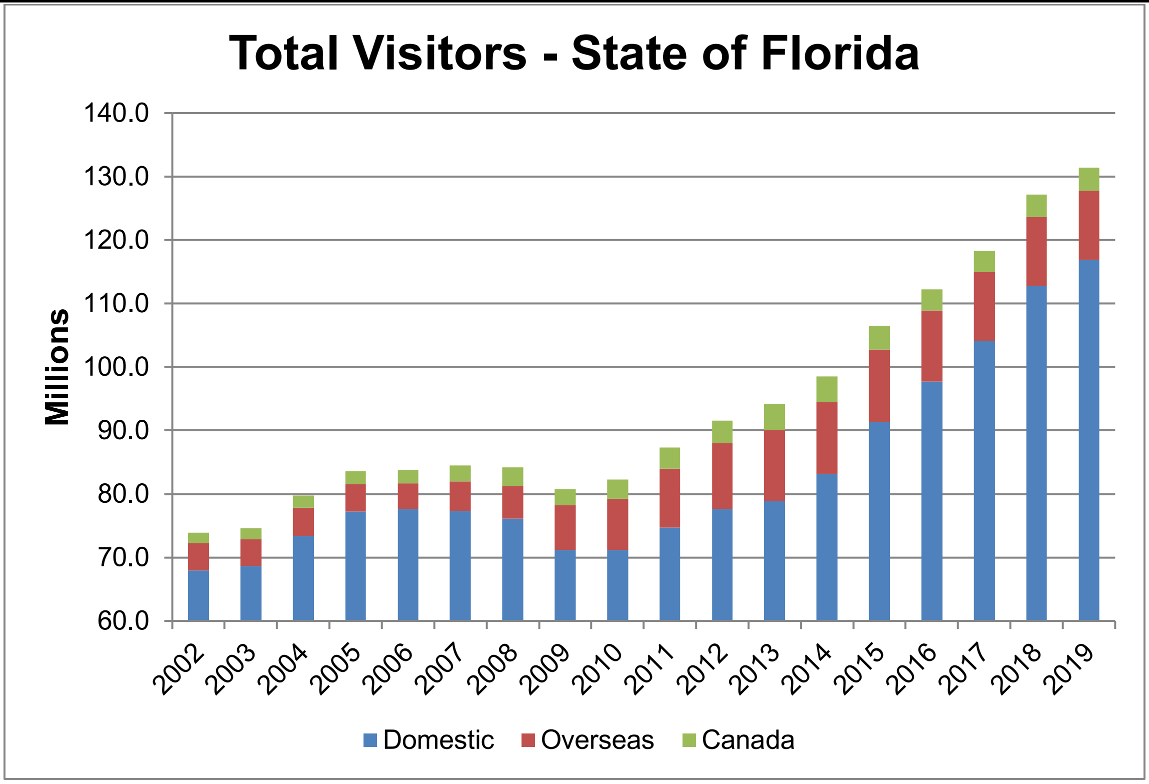
## Shifting in Key Economic Variables




Source: Florida Legislature Office of Economic and Demographic Research

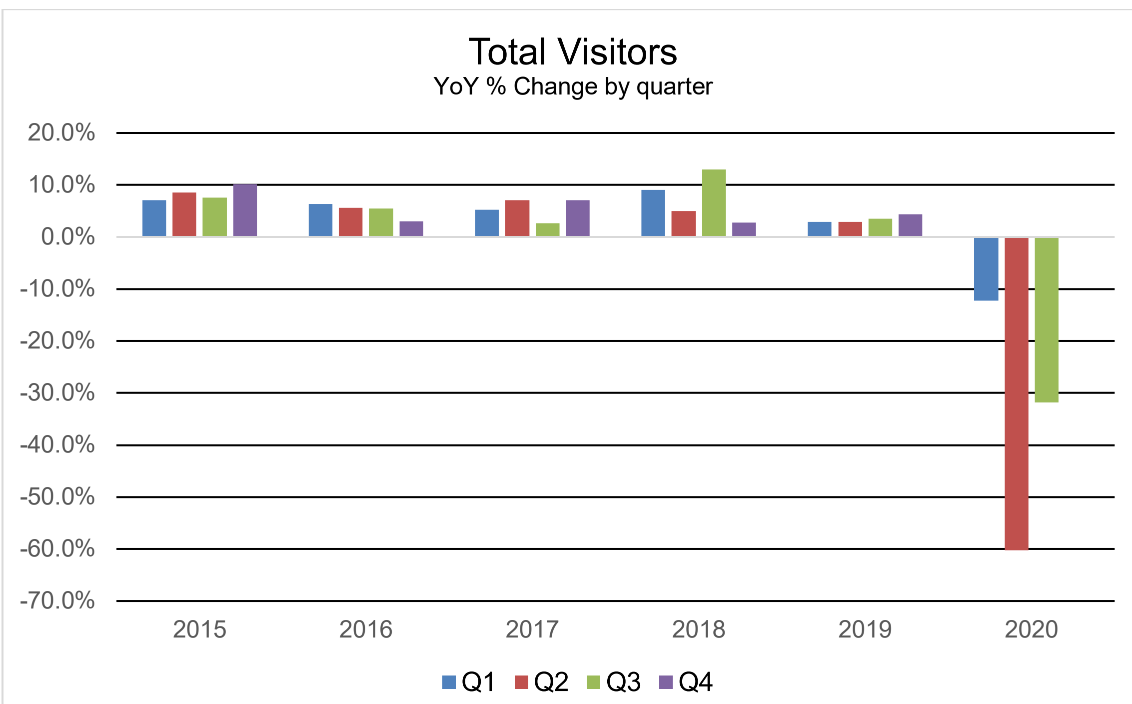
<u>Tourism Industry Suffers from COVID-19</u>

The economic impact of tourism in Florida is wide-reaching, and is a major driver of the overall economy. According to Visit Florida, the State's official marketing corporation, tourism supported 1.5M jobs worth $54.2B in total wages and contributed $91.4B to Florida's Gross State Product in 2019. For the 10th year in a row, 2019 experienced an increase in total visitors, up 3.3% compared to 2018. Between 2009 and 2019, the total number of visitors increased by 62.6%, from 80.8M visitors to 130.4M visitors.




Source: Visit Florida

However, 2020 saw year-over-year drops in total visitors in each of the first three quarters (the lastest data available) as COVID-19 had immediate impacts on the travel and tourism industries. Through the third quarter of 2020, total visitors fell to 66.4M, 34.0% from the same period in 2019.

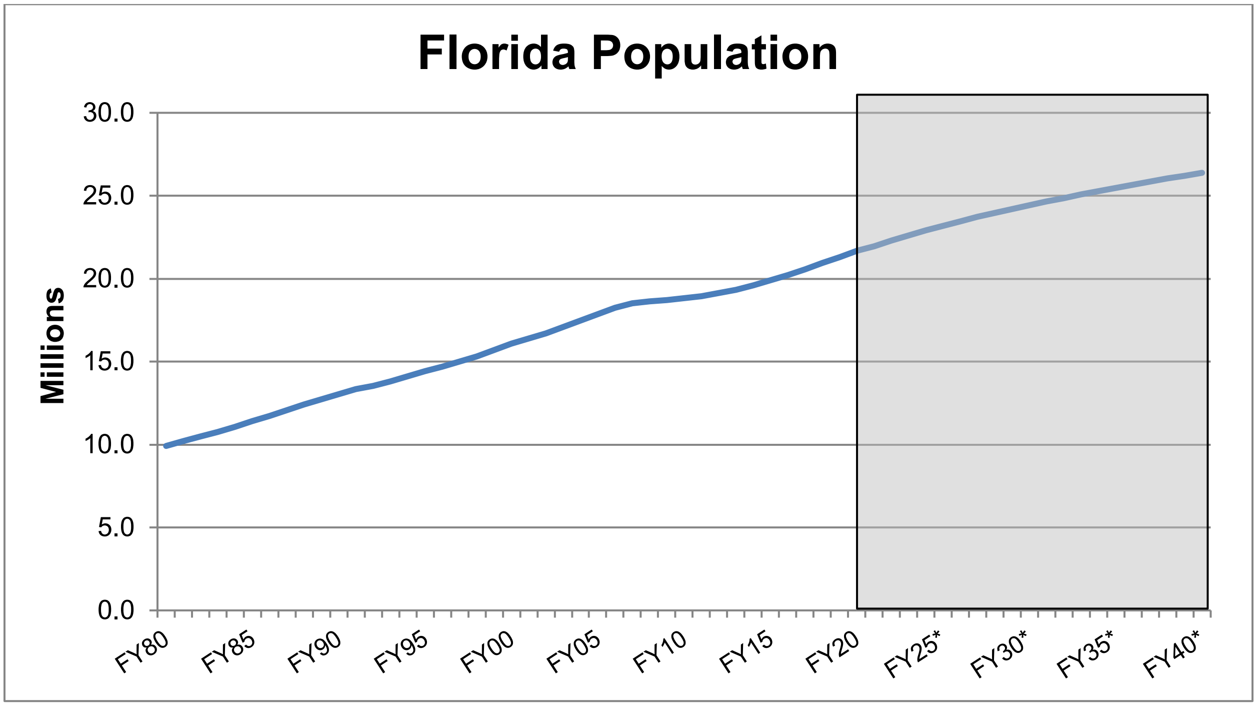



Source: Visit Florida

Population growth

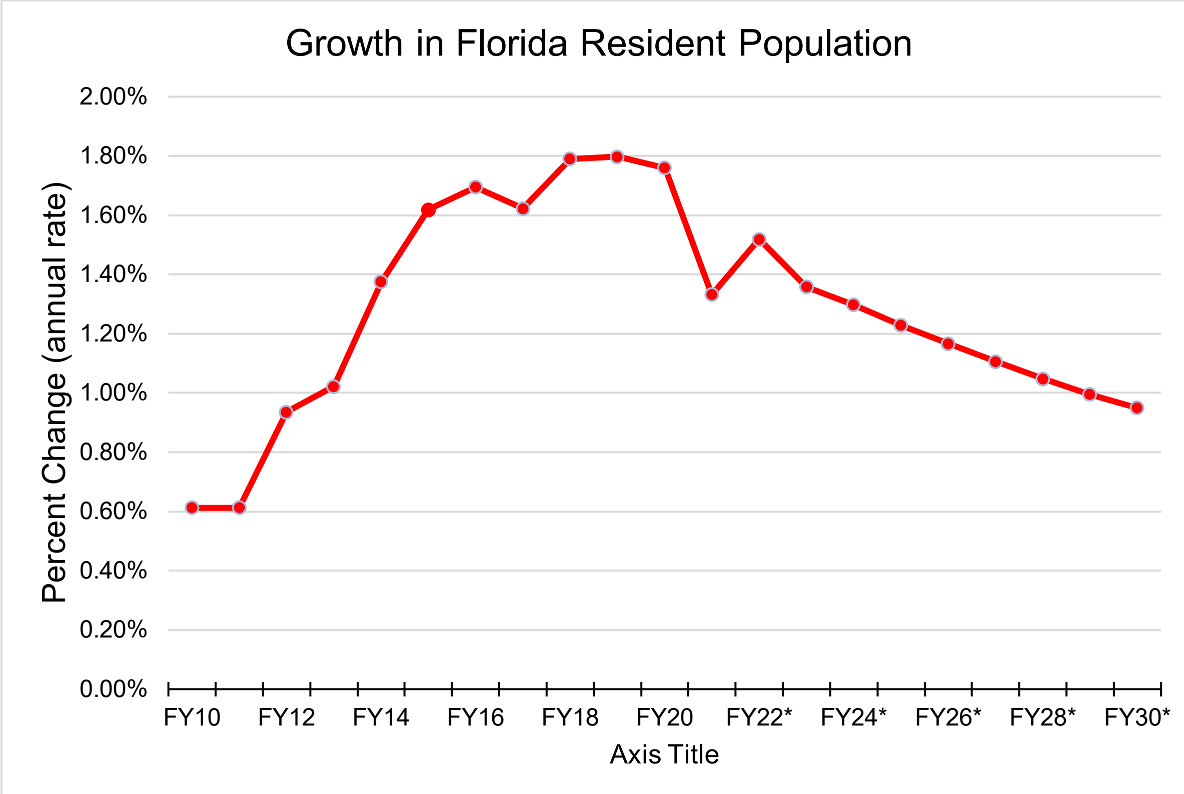
Population growth continues to be the State's primary engine of economic growth, fueling both employment and income growth, and impacting the amount of new construction activity.

Between 2019 and 2030, Florida's population is projected to grow by an average of 1.3%, or 277,547 annually, compared to a national average annual growth rate of 0.66%. After recently passing New York, Florida is now the third most populous state in the United States, behind California and Texas. According to the United States Census Bureau, Florida added 2.7M residents since 2010, a 14.2% increase. With other states losing populations, such as Illinois, which lost more than 1.0% of its population since 2010, Florida may gain one or two additional seats in the United States Congress when the 2020 Census data is used for reallocation of the 435 seats in the House of Representatives.




Source: Florida Demographic Estimating Conference, November 13, 2020 (shaded area indicates projections)

By 2045, Florida's population is expected to grow by almost 5.5M people from the current level, to over 27.0M people. There are many factors that can greatly impact the projected growth. With the increase in intensity of natural disasters, humanitarian migration may cause a surge in population from one year to the next. As we experienced after Hurricane Maria devastated Puerto Rico, these unexpected events can have an immediate and long-lasting impact on migration. An estimated 53,134 people permanently moved to Florida as a result of the natural disasters of 2017.



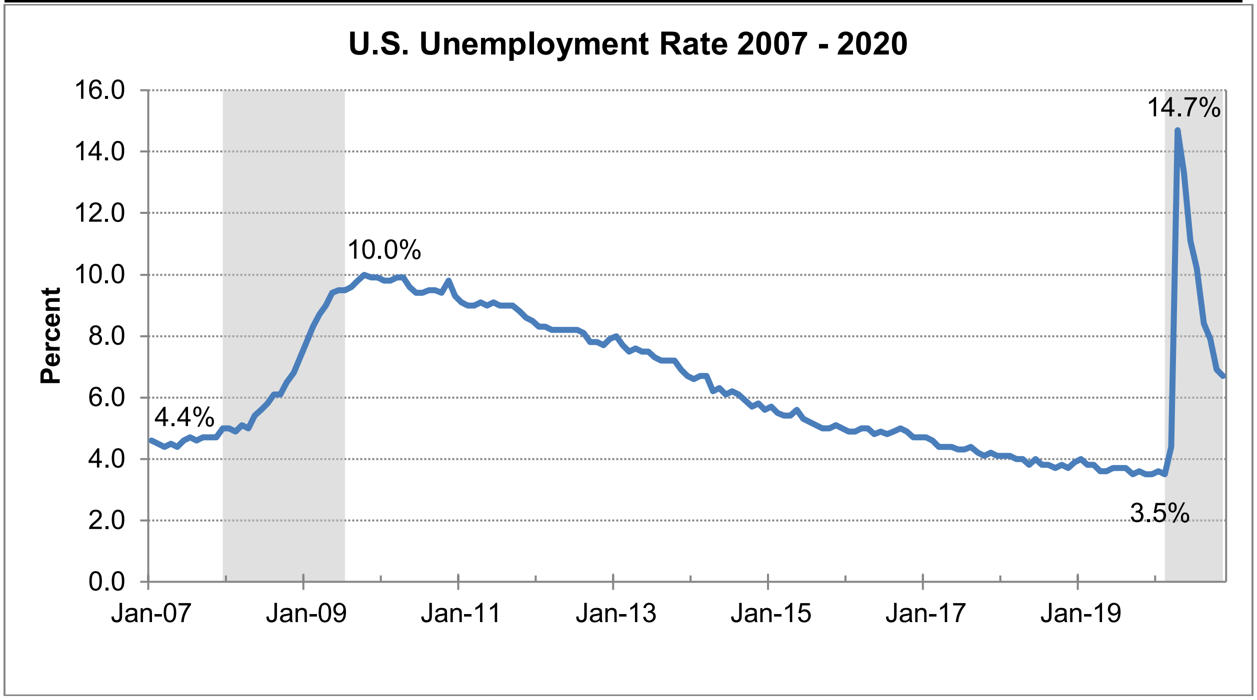

Source: Florida Demographic Estimating Conference (FDEC), November 13, 2020

**Employment & Wages**

<u>Unemployment Breaks Records</u>

After 113 consecutive months of job growth, March 2020 showed 1.4M jobs lost while April 2020 showed an additional 20.8M, the largest job loss ever in a single month. As a comparison, between October 2010 and February 2020, the economy added 22.1M jobs. In essence, the jobs gained during a decade of consecutive months of job growth were eliminated in just two months due to the COVID-19 economic shut down. After the partial reopening of businesses, 12.3M jobs were added back. Through November, 9.4M jobs have been lost in 2020.

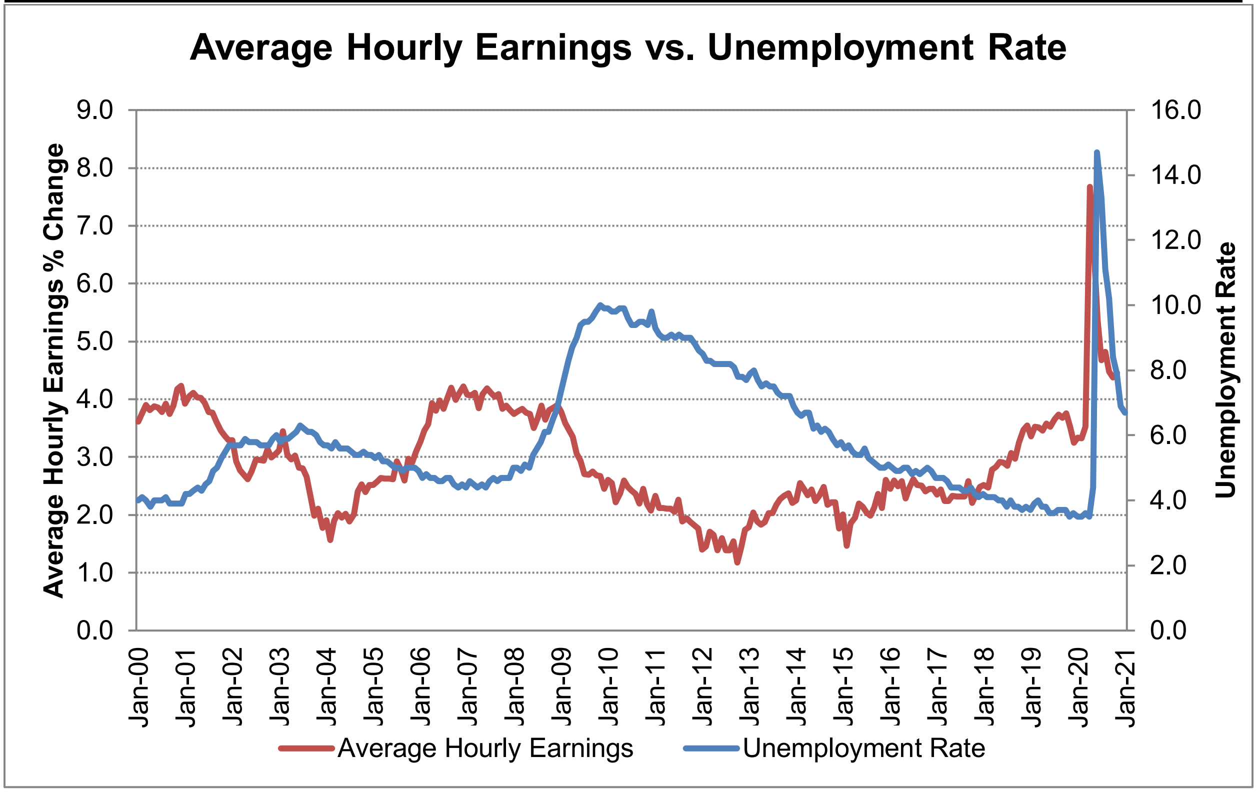
The national unemployment rate, which measures the percentage of those age 16 and older actively looking for employment, dropped to a record low 3.5% in February. However, with the arrival of the pandemic, the unemployment rate increased to 14.7% in April, a rate higher than any point dating back to at least 1948. The rate has steadily decreased since May, dropping to 6.7% in November.




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

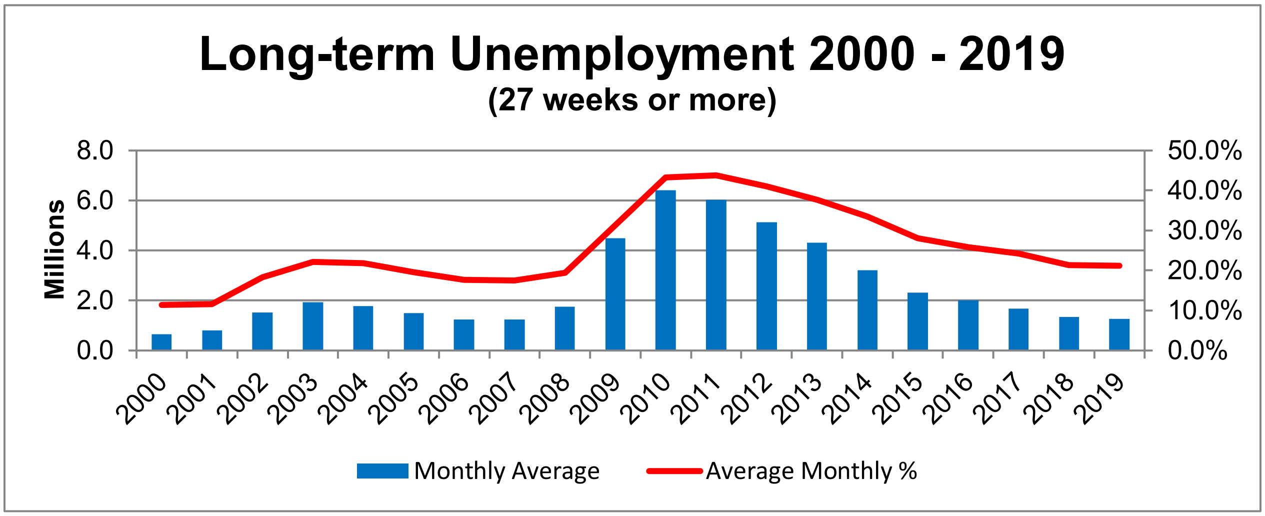
According to the *Florida Economic Estimating Conference (Nov. 20, 2020)*, unemployment is projected to continue a slow, steady decline, but remain higher than pre-pandemic previous levels until 2026.

The unemployment rate and average hourly earnings generally move in opposite directions. As the unemployment rate falls, average hourly earnings goes up as competition for workers increases. When the unemployment rates rises, average hourly earnings tend to fall. With the disproportionate impact on the service industries and other sectors that do not easily allow for working from home, the average hourly earnings increased as unemployment increased during the early months of the pandemic. The following chart shows the relationship between the unemployment rate and the percentage change in the average hourly earnings.




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

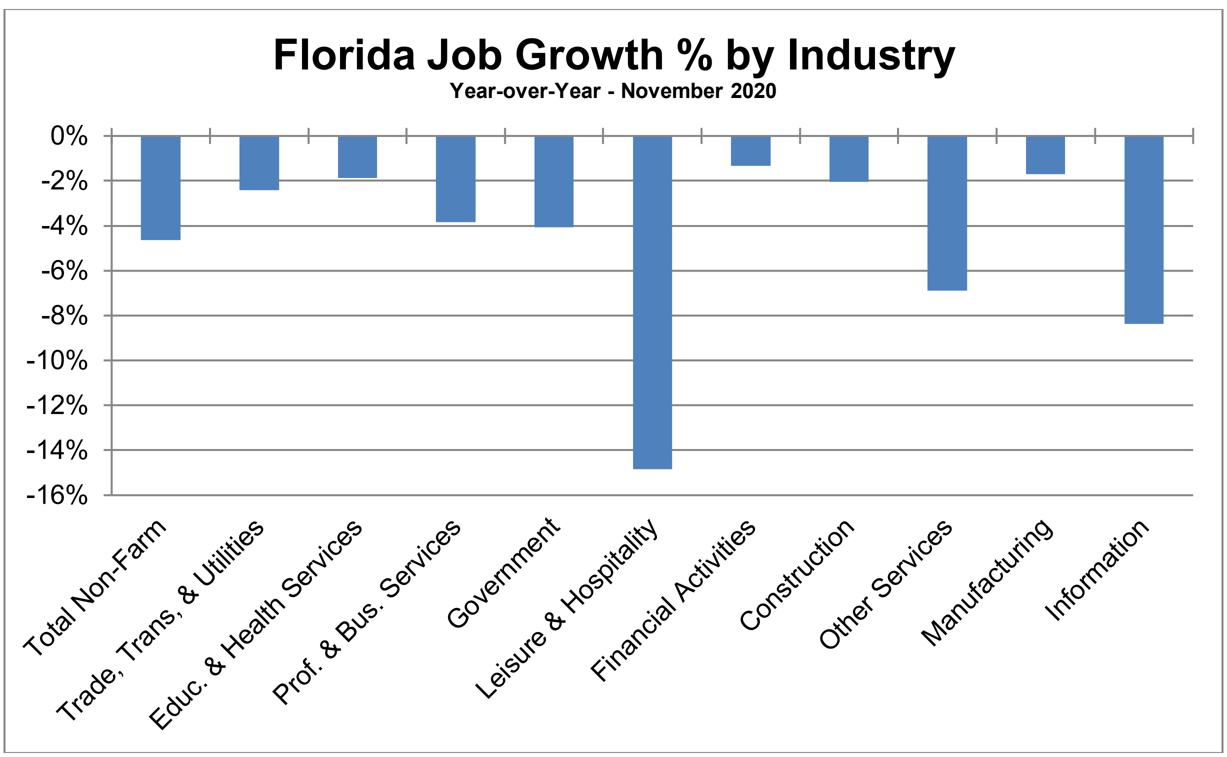
These numbers do not paint what many believe is the true employment picture. Long-term unemployment, which is unemployment lasting 27 weeks or longer, continues to plague the labor market. Following the recession of 1981-1982, long-term unemployment topped out at 26.0% of total unemployment seven months after the recession ended. Following the recession of 2001, long-term unemployment topped out at 15.9% one year out. The Great Recession had lingering effects, as long-term unemployment remained above the historical levels seen prior to the recession, averaging 21.2% of all unemployed in 2019. However, the jobs lost due to the COVID-19 economic shut down caused the long-term monthly rate to drop to 4.1% in April as the large number of people newly unemployed outweighed the smaller number of those unemployed at least 27 weeks.




Source: U.S. Bureau of Labor Statistics

## Across-the-Board Job Loss

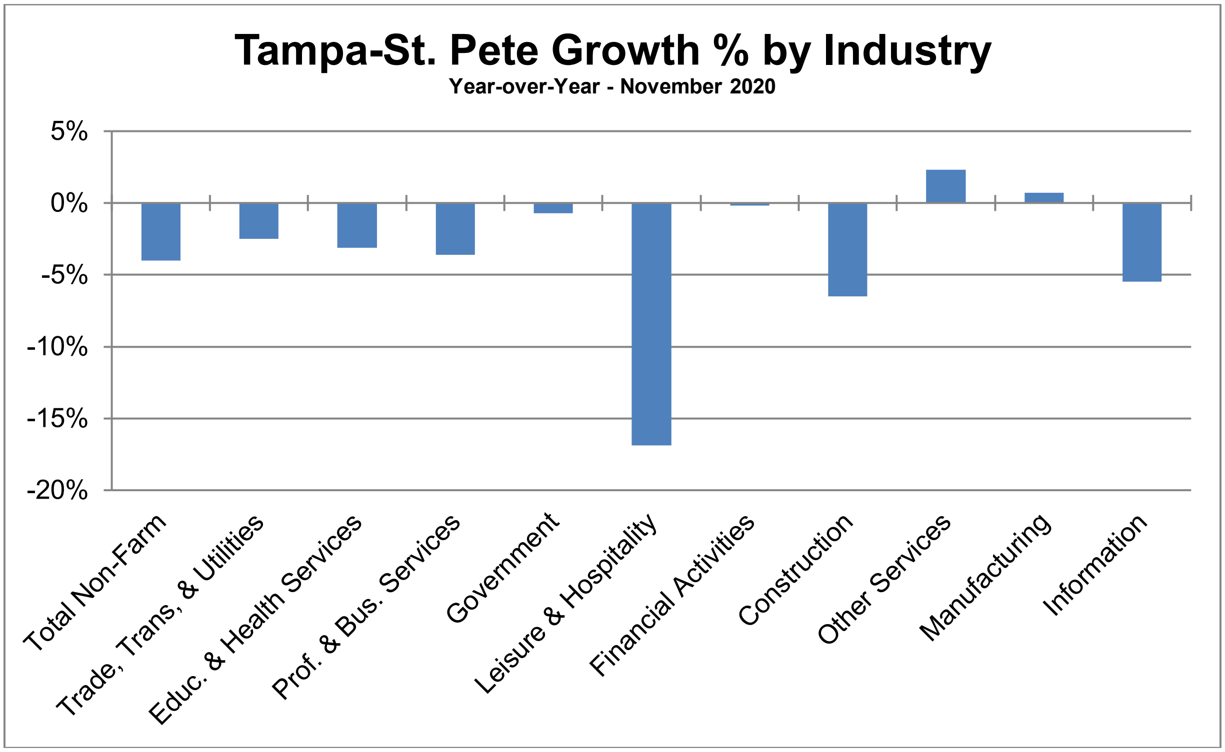
As with the nation as a whole, Florida's unemployment rate jumped at the beginning of the pandemic. The rate started its rise in March, increasing from 2.8% in February to 4.4% in March, before shooting up 9.4 percentage points to 13.8% in April. Between February and April, Florida lost 1.2M jobs, with almost half (46.7%) in the Leisure and Hospitality industry, which includes restaurants, bars, hotels/motels, and other tourist related businesses. After the economy reopened in May, even at reduced capacity, more than 487,000 jobs were added back. In total, Florida lost 418,500 jobs year-over-year.




Source: Florida Department of Economic Opportunity

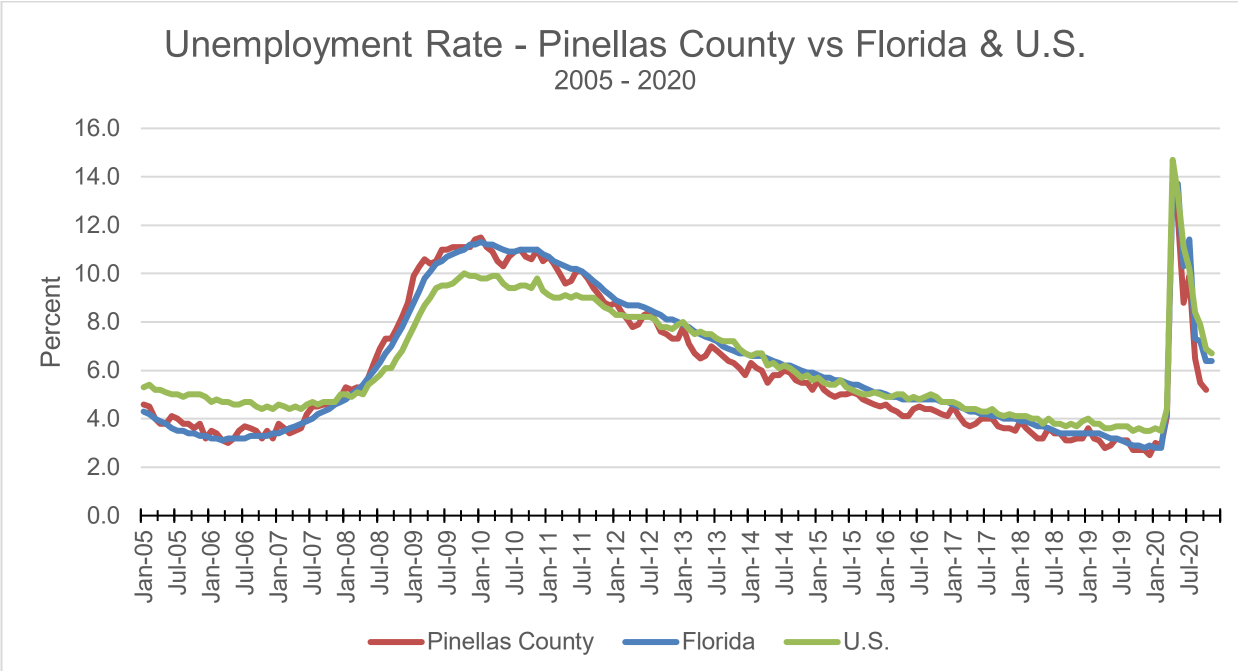
# ECONOMIC OVERVIEW

In Pinellas County, the impact on jobs is very similar to the State. The unemployment rate increased from 2.9% in February to 14.1% in April as tourism essentially shut down in March. Between November 2019 and November 2020, Leisure and Hospitality lost 27,500 jobs, a 16.9% reduction and almost half of all jobs lost in the County. By October, unemployment fell to 5.2%, still almost twice as high as October 2019.




Source: Florida Department of Economic Opportunity

As the chart below shows, Pinellas County's unemployment rate has tracked with both the state and national rates.

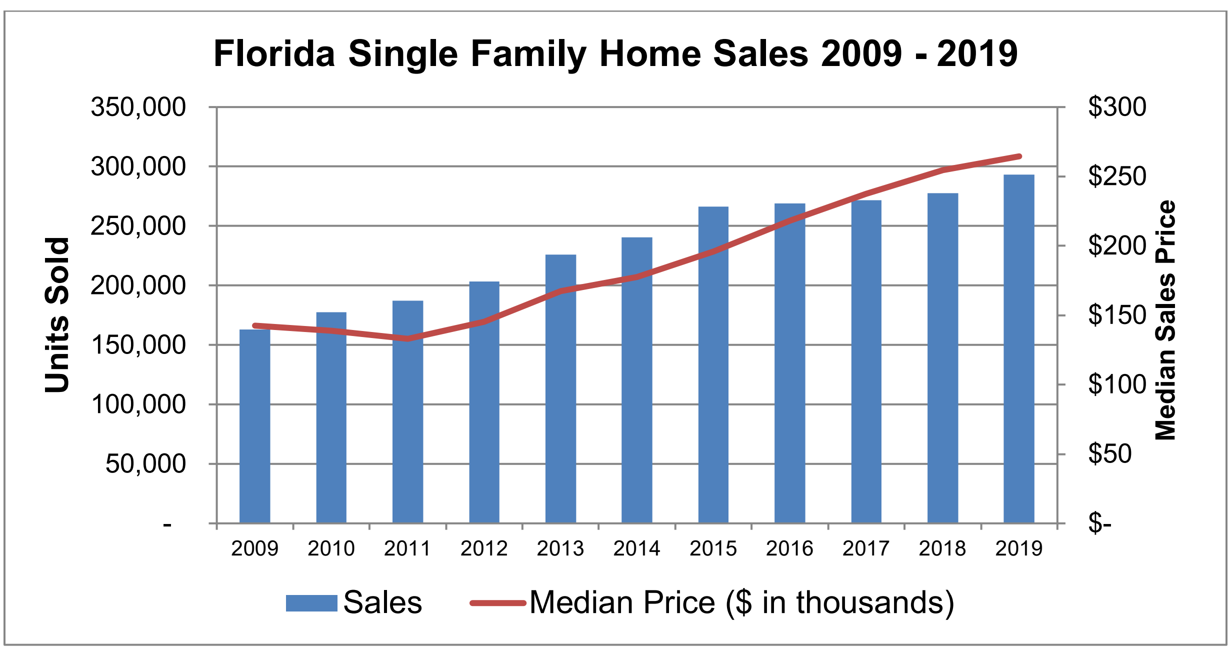



Source: U.S. Bureau of Labor Statistics

## Housing Trends

Home Sales Volume and Median Prices

From 2009 through 2019, single family home sales in Florida increased by 79.8%, while median sales prices increased by 85.5%. Florida's housing market had another year-over-year increase in 2019. Single family homes sales increased 5.6% to 293,325 units sold, with median prices up 3.9% to $264,500.

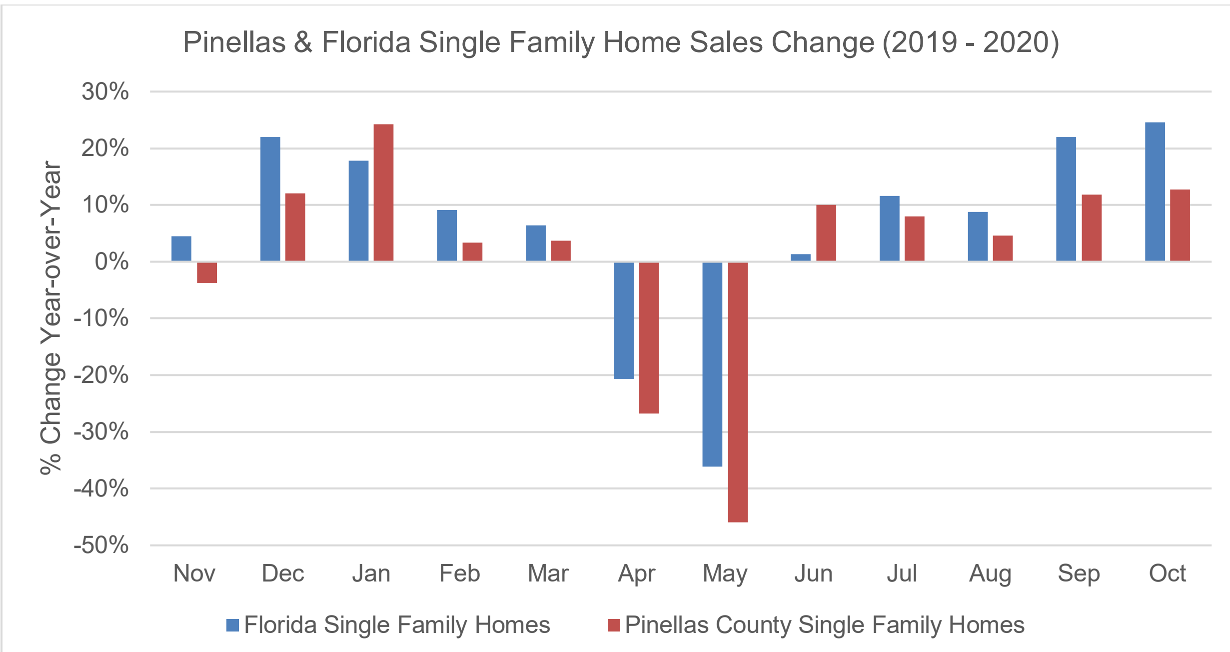



Sources: www.FloridaRealtors.org

# ECONOMIC OVERVIEW

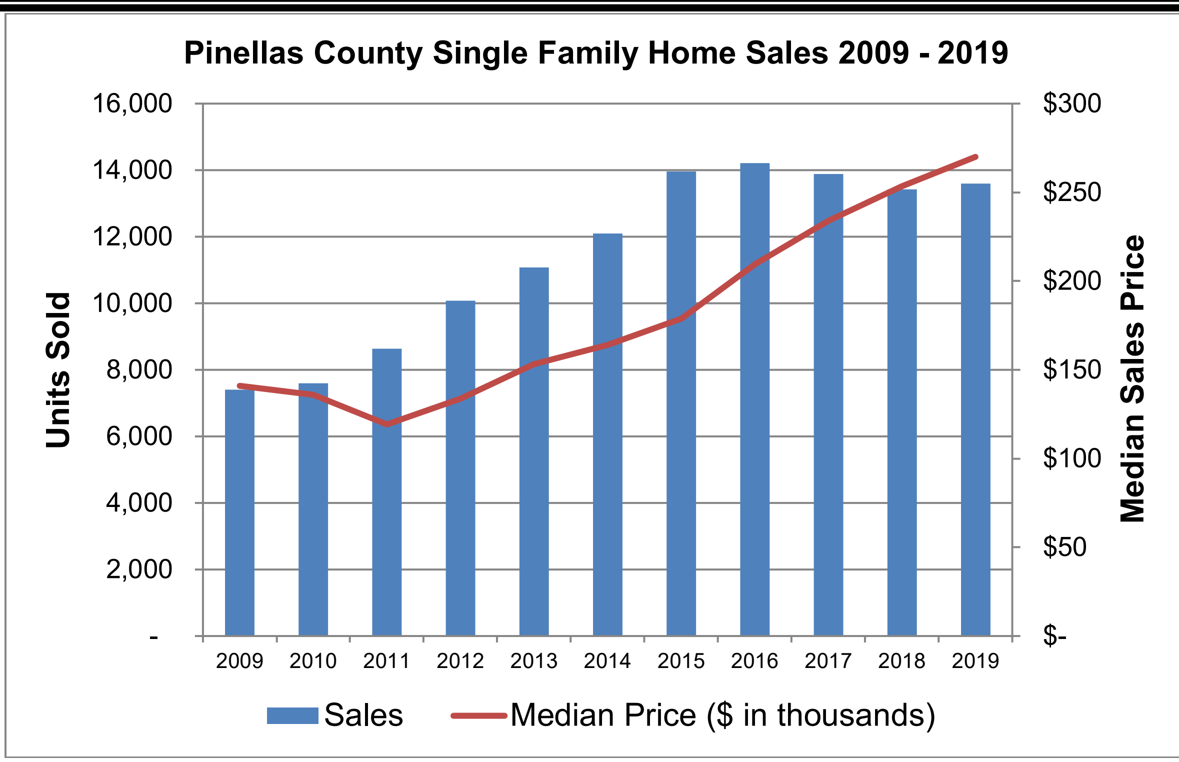
In 2019, single family home sales increased 1.2% in Pinellas County, to 13,591, for the first year-over-year increase since 2016. Median sales price continues to increase, with 2019 increasing 6.5% to $270,000.

During the last 12 months, single family home sales increased by 4.1% across Florida, but fell 0.9% in Pinellas County. In April and May, during the initial weeks of the pandemic, sales both statewide and in Pinellas County fell dramatically. In Pinellas, April fell 26.8% and May fell 46.0%, while the State experienced a 20.7% drop in April and 36.2% in May. However, while sales volume fell, the median sales price rose 8.0% in Florida and 10.3% in Pinellas.




Sources: www.FloridaRealtors.org; Pinellas Realtor Organization

# ECONOMIC OVERVIEW

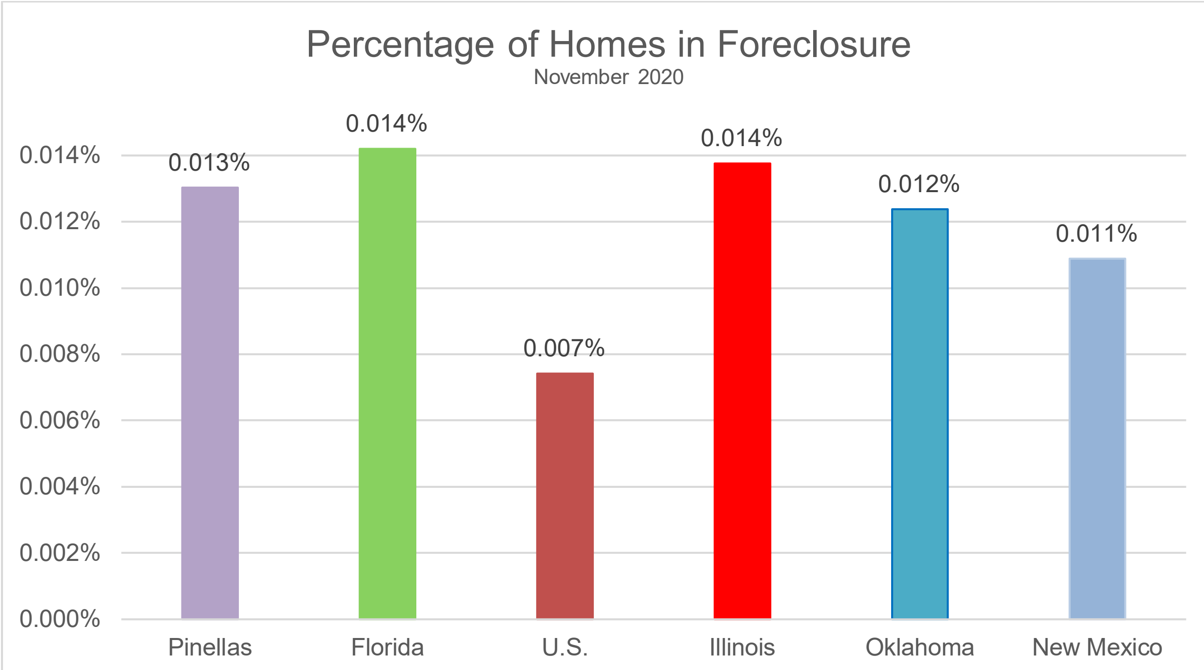



Source: www.PinellasRealtor.org

Foreclosures and Evictions

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law by President Trump on March 27, 2020, not only provided financial assistance to taxpayers and businesses, it also included several provisions that provide assistance for homeowners with federally-backed mortgage loans. The CARES Act provides the ability to be granted a forbearance of up to 360 days, without additional fees, penalties, or interest, upon the borrower's request, if he or she is experiencing financial hardship due directly or indirectly to the COVID-19 emergency. Additionally, a federally-backed mortgage loan servicer is prohibited from initiating any foreclosure process, seeking a foreclosure judgment or order of sale, or executing a foreclosure-related eviction or foreclosure for at least a 60-day period that began March 18, 2020.

Renters also received protections. Another section of the CARES Act prohibits a landlord from filing a new eviction proceeding for nonpayment of rent for 120 days beginning on March 27, 2020. During this period, landlords could not charge fees, penalties, or other charges for nonpayment of rent. Following the moratorium, the landlord needed to provide 30 days' notice before evicting a tenant. This moratorium was extended four times, and is now set to expire on January 31, 2021.




Source: RealtyTrac.com

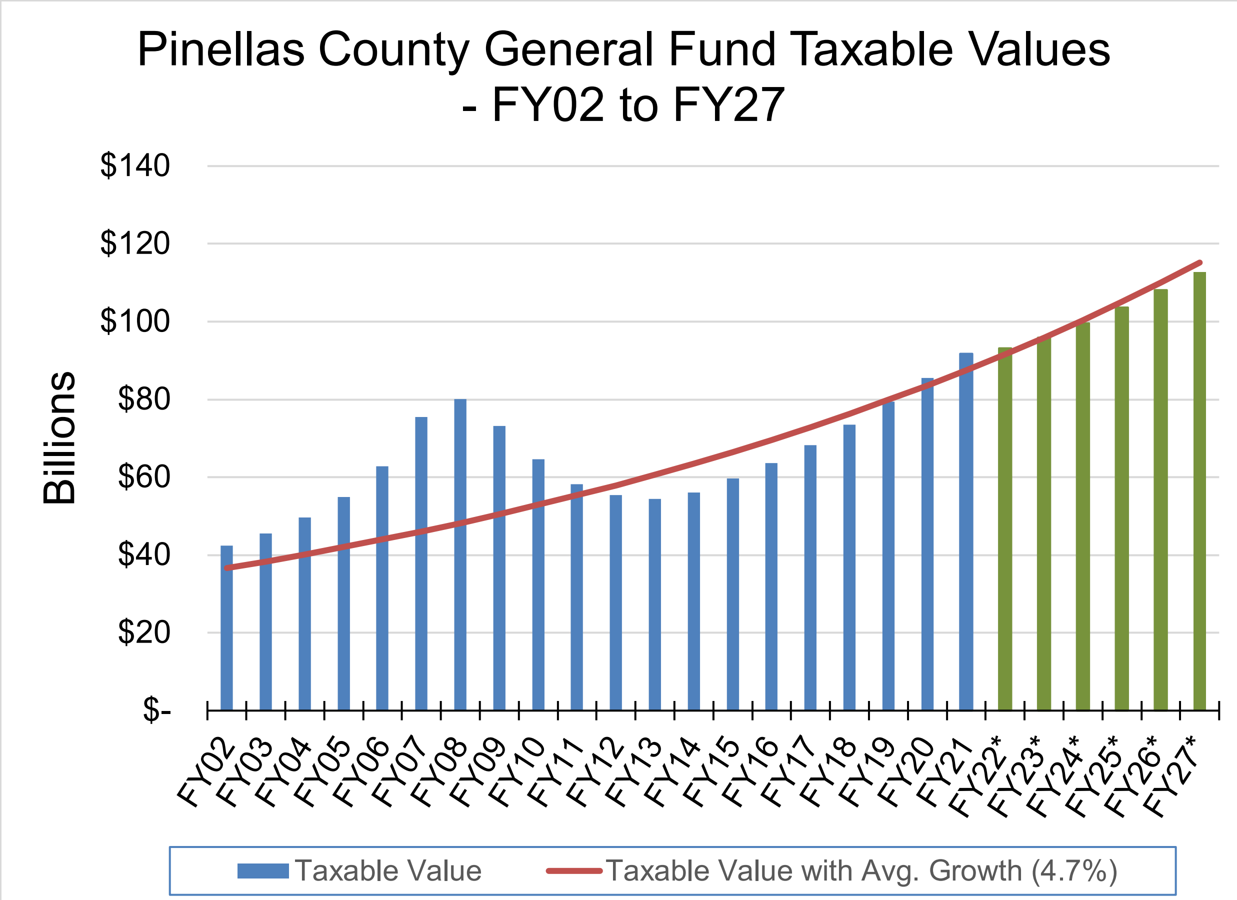
Because of the moratorium, foreclosures are extremely low throughout the country. The true impact of the COVID-19 Recession will not be seen in the housing market for several months, when banks begin the foreclosure process in late spring 2021 for mortgage holders who have requested the full 360 day financial hardship forebearance.

Taxable Property Values

The taxable value of properties in Pinellas County has increased eight years in a row, following five years of decreasing values due to the collapse of the real estate market during the Great Recession. As the following chart shows, the County experienced dramatic year-over-year increases beginning in FY05, when taxable values increased by 10.5%, followed by increases of 14.6% in FY06 and 20.1% in FY07. These increases put the values well above the trend line, which represents an average increase of 4.7% annually from FY01 to FY21. As quickly as the values rose, they fell, with decreases of 8.7% (FY09), 11.7% (FY10), 9.8% (FY11), 4.8% (FY12), and 2.0% (FY13). According to the *Tax Roll Certification* from the Pinellas County Property Appraiser dated October 9, 2020, taxable property values increased to $91.8B, a 7.3% increase from FY20 to FY21.

The impact of COVID-19 will be mainly seen in the taxable values of commercial properties in Pinellas County. Bars and restaurants were closed for several weeks and then reopened with reduced capacity, while hotel occupancy is still below rates experienced in recent years. These impacts will be reflected in valuations for the FY22 County Budget Year. Due to the continued strength in residential properties, taxable values are projected to increase by a net 1.0% in FY22. While this growth is lower than trends, it is much better than the -4.0% assumptions anticipated in the FY21 Adopted Budget in September 2020.

# ECONOMIC OVERVIEW




FY22 – FY27 projected Taxable Values based on 4.6% annual growth
Source: Pinellas County Property Appraiser/Office of Management & Budget

**Summary**

- As of the end of 2020, more than 86.0M people have been infected, with more than 1.9M deaths worldwide.
- The U.S. economy entered a recession in February 2020, and experienced the largest decline in GDP ever, with a 31.4% decrease during the second quarter of 2020.
- Florida's economy ranked 18th among the 50 states during the 2nd quarter of 2020, declining 30.1%, but performing slightly better than the national economy.
- COVID-19's effect on the economy was immediate, as 22.2M jobs were lost in March and April 2020, the largest job loss in a single month and following 113 consecutive months of job growth. As a comparison, between October 2010 and February 2020, the economy added 22.1M jobs. Many businesses were forced to close or limit operations for several weeks before reopening at reduced capacity.
- Between February and April, Florida lost 1.2M jobs, with almost half (46.7%) in the Leisure and Hospitality industry, which includes restaurants, bars, hotels/motels, and other tourist related businesses. After the economy reopened in May, even at reduced capacity, more than 487,000 jobs were added. In total, Florida lost 418,500 jobs year-over-year.
- In Pinellas County, the impact on jobs is very similar to the state. The unemployment rate increased from 2.9% in February to 14.1% in April as tourism essentially shut down in March. Between November 2019 and November 2020, Leisure and Hospitality lost 27,500

jobs, a 16.9% reduction, almost half of all jobs lost in the county. By October, unemployment fell to 5.2%, still almost twice as high as October 2019.

- Florida suffered year-over-year drops in total visitors in each of the first three quarters of 2020 (the lastest data available), as COVID-19 had immediate impacts on the travel and tourism industries. Through the third quarter of 2020, total visitors fell 34.0% from the same period in 2019, to 66.4M.
- Florida's housing markets for single family home sales increased 4.1% over the last twelve months, despite significant declines in both April and May 2020.
- Florida's median sales price has increased each year since 2012. In 2019, median sales price was more than $264,500, an increase of 3.9% over 2018. Over the last 12 months, median sales price increased 8.0% to $281,192.
- In Pinellas County, single family home sales increased by 1.2% in 2019. Median sales price increased by 6.5% to $270,000.
- Over the last 12 months, single family home sales fell by 0.9% in Pinellas County, while median sales price increased by 10.3%.
- The CARES Act essentially shut down foreclosure activity across the country, with a 0.007% rate across the United States. The moratorium provides up to 360 days of forebearance for homeowners with certain types of mortagages.
- Pinellas County's foreclosure rate is slightly lower than the state's rate of 0.014%, coming in at 0.013% in November.
- Taxable property values in Pinellas County have risen each of the last eight years, following the dramatic decreases through the previous five years. Taxable values increased 7.3% in FY21, to $91.8B.
- The impact of COVID-19 will be mainly seen in the taxable values of commercial properties in Pinellas County. These impacts will be reflected in valuations for the FY22 County Budget Year. Due to the continued strength in residential properties, taxable values are projected to increase by a net 1.0% in FY22.

# Key Assumptions

# KEY ASSUMPTIONS

The *Key Assumptions* section of the Budget Forecast: FY22 – FY27 includes a discussion of the sources of information used to develop assumptions for revenues and expenditures that drive the six-year forecasts for 10 of the County's key funds:

- Assumptions and Forecasting
- COVID-19
- Revenue Assumptions
    - Key Assumptions
    - Supporting Information
- Expenditure Assumptions
    - Key Assumptions
    - Supporting Information
- Other Forecast Considerations

**Assumptions and Forecasting**

The forecast is a key component for maintaining fiscal sustainability in support of the County's Mission, Vision, and Values. 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 tens 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. As was seen with the COVID-19 pandemic, changes can take place virtually overnight that have a drastic impact on the economy. The assumptions used in the FY21 – FY26 Budget Forecast were re-evaluated less than two months after it was presented to the Board of County Commissioners (Board). The use of forecasting allowed the County to quickly assess the impact of the economic slowdown on the various funds and revenue sources. 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 current consensus of leading economists anticipates a recovery from the economic slowdown from the COVID-19 pandemic and slow growth and moderate inflation. 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, data and forecasts were reviewed from a variety of economists, government agencies, industry associations, and other sources. In particular, we frequently referenced the State of Florida's Revenue Estimating Conferences. The State utilizes a professional, nonpartisan consensus process involving the Legislature, the Governor's Office, and the State's Office of Economic and Demographic Research in developing national and state economic forecasts that are used in all state planning and budgeting actions.

We also reference 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.

**COVID-19**

In the 12 months since we presented the FY21 Budget Forecast, a previously unknown virus quickly spread around the world, causing infection and death in virtually every country. Coronavirus disease 2019 (COVID-19) is a highly contagious disease that has infected more than 86.0M people worldwide and causing more than 1.9M deaths since it was first discovered in December 2019 in Wuhan, China. The World Health Organization quickly declared the outbreak a *Public Health Emergency of International Concern* in January 2020 and a pandemic in March 2020. On January 21, 2020, the first case of COVID-19 was confirmed in the state of Washington, the first known case in the United States. In early February, the United States began restricting air travel and declared a *Public Health Emergency.* On March 13, a *National Emergency* was declared by President Trump, which allowed for billions of dollars in federal funding to become available to fight the spread of the disease. On March 27th, President Trump signed the $2.0T CARES Act (Coronavirus Aid, Relief, and Economic Security Act), providing aid to hospitals, small businesses, and state and local governments, along with direct payments to Americans and expansions in unemployment insurance payments to the unemployed.

With the closing of many small businesses due to economic impacts of the pandemic, jobless claims increased dramatically nationwide, with 22.2M new claims in March and April, and almost 20.8M occurring in April alone. The U.S. unemployment rate shot up 10.3 percentage points from 4.4% in March to 14.7% in April. The U.S. economy officially entered into a recession in February 2020, ending an expansion period that lasted 128 months, as the economy lost 5.0% in the first quarter of 2020, and another 31.4% in the second quarter, the largest quarterly loss in history. The third quarter rebounded, growing 33.1% with the help of the direct payments and expanded unemployment insurance payments to consumers and the Payroll Protection Program, which provided loans to help businesses keep their workforce employeed during the pandemic. This loan program, which was enacted through the CARES Act, provides low-interest loans to businesses that may be forgiven by the federal government if all employee retention criteria are met, and funds are used for eligible expenses. Since April, only 12.3M of the almost 22.2M jobs lost in the early months of the COVID-19 pandemic have been recovered, leaving almost 10.0M previously employed people searching for work.

In Florida, the tourism and hospitality industries essentially shut down in March as bars, restaurants, cruise lines, and theme parks were forced to close or limit operations throughout the State. Hotels saw overnight visitors stay away as cases of COVID-19 infections spread from the Northwest across the country. Florida reported its first cases on March 1st, with two cases in the Tampa Bay area. Florida schools were closed to in-person learning after Spring Break, and many employees were asked to work from home to help stop the spread of the virus. The loss of tourists and their spending in the local economy had an immediate impact as statewide sales tax revenue plunged almost $1.8B between April and July. While maintaining relatively low infections in the early months of the pandemic, Florida experienced a surge in cases during the summer months.

Daily cases of infections ballooned to over 15,000, with deaths following shortly after, and reaching almost 300 in a single day in early August.

By early-December, the United States was recording more than 210,000 new cases of COVID-19 and more than 2,400 deaths per day. Of the more than 86.0M global cases through the end of 2020, the United States accounted for more than 20.8M, or 24.7%. The U.S. accounted for 19.5% of total deaths, more than 362,000 people. All 50 states have now been considered to be COVID-19 Hot Spots, which is defined as states where cases have increased by greater than 5.0% over the past 14 days, positivity rate is greater than 10.0%, and new daily cases per million population are 100 or greater.

With cases surging around the world and the U.S. economy on the brink of a dip back into recession, two potential vaccines that claim a 95.0% effective rate against COVID-19 infections were announced in early November 2020. The prospects of a vaccine give hope for a return to normalcy in the not-too-distant future. In addition, a second COVID-19 relief package was signed by President Trump on December 27, 2020, and provides direct payments to most taxpayers, extends enhanced unemployment payments to those still without jobs, and provides aid to businesses and schools.

However, until the vaccine is widely distributed later this year, many of the revenue sources the County depends on will remain stagnant or depressed in FY21. These revenues, including the *Half-Cent Sales Tax, Penny for Pinellas, State Revenue Sharing, Tourist Development Tax,* and the various *Airport Revenues*, all largely depend on the discretionary spending by residents and visitors within Pinellas County. With fewer overnight visitors staying in hotels and eating at local restaurants and bars, revenues are expected to drop further from their already lower FY20 levels in FY21, before returning to positive growth in FY22. Due to the pent-up demand and already reduced base levels in FY21, projected growth in FY22 will in many cases be higher than historical growth. For example, *Airfield/Flight Lines* revenue are projected to increase 5.8% in FY22 compared to the decrease of 8.1% in FY20 resulting from reduced flight activities during COVID-19. Revenue from *Airport Rents/Leases/Concessions* are projected to increase 20.5% in FY23 compared to a decrease of 15.6% in FY20. Both of these revenues are showing increases higher than historical growth as travelers return to airports for long-delayed vacations and family events. As a result, forecast assumptions for FY22 – FY27 take into account the lower base level of expected revenue in FY21, as well as the historical trends for each revenue.

## Revenue Assumptions

### Key Assumptions

Countywide General Fund taxable values have increased each year since FY14, with an increase of 7.3% in FY21. The countywide taxable value, which is the net value after all exemptions are applied, is the basis for determining the ad valorem tax revenue in the General Fund and Emergency Medical Services Fund. Although tangible personal property is not subject to assessment of the Emergency Medical Services property tax, for the purposes of this forecast, the FY22 through FY27 percentage change in taxable value for the Emergency Medical Service Fund is assumed to be the same as the countywide taxable value change.

The General Fund taxable values in the Muncipal Services Taxing Unit (MSTU) areas of the county have increased in each of the last eight years as well. The aggregate rate of increase has averaged 1.5 percentage points lower than the countywide growth since FY15. Except for FY22, we used this difference to set the projection for the MSTU revenue growth during the forecast period.

COVID-19 will have very little, if any, impact on FY21 property tax revenue collections. Property values are set in January each year, which was more than two months before COVID-19 was confirmed in Florida, and the COVID-19 economic slowdown had not started at that time. The impact of COVID-19 will be mainly seen in the taxable values of commercial properties in Pinellas County. Bars and restaurants were closed for several weeks and then reopened with reduced capacity, while hotel occupancy is still below rates experienced in recent years. These impacts will be reflected in valuations for the FY22 County Budget Year. Due to the continued strength in residential properties, taxable values are projected to increase by a net 1.0% in FY22. While this growth is lower than trends, it is much better than the -4.0% assumptions anticipated in the FY21 Adopted Budget in September 2020.

**Change in Countywide Property Tax Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 1.0% | 2.9% | 3.8% | 4.1% | 4.3% | 4.3% |

**Change in MSTU Property Tax Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 0.0% | 1.4% | 2.3% | 2.6% | 2.8% | 2.8% |

Supporting Information

The overall increase of 7.3% in countywide taxable values for FY21 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). According to the State Ad Valorem Estimating Conference's August 7, 2020 report, statewide taxable values are projected to increase 2.2% for FY22, 3.6% for FY23, and between 4.4% and 4.8% for FY24 – FY27. The same report projects an increase of 1.6% for FY22 in Pinellas County, 2.9% for FY23, and between 3.8% and 4.3% for FY24 – FY27.

In the future, the growth in property tax revenues will continue to be constrained by the revenue caps put in place by the Legislature in 2007, which is discussed below. The boost from new construction in Pinellas County will be limited compared to other counties that are not as built-out as Pinellas County. For example, Pasco, Hillsborough, and Orange counties have large undeveloped areas that are available for major residential, commercial, and industrial expansions.

**Taxable Value excluding New Construction ($ in B)**

| FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|
| $55.1 | $54.1 | $55.9 | $59.4 | $63.0 | $67.6 | $72.7 | $78.4 | $84.4 | $90.8 |
| -4.7% | -1.9% | 3.4% | 6.2% | 6.1% | 7.4% | 7.6% | 7.8% | 7.6% | 7.6% |

**Taxable Value of New Construction ($ in M)**

| FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|
| $346.8 | $290.6 | $202.3 | $301.3 | $634.8 | $560.1 | $767.4 | $955.9 | $964.7 | $972.8 |

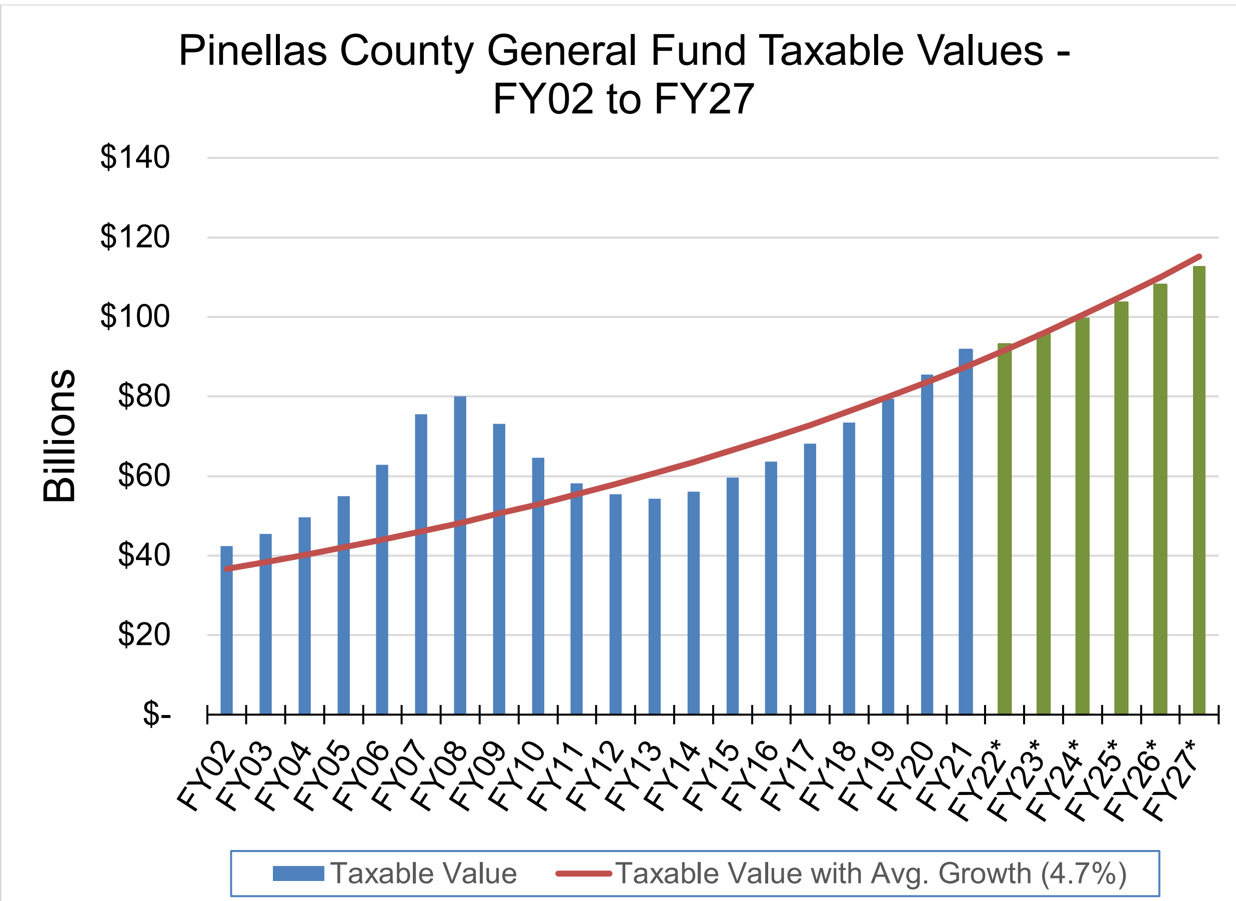
On the other hand, redevelopment efforts, particularly in the community redevelopment areas (CRAs), will have a positive impact on the tax base, but revenue growth for the County General

# KEY ASSUMPTIONS

Fund will be limited by the established Tax Increment Financing (TIF) districts, which capture between 75% and 95% of the increased tax revenue. In FY21, $21.5M is budgeted to be paid to the nine cities that have CRAs and the Lealman unincorporated area CRA. Since FY82, the County has paid out almost $170.0M to various cities with TIF districts.

*Taxable values*

The taxable values for FY21 were certified by the Property Appraiser on October 9, 2020. The countywide General Fund taxable value increased by 7.3% compared to the FY20 values, the eighth consecutive year of tax base growth. The preceding five years of tax base decline were unprecedented. Prior to FY08, the tax base only decreased once since World War II, a small 0.6% dip in FY93. Since FY01, countywide General Fund taxable value has increased an average of 4.7% annually.




FY22 – FY27 projected Taxable Values based on 4.6% annual growth
Source: Pinellas County Property Appraiser/Office of Management & Budget

The growth in homesteaded taxable value is subject to the caps imposed by the Save Our Homes amendment, which has been in effect since 1995. This limits the annual growth in a residential property's taxable value to the growth in the Consumer Price Index (CPI) or 3.0%, whichever is lower.

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 fund their budgets. Along with normally being a reliable revenue source, property tax revenue also represents the largest source of revenue in Pinellas County. In FY21, property tax revenue is 73.3% of the total General Fund revenue, with the County budgeting $502.4M.

The unincorporated area (MSTU) General Fund taxable value percentage change is assumed to be slightly less than the countywide taxable value change based on historical trends. 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 Fund, the percentage change in taxable value will differ from the countywide change depending on the composition of the tax roll in each geographic 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.

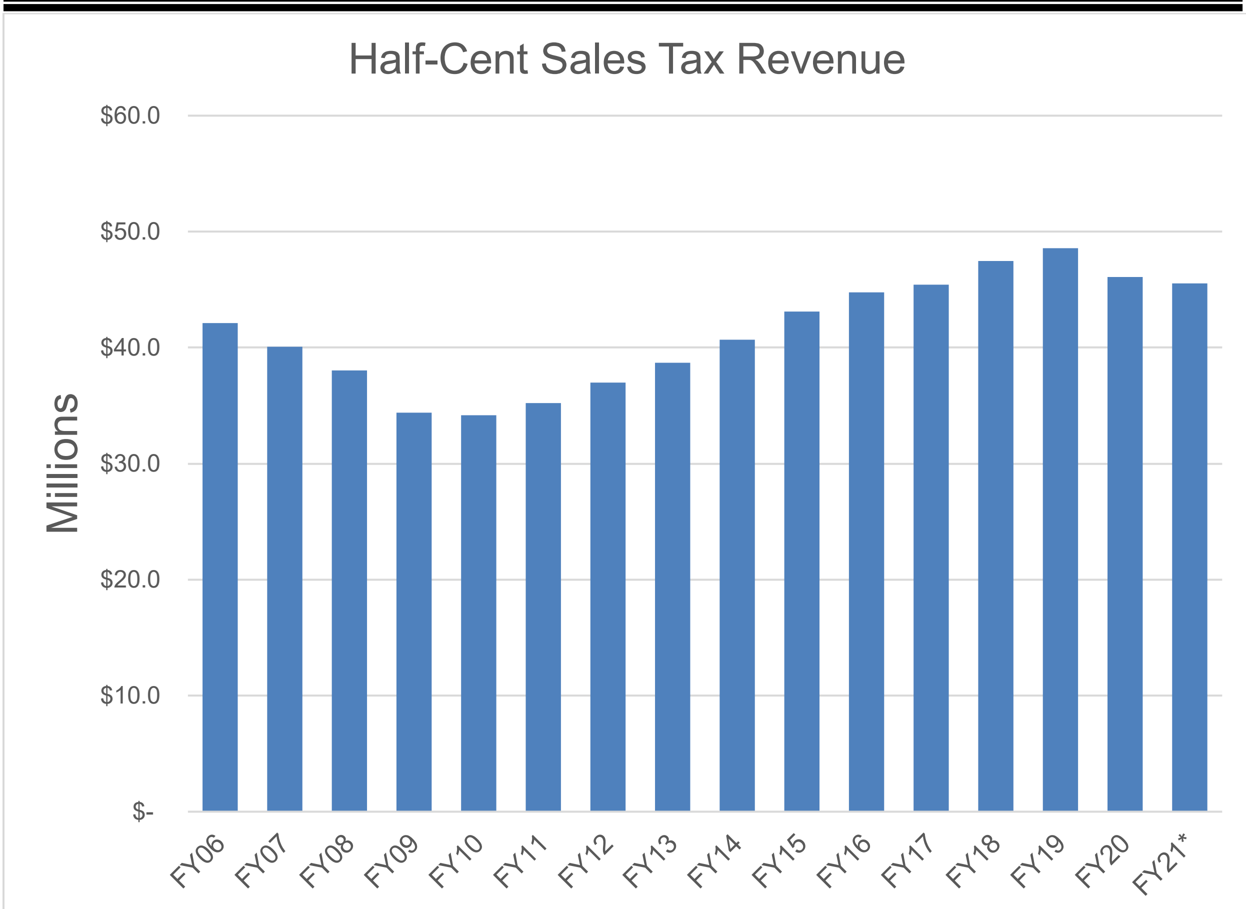
Sales Taxes Overview – General Fund and Capital Projects Fund

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 Local Infrastructure Sales Surtax (Penny for Pinellas).

Half-Cent Sales Tax

This General Fund revenue is a portion of the State's 6.0% 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. In FY21, Half-Cent Sales Tax revenue is $45.5M, or 6.6%, of the total General Fund revenue. For additional information regarding the Half-Cent Sales Tax projections, refer to the Fund Review for the General Fund later in this document.

In FY20, COVID-19 severely impacted sales tax revenue statewide. In Pinellas County, Half-Cent Sales Tax collections dropped 5.2%, while the State revenue dropped 3.1% from FY19. In the previous five years, sales tax revenue averaged an annual increase of 5.2% statewide, and 3.6% in Pinellas County. Due to the effects of COVID-19 on the economy, the State's Office of Economic & Demographic Research's *Revenue Estimating Conference – General Revenue Fund (August 14, 2020)* projected Sales Tax revenue to fall another 1.8% in FY21 before increasing 10.2% in FY22. If these projections are realized, FY22 Sales Tax revenue would be 4.8% higher than FY19, the last full year before COVID-19. This rate of growth would be lower than would be expected before the pandemic severely impacted the economy.




Source: Office of Management and Budget

Local Infrastructure Sales Surtax (Penny for Pinellas)

The Penny for Pinellas is a 1.0% sales tax dedicated to capital improvement projects in Pinellas County, such as facilities, stormwater improvements, environmental preservation land purchases, affordable housing, roads, bridges, public safety, and parks. As such, this revenue is accounted for within the Capital Projects Fund. In FY21, the Penny revenue is budgeted at $91.7M, or 76.3% of the Capital Fund's revenue. Without this funding, it is estimated that property owners would have to pay another 2.4 mills per year on their county and municipal property taxes to generate the same amount of revenue to support these infrastructure projects. With this sales tax, an estimated one-third of the total Penny funds are paid by tourists and seasonal residents. In November 2017, Pinellas County voters approved an extension of the Penny for another ten years through 2029. Note that while the Penny for Pinellas is only applicable to the first $5,000 of any taxable purchase, the growth assumption is assumed to be equivalent to the overall sales tax assumption.

<u>Key Assumptions</u>

From FY14 – FY19, the Half-Cent Sales Tax revenue grew by an average of 3.9%, while the state's sales tax revenue increased by an average of 5.5% during that same period. For the forecast assumptions, we used the 1.6% difference between the county's and state's average growth. Our projection is based on the change in "Sales Tax/GR" revenue projection in the State Revenue Estimating Conference for *General Revenue Fund* on August 14, 2020.

**Change in Statewide Sales Tax/GR Revenue**

| FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|
| $18.4 | $19.7 | $21.1 | $22.0 | $23.0 | $24.1 | $25.4 | $24.6 |
| 5.7% | 7.0% | 6.9% | 4.4% | 4.5% | 5.0% | 5.2% | -3.1% |

**Change in Statewide Sales Tax/GR Revenue - Projections**

| FY21 | FY22 | FY23 | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|
| $24.1 | $26.6 | $27.6 | $28.7 | $29.6 | $30.6 |
| -1.8% | 10.2% | 3.7% | 4.1% | 3.2% | 3.2% |

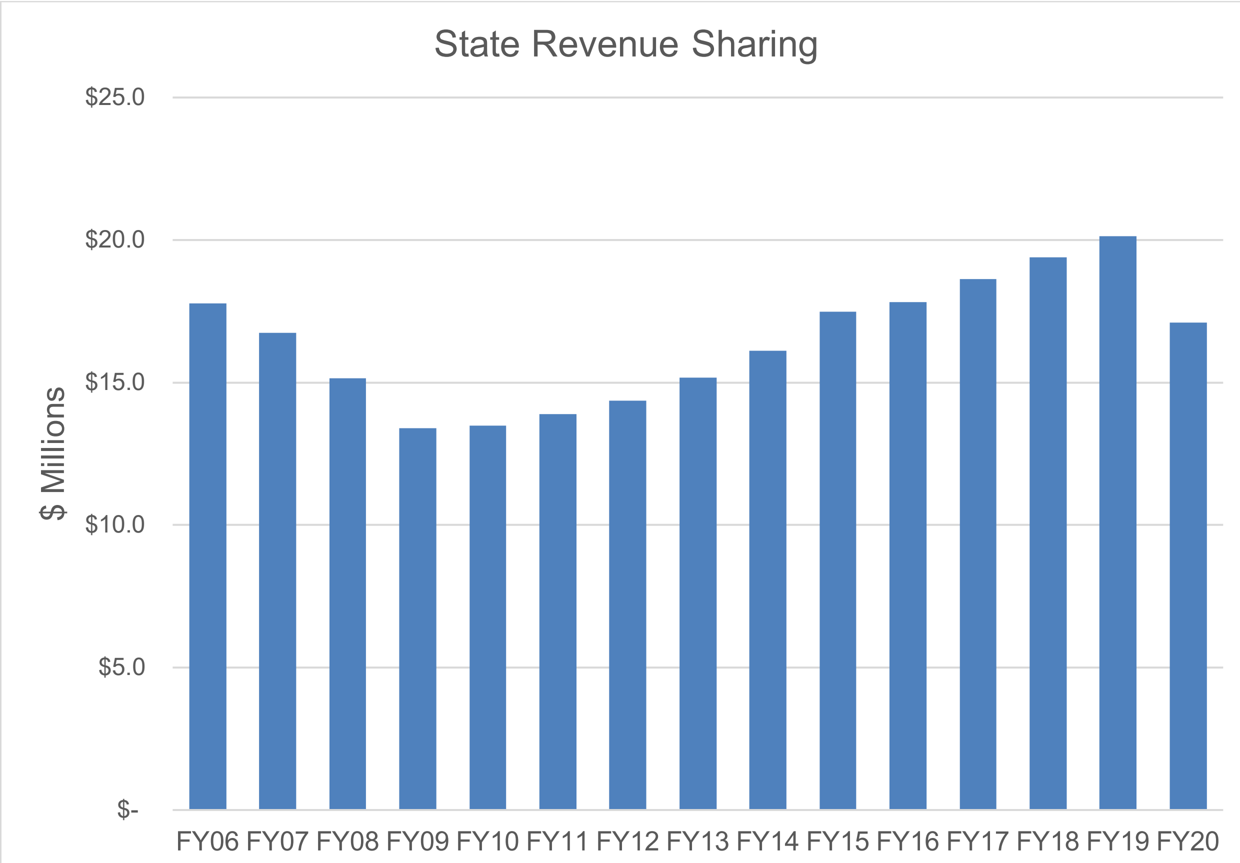
**Change in Half-Cent Sales Tax and Penny for Pinellas Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 8.6% | 2.1% | 2.5% | 1.6% | 1.6% | 1.6% |

<u>State Revenue Sharing Overview - General Fund</u>

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 was negatively impacted by the effects of COVID-19 on the economy. State Revenue Sharing revenue fell by 7.7% in FY20, the first drop since FY09. From FY10 – FY19, this revenue increased an average of 4.9% per year. In FY21, State Revenue Sharing is $19.5M, or 2.8%, of the total General Fund revenue. For additional information regarding the State Revenue Sharing projections, refer to the Fund Review for the General Fund later in this document.




Source: Office of Management and Budget

Key Assumptions

From FY14 – FY19, State Shared Revenue grew by 4.9%, but dropped by 7.7% in FY20 due to COVID-19. For State Revenue Sharing, an 8.8% growth rate is assumed for FY22, with increases ranging from 1.8% to 2.7% from FY23 – FY27. Our projection for State Shared Revenue matches the County's Half-Cent Sales Tax Revenue above.

**Change in State Revenue Sharing Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 8.6% | 2.1% | 2.5% | 1.6% | 1.6% | 1.6% |

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, charter counties may levy a local CST 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.

# KEY ASSUMPTIONS

Key Assumptions

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) who 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 reductions in revenue from this source. Since FY13, CST revenue has fallen 21.8%, with FY20 down 4.3% from FY19. Since FY13, CST revenue has decreased an average of 3.4% per year. In FY21, Communication Services Tax revenue is $7.5M, or 1.1%, of the total General Fund revenue. The Forecast projects a continued decrease of 3.0% per year during the forecast period.

**Change in Communications Services Tax Revenue**

| FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|
| $10.6M | $10.6M | $10.3M | $9.7M | $9.4M | $8.9M | $8.7M | $8.3M |
| | -0.5% | -2.8% | -5.8% | -2.7% | -5.5% | -2.4% | -4.3% |

**Change in Communications Services Tax Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% |

Interest Earnings Overview – All Funds

The County earns interest on fund balances. These funds are invested by the Clerk of the Circuit Court and Comptroller in accordance with the Board's 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

The forecast reflects the short-term outlook for Federal Funds interest rates as set by by the Federal Reserve. The current COVID-19 related recession led to lower interest rates as economists expect the need for both direct and indirect stimulus to revive the economy. The projection is based on the State's "National Economic Estimating Conference" on November 13, 2020.

**Total Interest Earned**

| FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|
| $2.1M | $2.3M | $3.5M | $5.9M | $9.9M | $15.4M | $24.2M | $20.2M |

Source: Pinellas County Annual Investment Report

**Rate of Interest Earned on Fund Balances**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |

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, and is tied to the CPI projection referenced later in the document.

**Change in Other Revenue (non-specific)**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |

**Key Assumptions for Other Funds - Specific Revenues**

Tourist Development Tax- TDT Fund

Tourism is a key driver of the economy in Pinellas County. The County imposes a 6.0% Tourist Development Tax (TDT), also known as the '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 and other lodgings are able to collect for rentals.

Due to the imposition of COVID-19 travel restrictions in March 2020, tourism essentially stopped at the height of Pinellas County's Spring Break season. Year-over-year TDT revenue was down 48.6% in March 2020, 89.3% in April, and 56.5% in May. Overall, TDT revenue fell 22.6% in FY20 as overnight visitors continued to stay home through the summer.

With the prospects of an effective vaccine and pent-up desires to travel, tourists are expected to return to the beaches of Pinellas County in FY21 and FY22, although at a lower level than recent years. According to the November 20, 2020 Florida Economic Estimating Conference, statewide projections for total visitors to Florida show an increase of 41.7% in FY22 from the depressed levels of FY20 and FY21, and increases of 8.5% in FY23, 10.1% in FY24, and 4.0% - 4.4% from FY25 – FY27. While there has been exceptional growth in the County's bed tax collections during the last several years, with per percent collection increasing by 41.5% since FY12, the assumptions used in the forecast are lower than statewide projections due to Pinellas County's projected Average Daily Rate and the sensitivity of this revenue. Tourist Development Tax revenue is $52.0M, or 98.4% of the TDT Fund's budgeted FY21 revenue, and is projected to increase 5.4% in FY22 and 3.0% annually in FY23 – FY27. For additional information regarding the Tourist Development Tax, refer to the Fund Review for the Tourist Development Tax Fund later in this document.

**Tourist Development Tax Revenue – per percentage point of TDT**

| FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|
| $6.2M | $7.0M | $7.9M | $8.5M | $9.1M | $10.0M | $10.5M | $8.1M |
| 8.2% | 12.7% | 12.2% | 8.4% | 7.1% | 9.0% | 5.6% | -22.6% |

**Change in Tourist Development Tax Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 5.4% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

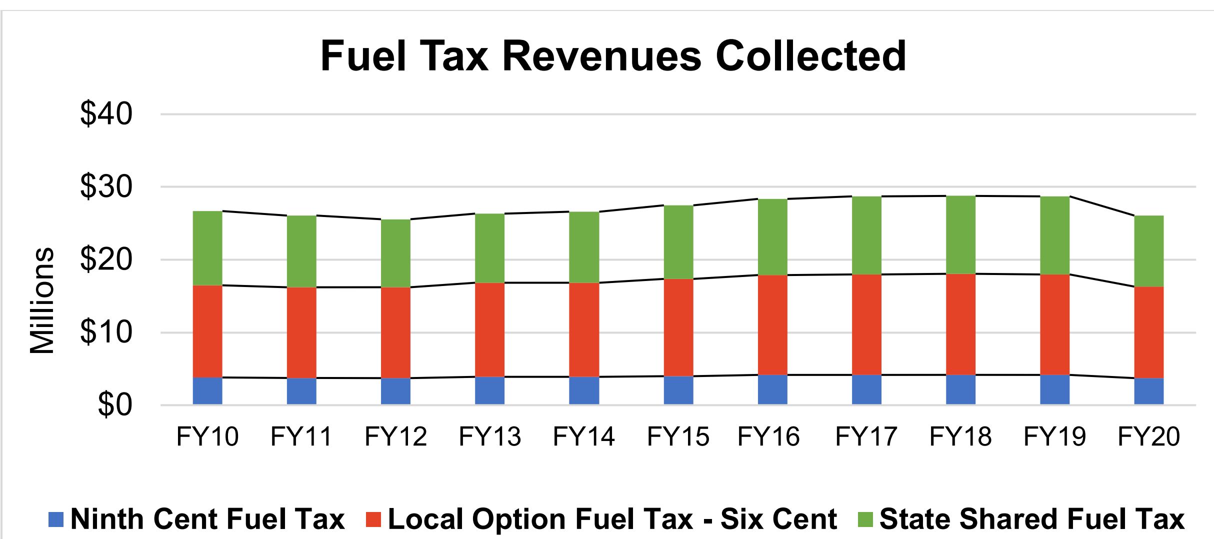
## Fuel Taxes - Transportation Trust Fund

The County receives several types of gas tax, including State Shared Gas Taxes and Local Option Fuel Taxes. In FY21, the budgeted fuel tax revenues are approximately $27.5M, or 91.1% of the Transportation Trust Fund's revenue. These revenues are dedicated for transportation-related expenditures and are deposited in the County Transportation Trust Fund. The State Revenue Estimating Conference for Revenues to State Transportation Trust Fund on August 7, 2020 projected Fuel Consumption growth of 7.0% in FY22 (a recovery from COVID-19) and slower increases each year of the forecast period. However, the County has experienced declines in consumption related to COVID-19 during FY20 and expects to continue experiencing declines in FY21. The timeline for return to normalcy being unknown, the County does not expect to see an increase in revenue in FY22. Conservative growth is likely to occur in the following years as COVID-19 subsides, if standard consumption returns. Beyond FY24, 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 Fuel taxes, there are no tax rate increases built into the forecast. Additionally, since the Ninth Cent Fuel Tax is set to expire on December 31, 2026, the FY27 revenue estimate only includes three months of collections from this source. The Board may elect to renew this local option, one-cent levy that has been dedicated to the County's Advance Traffic Management System/Intelligent Transportation Systems (ATMS/ITS) since inception in January 2007.

**Change in Fuel Tax Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 0.0% | 2.7% | 1.3% | 0.8% | 0.6% | 0.5% |

As illustrated in the chart below, the total fuel tax revenues collected by Pinellas County from FY16 through FY19 reflected minimal growth. The fuel tax revenues collected in FY20 declined 9.33% compared to the revenues collected in FY19 due to COVID-19 related decreases in consumption.



# KEY ASSUMPTIONS

Ambulance User Fee Revenue – Emergency Medical Services (EMS) Fund

Ambulance user fee revenues are primarily driven by patient demand (transport volume). The average increase in transport volume over the past 5 years (FY16 to FY20) was 1.68%. The average increase over 10 years was 2.6%, ranging from -6.0% (FY20) to 8.7% (FY16). Ambulance user fee revenues are budgeted at $59.1M, or 43.1% of the EMS Fund's revenue in FY21 and are estimated to increase by 4.0% annually during the forecast period. Changes in health care reform 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**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |

Airport Revenues – Airport Fund

Airfield/Flight Line revenue is based on the current level of carriers and projected passenger numbers. Historically, passenger volume level has grown as the airport's main tenant, Allegiant Airlines, has added new cities to its offering for the past several years; however, that growth is appearing to plateau as also indicated by other tourist forecasts such as Visit Florida. Plus, the COVID-19 pandemic hit in FY20 and decimated the growth and the plans for all air carriers. At the current growth rate, indications from a leading air service consultant, Volaire Aviation, is that airport revenues will continue to remain depressed for two (2) years. The next airline contract negotiations will occur in late FY25, with an increase in revenue anticipated in FY26. The increase in FY22 is due to a clause in the current Sheltair (fixed base operator) contract that adjusts the rental rate of all of its leased parcels to the same fair market value rate. FY21 Airfield/Flight Line Revenues are budgeted at $2.5M, or 8.3% of total fund revenues.

**Change in Airfield/Flight Lines Revenues**

| FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|
| 10.4% | 7.9% | 0.9% | 2.1% | -8.1% |

**Change in Airfield/Flight Lines Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 5.8% | 3.1% | 1.7% | 1.3% | 1.3% | 1.3% |

Rent/Leases/Concessions revenue projections are based on land leases and concessionaire agreements of airport property. The new concessionaire agreement that started in late FY19 provided higher revenue in the first few years, with the future years increasing at a slower rate. However, the COVID-19 pandemic set back all gains that St. Petersburg-Clearwater International Airport (PIE) was expected to realize with the new concessionaire agreement. At the current time, all retail/gift shop spaces have been constructed as planned, but the food/beverage segment suffered greatly because of the nationwide downturn. PIE only has two of the food/beverage locations constructed, and one of those is currently closed. Two of the other food/beverage locations have not been constructed yet. The next on-airport rental car concession bid was supposed to occur in late FY21, but staff may recommend postponing the next bid opportunity until revenues return to normal. Currently, the rental car and food/beverage/retail concessionaires are only paying percentages of their gross revenues, rather than the Minimum Annual Guarantees (MAGs) that they bid, due to the loss of customer traffic and their contractual language that allows a temporary cessation of MAG payments during business downturns. FY21 Rent/Leases/Concessions Revenue are budgeted at $9.1M, or 29.7% of the total fund revenues.

Revenue is projected to increase by 4.3% in FY22 and 20.5% in FY23 as concession revenue is anticipated to have recovered significantly from the COVID-19's effects on revenues, and the concession partners will begin paying their MAG fees again, rather than paying a percentage of their gross revenues.

**Change in Airport Rents/Leases/Concessions Revenues**

| FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|
| 5.9% | 7.7% | 3.8% | -1.4% | -15.6% |

**Change in Airport Rents/Leases/Concessions Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 4.3% | 20.5% | 1.2% | 0.6% | 2.3% | 1.2% |

Customer Facility Charges (CFCs) are charged to each person who rents a vehicle at PIE ($4 per rental per day). PIE utilized the Master Plan-recommended increases of 1.4% for FY22, and 1.7% increases for FY24 – FY27. Because the rental cars are expected to return to paying MAG payments again in FY23, the percentages of CFCs are expected to increase 120.1% during that year only.

**Change in Customer Facility Charges (CFCs) Revenues**

| FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|
| - | - | 21.4% | -2.8% | -26.4% |

**Change in Customer Facility Charges (CFCs) Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 1.4% | 120.1% | 1.7% | 1.7% | 1.7% | 1.7% |

Passenger Facility Charges (PFCs) are charged to each enplaning passenger flying out of PIE. The $4.50 charge is levied on each airline ticket, and $0.11 of each PFC charged is kept by the airline for administrative fees. PIE is given the collection authority for PFCs from the Federal Aviation Administration (FAA) through an application process. PFCs are only allowed to be used for FAA pre-approved projects that are Airport Improvement Program eligible. The PFC revenue is projected to have modest increases of 1.9% for FY22, and 1.7% increases for FY24 – FY27. With passenger levels projected to increase significantly in FY23, the PFC revenue assumption increases by 14.8% in only that year.

**Change in Passenger Facility Charges (PFCs) Revenues**

| FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|
| 10.2% | 10.0% | 27.5% | -9.2% | -36.4% |

**Change in Passenger Facility Charges (PFCs) Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 1.9% | 14.8% | 1.7% | 1.7% | 1.7% | 1.7% |

# KEY ASSUMPTIONS

Water and Sewer Rates – Utilities Funds

- A four-year rate plan was adopted by the Board on May 21, 2019 as follows:
  - Retail Water
    - Volumetric Rate per 1,000 gallons (no change)

| FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|
| $5.13 | $5.13 | $5.13 | $5.13 |

    - Base Rate Charge Per Month

| Meter size | FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|---|
| ¾ inch | $6.80 | $6.80 | $6.80 | $6.80 |
| 1 inch | $9.35 | $11.90 | $14.45 | $17.00 |
| 1.5 inch | $13.60 | $20.40 | $27.20 | $34.00 |
| 2 inch | $18.70 | $30.60 | $42.50 | $54.40 |
| 3 inch | $32.30 | $57.80 | $83.30 | $108.80 |
| 4 inch | $47.60 | $88.40 | $129.20 | $170.00 |
| 6 inch | $90.10 | $173.40 | $256.70 | $340.00 |
| 8 inch | $141.10 | $275.40 | $409.70 | $544.00 |

  - Wholesale Water
    - Per 1,000 gallons

| FY20 | FY21 | FY22 | FY23 |
|---|---|---|---|
| $4.1742 | $4.2159 | $4.2581 | $4.3007 |

Water Fund Revenues:

In addition to its retail water customers, the County provides water at wholesale rates to several cities that purchase water in bulk and distribute it to their own retail customers. The amount of water purchased is affected by economic conditions, housing and commercial vacancies, and levels of conservation. FY21 retail water sales are budgeted at $72.2M, or 77.4% of total water fund revenues, while wholesale water sales are budgeted at $15.2M, or 16.3% of the total fund revenues.

The forecast assumes minimal growth of 0.2% annually from FY22 through FY27 as well as 1.0% rate increases as per the adopted rate plan.

**Change in Water Service Charges Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% |

Sewer Funds Revenue

The forecast assumes minimal growth of 0.2% annually from FY22 through FY27. Rate increases of 9.5% are forecast through FY24, with FY25 through FY27 reflecting 3.0% rate increases. Retail sewer charges are $70.9M, or 77.4% of FY21 budgeted fund revenues, while wholesale sewer charges are $10.7M, or 11.7% of total fund revenues.

**Change in Sewer Service Charges Revenue**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 9.7% | 9.7% | 9.7% | 3.2% | 3.2% | 3.2% |

# KEY ASSUMPTIONS

Solid Waste Funds Revenue – Solid Waste Funds

In FY19, Solid Waste hired a rate consultant to perform a long-range tipping fee rate study. Based on the results of the rate study, on March 12, 2019, the Board adopted an annual 6.0% increase to the per ton tipping fees through FY22. Pinellas County Code of Ordinances Chapter 106 created the Technical Management Committee (TMC), which is comprised of municipal, County, and private hauler representatives. The TMC continues its practice of reviewing the Solid Waste rates, fees, and charges and provides recommendations to the Board.

As an apparent result of COVID-19, Solid Waste has experienced an approximate 2.0% overall decline of waste received at the facility between March 2020 – October 2020 when compared to 2019. It's anticipated that the remainder of FY21 will continue to experience a decline in tonnages of 2.0%. FY21 projected Tipping Fee Revenues are approximately $43.9M, or 36.2% of the Solid Waste Funds' revenue. It's further anticipated that FY22 will return to pre-COVID-19 tonnages; therefore, FY22 reflects an increase of 8.0% (tipping fee increase of 6.0% plus tonnage growth of 2.0%). For the balance of the forecast period, revenues are expected to remain steady as the volume of waste disposed remains flat.

**Change in Solid Waste Tipping Fee Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 8.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

The contract with Duke Energy for electrical capacity and generated electricity sales contains annual escalations of 6.4% in capacity revenue. The contract expires in December 2024. The County has been negotiating with Duke Energy to address potential revisions or extensions to this contract beyond 2024. At this time, no modifications have been negotiated. Electrical Capacity Revenues in FY21 are approximately $64.3M, or 53.1% of the Solid Waste Funds' revenue.

**Change in Solid Waste Electrical Capacity Revenues**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 6.4% | 6.4% | 6.4% | -74.6% | -100.0% | 0.0% |

Surface Water Fund Revenue – Surface Water Utility Fund

The Surface Water Utility was 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. In FY21, the budgeted surface water assessments are approximately $18.7M, or 91.6% of the Surface Water Special Assessment Fund's revenue. Any changes to the rate that exceed the approved maximum rate, are subject to approval by the Board. During the forecast period, the assumption is that number of ERUs will remain flat, but revenue might be negatively impacted by mitigation credits or annexations of property by cities. The Surface Water rate study update is planned for FY21 & FY22, when it will be determined whether changes are recommended to ensure sustainability of the fund.

**Change in Surface Water Assessment Revenues**

| FY21 | FY22 | FY23 | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|
| -0.4% | -0.4% | -0.4% | -0.4% | -0.4% | -0.4% |

## 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, more than 60.0% of the General Fund including Constitutional Officers). The FY21 Budget included an average of 3.0% in wage adjustments for most County employees.

Key Assumptions
Compensation adjustments are included in the forecast for FY22 through FY27. Moderate wage adjustments will be required to maintain a compensation structure that can attract and retain quality employees.

**Change in Salaries**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

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.

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, senior management, and elected officials have higher contribution rates). 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.

Key Assumptions

As of July 1, 2020, the FRS system was 83.7% funded, compared to 84.2% in 2019. Total Unfunded Actuarial Liability increased to $32.1B from $30.3B the previous year.

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 forecast assumes FRS contribution rate increases of 3.0% on salaries from FY23 – FY27. The assumption for FY22 is higher at 5.0% based on expectation that the Legislature will partially address the unfunded liability.

The actual contribution rates beginning July 1, 2021 will not be known until the end of the 2021 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**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 5.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

*Health Insurance*

Over the last several years, Human Resources has implemented wellness programs to encourage healthy choices by County employees, retirees, and their dependents to help reduce healthcare costs.

The County's health plan is self-insured and is required to maintain the equivalent of two months of medical claims as a reserve in the Employee Health Benefits Fund. Due to lower than anticipated health claims, the fund balance in the Employee Benefits Fund exceeds target levels. Therefore, health insurance employer cost increases will remain at the same level in FY22 by leveraging excess fund balance. If needed, reserves dedicated to Other Post-Employment Benefits are available to cover any deficit.

**Change in Employer Health Insurance Contributions**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 0.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |

*Personal Services - Combined Impact*

The combined result of the forecast changes in salaries (3.0%), FRS (3.0% - 5.0%) and health benefits (0.0%) results in the following overall change to Personal Services costs:

**Change in Personal Services Expenditures**
**(Net Total Salary and Benefit Changes)**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |

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.

<u>Operating Expenses and Capital Outlay Overview - All Funds</u>

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.

# KEY ASSUMPTIONS

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 its consensus Revenue Estimating Conference. 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.

**Change in Other Non-Personnel Expenditures (CPI)**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |

Fuel - All Funds with Fleet Equipment

Fuel costs are dependent on the amount of fuel purchased as well as the price of fuel. The efficiency of the County's fleet has increased as older vehicles are replaced with new, more fuel efficient vehicles.

FY21 budgeted fuel costs were based on a price of $2.25/gallon for unleaded fuel and $2.45/gallon for diesel. The forecast assumes the same $2.25/$2.45 per gallon for FY21, with increases matching CPI growth from FY22 through FY26.

**Change in Fuel Costs (per gallon)**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 0.0% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |

Electricity - General Fund and Utilities Funds

The County's facilities are generally charged a commercial rate for electricity by Duke Energy. The Facilities and Real Property and Utilities departments have both taken steps to decrease annual cost increases by implementing measures to reduce energy consumption. Due to reduced costs for our providers in the near-term, electricity costs are not expected to increase in FY21. Annual increases, after FY22, match the projected change in CPI.

**Change in Electricity Costs (per kWh)**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 0.0% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |

Medicaid - General Fund

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.

The County's projected Medicaid costs reflect Florida Statute, which is based on billings for current Medicaid services. The assumptions are based on the *Social Services Estimating Conference* Medicaid Caseloads (August 6, 2020) and Medicaid Expenditures (August 6, 2020).

**Projected Medicaid Costs ($ millions)**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| $12.8 | $13.6 | $14.4 | $15.2 | $16.0 | $16.8 |

**Other Fund-Specific Expenditures**

Ambulance Contract Expenditures – EMS Fund

The County contracts with Paramedics Logistics 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, plus operational changes in transport volume. Transport volume changes have ranged from -6.0% decrease in FY20 (due to COVID-19) to a high of 8.7% increase in FY16. Based on the recent slowing of volume increases, a 4.5% year over year increase is included in the FY22 – FY27 forecast. These increases account for annual CPI increases, medical supply needs and forecast growth that is within range of the 5-year average of transport volume increases (1.7%).

**Change in EMS Ambulance Contract Expenditures**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |

First Responder Expenditures – EMS Fund

The County contracts with 18 Fire Rescue departments to provide response to EMS calls with paramedics using Advanced Life Support (ALS) equipment. First responder contractual expenditures are primarily driven by personnel costs. The current First Responder agreement allows for annual growth of 3.0%, along with reimbursement for a portion of overhead at 1.0% of the amount funded. The assumption for FY22 – FY27 is based on a 3-year average (FY18 – FY20).

**Change in EMS First Responder Expenditures**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |

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. The increase used in the forecast is based on figures included in the rate study completed in May of 2019.

**Change in Cost of Water**
**Purchased from Tampa Bay Water**

| FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|
| 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |

## Other Forecast Considerations

Climate Change

Recent studies show that we have begun to see an increase in sea level rise and in the frequency, duration, and intensity of storms. Given this trend, 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. To proactively address this concern, the County's capital projects include an assessment process that considers vulnerability and risk to sea level rise and coastal storm surge. The assessment process results in recommended adaptation and mitigation measures for new projects or renovations to protect our community and the project's return on investment.

Other Funds

This forecast includes the 10 funds 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 for which payments to service providers are funded entirely by property taxes. Within the fund, each fire district is balanced separately, with a specific millage rate and 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. 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 individual fire district millage, General Fund MSTU, the Public Library Cooperative, and, where applicable, the Palm Harbor, Feather Sound, or East Lake Community Services 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 services can have an impact on the General Fund, which provides resources for the costs that are not supported by these designated state revenues. In FY21, the General Fund has $2.7M budgeted to transfer to the Emergency Communications E911 System Fund, an increase of 42.1% from the $1.9M budget in FY14.

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 also 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.

# KEY ASSUMPTIONS

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. BTS, along with the Office of Technology & Innovation (OTI), maintains existing systems and also implements new solutions as technology evolves. Besides the financial impact, the planned upgrades and replacements managed by BTS and OTI also are critical to the efficient operation of the entire organization.

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. 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 at 916,542, while the State population grew to more than 20.0M. Current State demographic projections are that this percentage has decreased to 4.6% in 2020, and will continue to fall to 4.4% by 2025 and 3.9% by 2045, resulting in reductions in Pinellas' share of grants and other revenues that are allocated by population-driven formulas.

# Fund Reviews

## and

# Forecast Pro Formas

# FUND REVIEWS & FORECAST PRO FORMAS

The *Fund Reviews & Forecast Pro Formas* section of the Budget Forecast: FY22 – FY27 includes six-year forecasts for 10 of the County's major funds:

- General Fund
- Emergency Medical Services Fund
- Surface Water Utility Fund
- Tourist Development Tax Fund
- Transportation Trust Fund
- Capital Projects Fund
- Airport Fund
- Sewer Funds
- Solid Waste Funds
- Water Funds

**Sections in Each Fund Forecast**

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

- Description**:** Provides information concerning the fund such as: fund type, legal authority, authorized uses of proceeds, etc.
- Summary: Provides an at-a-glance summary of the six-year forecast.
- 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, expenditures, and fund reserve level for the forecast period.

# GENERAL FUND

## Description

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

The General Fund includes operations for both countywide 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 9.5% 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. The four main external revenue sources for the General Fund are Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes. As a result of the economic slowdown related to the COVID-19 pandemic, many of the General Fund's revenues will continue to experience decreases in FY21 before an anticipated return to growth in FY22, with several revenue sources not returning to 'normal' until FY23. Half Cent Sales tax revenue dropped 5.2% in FY20 after several years of annual increases averaging 3.9%, while State Revenue Sharing fell 7.7%. Both revenue sources are projected to increase by 8.8% in FY22 as consumer spending recovers from the pandemic-induced recession. Property Tax revenue remains strong in FY21 as the assessment process was completed before the recession and residential home sales continued to show strength. However, due to the anticipated slow-down in sales and falling values of commercial properties, projected growth slows to 1.0% in FY22. While the County continues to expend funds to respond to the COVID-19 pandemic, federal stimulus funds and anticipated Federal Emergency Management Agency (FEMA) reimbursement are anticipated to mitigate a majority of this non-recurring fiscal impact.

The forecast projects that the General Fund is balanced throughout the forecast period and maintains reserves exceeding the minimum policy target of 15.0% without a millage increase.

## Economic Impacts of COVID-19

When COVID-19 hit Florida, the economy experienced an immediate downturn. With the closing of many small businesses due to economic impacts of the pandemic, jobless claims increased dramatically nationwide, with 22.2M new claims in March and April, and almost 20.8M occurring in April alone. The U.S. unemployment rate shot up 10.3 percentage points from 4.4% in March to 14.7% in April. The U.S. economy officially entered into a recession in February 2020, ending an expansion period that lasted 128 months, as the economy lost 5.0% in the first quarter of 2020, and another 31.4% in the second quarter, the largest quarterly loss in history.

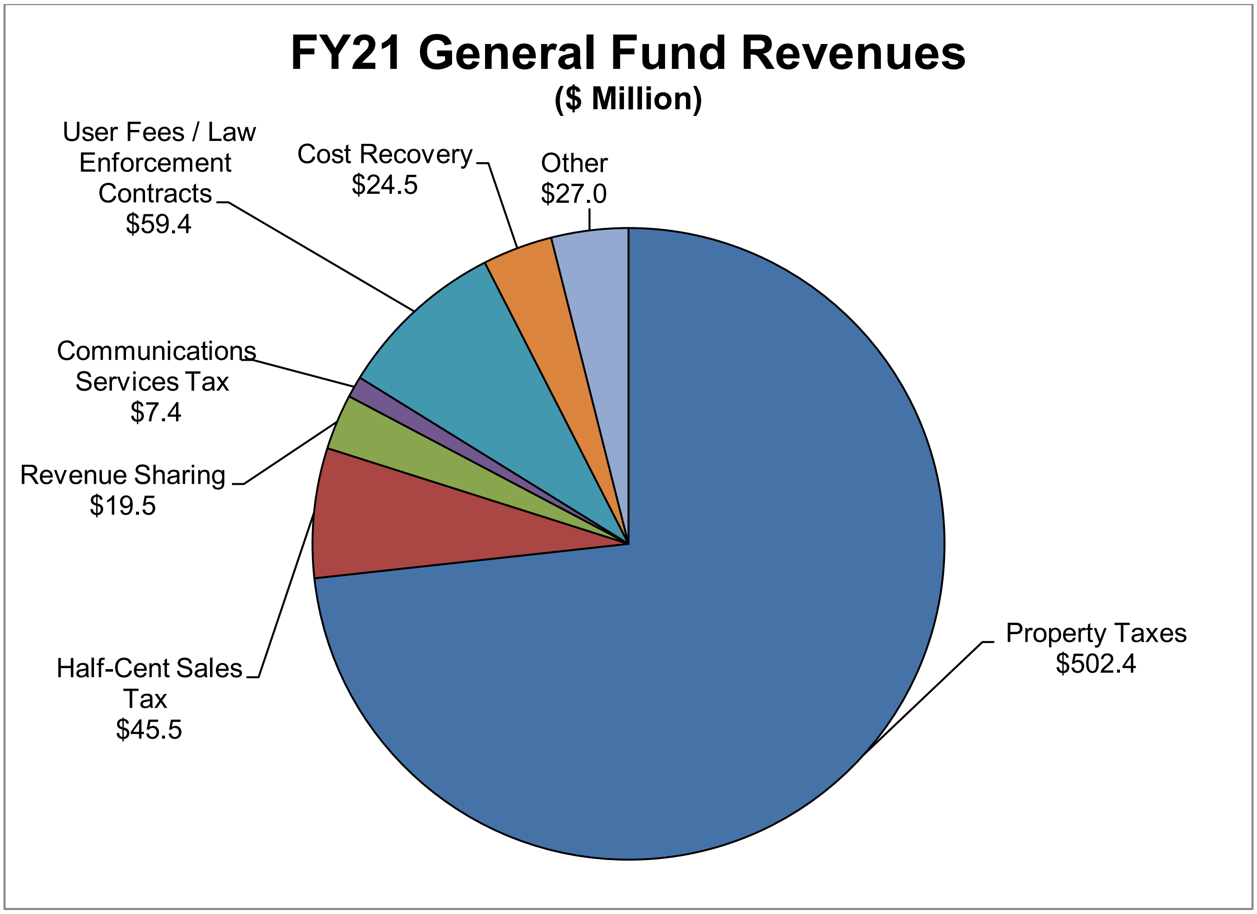
In Florida, the tourism and hospitality industries essentially shut down in March as bars, restaurants, cruise lines, and theme parks were forced to close or limit operations throughout the State. Hotels saw overnight visitors stay away as cases of COVID-19 infections spread from the Northwest across the country. Florida reported its first cases on March 1st, with two cases in the Tampa Bay area. Florida schools were closed to in-person learning after Spring Break, and many employees were asked to work from home to help stop the spread of the virus. The loss of tourists and their spending in the local economy had an immediate impact as statewide sales tax revenue plunged almost $1.8B between April and July. While maintaining relatively low infections in the early months of the pandemic, Florida experienced a surge in cases during the summer months. Daily cases of infections ballooned to over 15,000, with deaths following shortly after, and reaching almost 300 in a single day in early August.

The loss of customers led to reduced sales tax revenue. The state's Sales Tax Revenue fell 3.1% in FY20 and is projected to fall another 1.8% in FY21. In Pinellas, the county's share of Sales Tax Revenue fell 5.2% while State Shared Revenue fell 7.7% in FY20. These two revenue sources account for 9.5% of General Fund FY21 revenue. Due to the importance of these revenues to the General Fund, any reduction can have a negative impact on level of service provided by the County.

The loss of businesses will impact growth in the County's taxable value, the largest source of General Fund revenue at 73.3% in FY21. While the residential market continues to show strength, commercials properties will show the effects of the economic downturn in the assessments for FY22 as occupancy falls with business closures. New construction is expected to add approximately $1.0B to taxable value, in line with recent years. The long-term effects will be a lower taxable value base for commercial properties.

**Revenues**

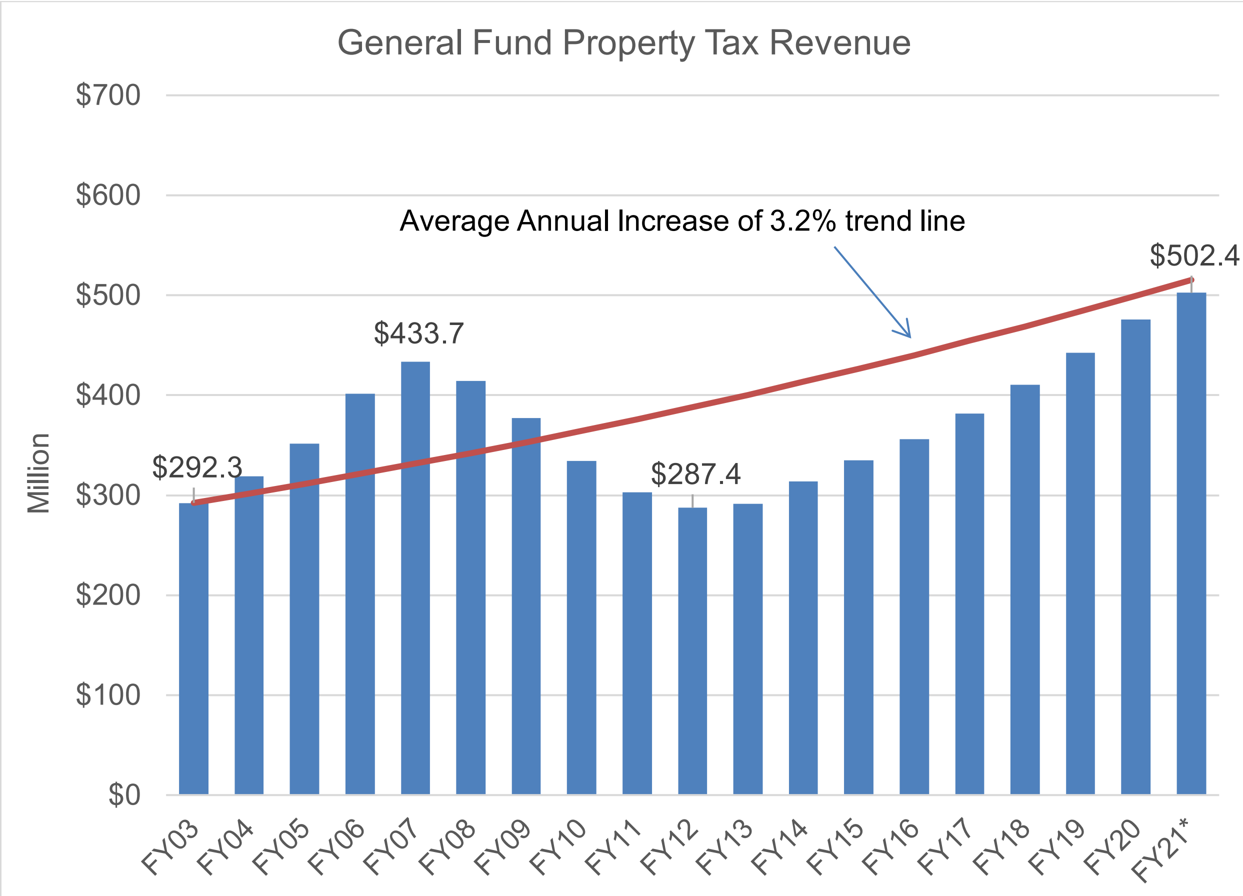
The budgeted revenues in the General Fund for FY21 total $685.3M. Property Taxes are the single largest source of General Fund revenues, accounting for almost three-quarters of the total. The four primary external funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise 83.9% of the revenue. The remaining 16.1% is derived from a variety of resources, including user fees, grants, contracts for services, interest, and cost recovery from other County funds.




Property Taxes

For the eighth consecutive year, the taxable value of property increased for FY21 (based on the values as of December 31, 2019). The combined General Fund property taxes for countywide and MSTU are budgeted to generate $502.4M in FY21.

From FY03 through FY12, property values experienced the most extreme “boom and bust” cycle in more than fifty years. Revenue collected from property taxes reached $433.7M in FY07 and fell to $287.4M by FY12. It took until FY14 for the County to collect as much property tax revenue as it did in FY03. Due to the cumulative nature of property tax revenue, the County has lost $461.5M in potential revenue since FY04. The chart below shows the actual property tax revenues from FY03 – FY20 and budgeted revenue for FY21, along with the potential revenue collection during those years based on a 3.2% annual increase (based on the average annual change from FY03 to FY20). In FY21, revenue is projected to surpass $507.7M.




*FY21 Reflects Budget

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 and diversify their total revenue portfolio.

Half-Cent Sales Taxes

The second largest General Fund revenue source is the *State Shared Half-Cent Sales Tax*, which is budgeted at $45.5M, or 6.6% of total General Fund revenues in FY21. This funding source was authorized in 1982 and distributes a portion of state sales tax revenue via four different distributions to eligible county or municipal governments: *Ordinary, Emergency, Supplemental*, and *Fiscally Constrained*. Pinellas County is eligible for only the *Ordinary* distribution. During FY21, the State is projected to distribute more than $2.33B across all four categories, with $2.28B being part of the *Ordinary* distribution to counties and municipalities. The *Ordinary* distribution is funded by transferring 8.9744% of net sales tax proceeds to the *Local Government Half-Cent Sales Tax Clearing Trust*. The County's collections grew by an average of 3.9% annually between FY13 – FY19. This tax is projected to generate $47.9M in FY21.

**Actual Half-Cent Sales Tax Revenue ($ in millions)**

| FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|---|---|
| $35.2 | $37.0 | $38.7 | $40.7 | $43.1 | $44.8 | $45.5 | $47.4 | $48.6 | $46.1 |

State Revenue Sharing

The third major external General Fund source, *State Revenue Sharing*, is budgeted at $19.5M, or 2.8% of total General Fund revenues in FY21. This funding source, as originally outlined in the Florida Revenue Sharing Act of 1972, is calculated based on an eligible county's population and sales tax collection. The *Revenue Sharing Trust Fund for Counties* receives 2.9% of net cigarette tax collections and 2.081% of net sales and use tax collections, which are then allocated by formula to all eligible counties. This revenue has shown a similar strong growth over the past several years, averaging annual increases of 4.9% from FY13 – FY19. This source is projected to generate $20.5M in FY21.

**Actual State Revenue Sharing Revenue ($ in millions)**

| FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|---|---|
| $13.9 | $14.4 | $15.2 | $16.1 | $17.5 | $17.8 | $18.6 | $19.4 | $20.1 | $17.1 |

Communications Services Taxes

The fourth major external revenue in the General Fund is the *Communications Services Tax* (CST). The CST applies to telecommunications, video, direct-to-home satellite, and related services. The County levies the maximum rate (5.22%) allowed by Florida Statute (Chapter 202, and Section 337.401). The County is projected to collect $7.4M in FY21, down from a peak of $13.2M in FY07. 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.

**Actual Communications Services Tax Revenue ($ in millions)**

| FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|---|---|---|---|---|---|---|---|---|---|
| $10.5 | $10.8 | $10.6 | $10.6 | $10.3 | $9.7 | $9.4 | $8.9 | $8.7 | $9.0 |

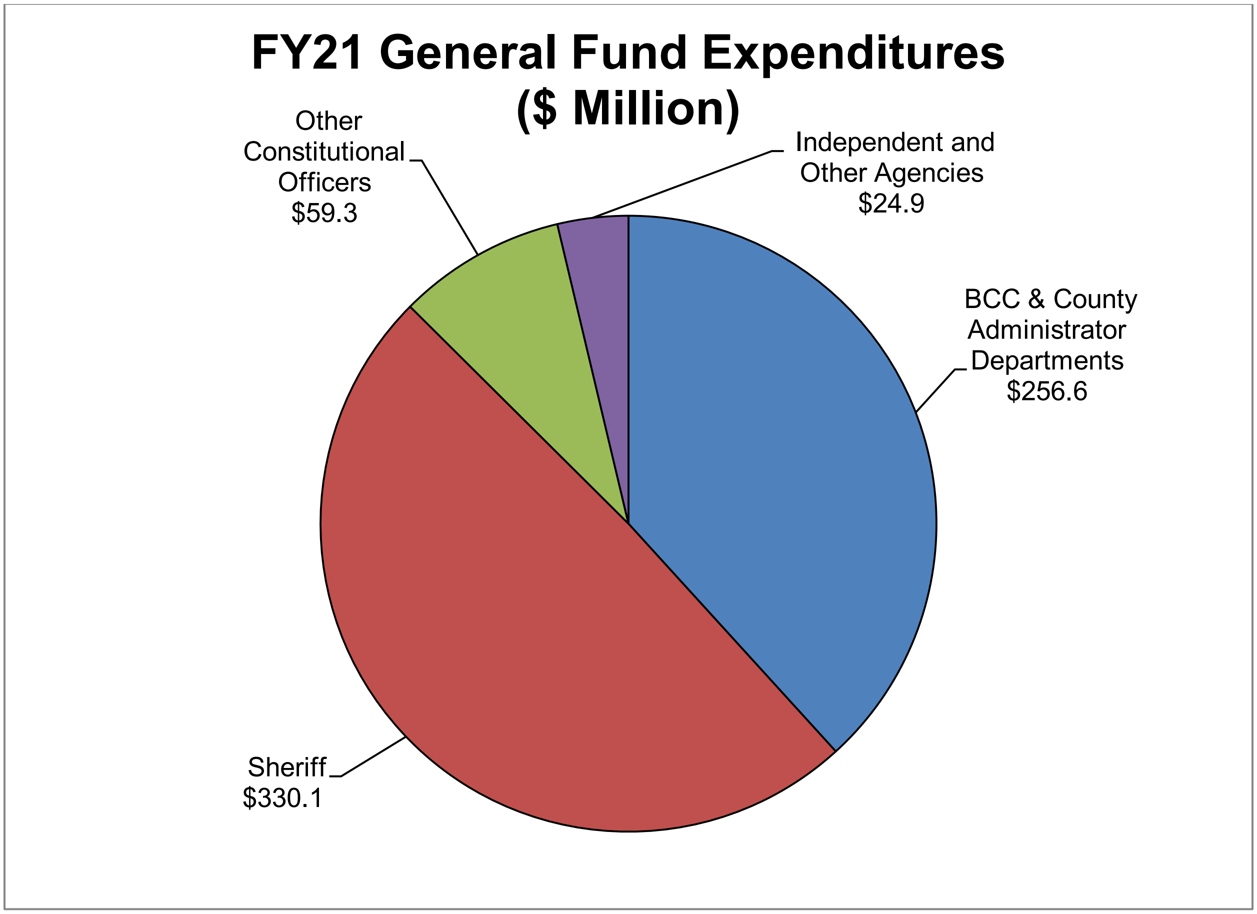
Other Revenues

Other 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, including FEMA reimbursements for Hurricane Irma and other declared disasters. In general, excluding grants, these revenues are expected to show moderate growth during the forecast period.

**Expenditures**

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

The budgeted expenditures in the General Fund for FY21 total $797.1M, a 17.9% increase from FY20 actual. Of the total $120.7M increase, budgeted expenditures related to the CARES Act increase $82.5M. Excluding CARES Act Coronavirus Relief Fund (CRF) expenditures, FY21 Budget is $28.9M higher than FY20 actual, a 4.5% increase. The expenditures and revenue associated with the CARES Act CRF are projected to be completed during FY21 and will not be part of the FY22 projections.




FY21 Expenditures above exclude CARES Act CRF

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). Funding for these departments totals $258.2M, or 30.8%, of total FY21 General Fund expenditures.

Some of the major BCC programs include: human services; code enforcement; matching funds for Medicaid; facility operations and maintenance (including the courts, jail, and Sheriff's headquarters); parks maintenance; environmental protection; environmental preserves; emergency management; animal services; rabies control; economic development; consumer services; veterans services; 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 General Fund budget is $330.1M, or 49.2%, of total FY21 General Fund expenditures. Detention and Corrections programs are 39.1% of the Sheriff's budget. The Sheriff also provides Law Enforcement services to both the unincorporated area (MSTU) and by contract to 13 municipalities. The budget for law enforcement is 52.0% of the Sheriff's budget. The remaining 8.9% of the budget provides support to the Court system. The Sheriff's adopted budget includes grants from federal and state agencies such as the U.S. Department of Justice and the Florida Department of Law Enforcement.

Other Constitutional Officers

These agencies, which are headed by independently elected officials, comprise $59.3M, or 8.8%, of total FY21 General Fund expenditures. In most cases, the General Fund only reflects part of the agency's total budget.

The Tax Collector and Property Appraiser budgets are determined by statutory formulas and are approved by the State Department of Revenue. The General Fund provides $23.2M (76.3% of total budget) for the Tax Collector and $12.1M (83.0% of total budget) for the Property Appraiser 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 and Comptroller 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 Florida Clerks of Court Operations Corporation. The General Fund provides $14.2M (28.0% of total budget) for the Clerk's budget.

The budget for the Supervisor of Elections ($9.8M) 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% of the Supervisor's budget, excluding occasional state or federal grants.

Independent and Other Agencies

These agencies are $24.9M, or 3.7%, of total FY21 General Fund expenditures. They include the County's support for the Judiciary, State Attorney, Public Defender, Consolidated Case Management System (CCMS), Medical Examiner, Office of Human Rights, and Human Resources.

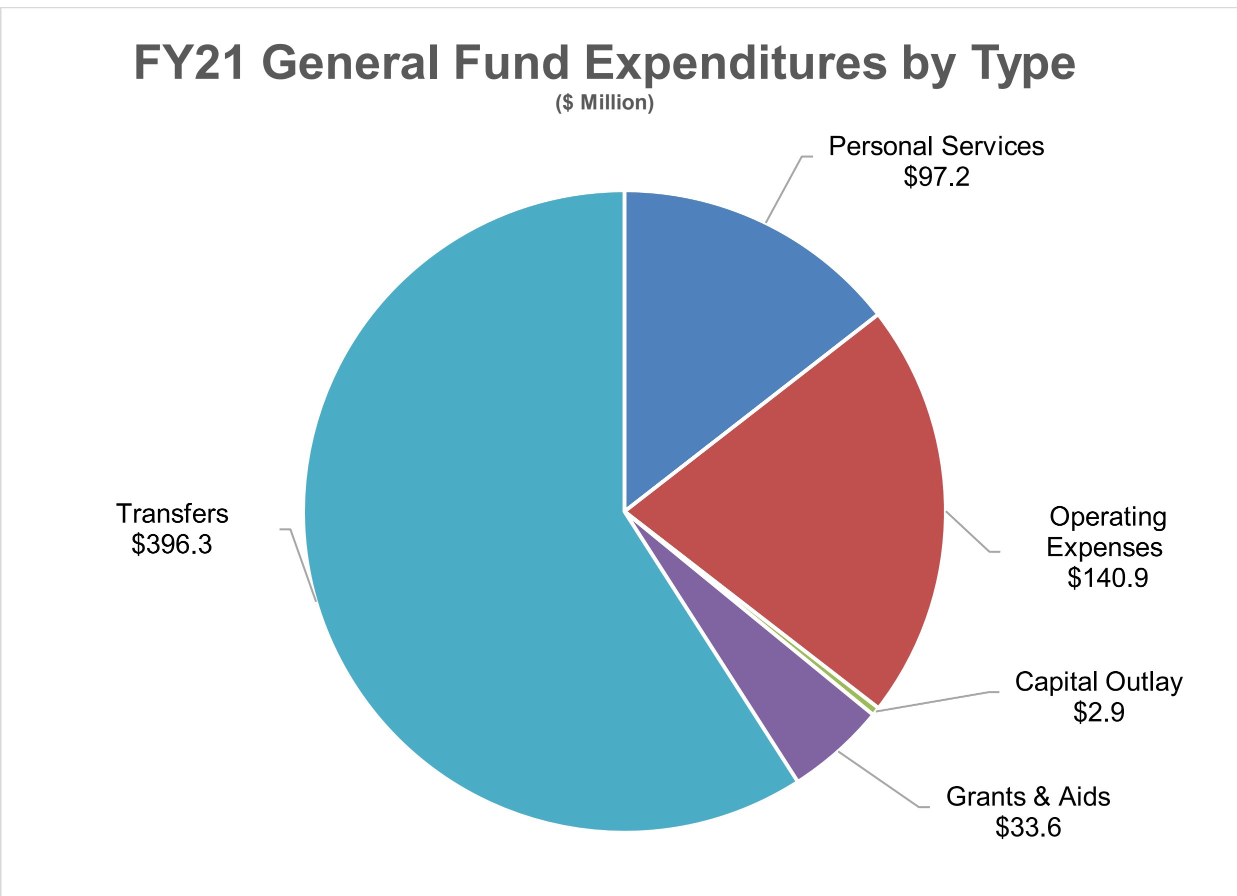
Much of the County's court support is driven by statutory mandates per Article V of the State Constitution that require the County to fund certain technology expenses, security, programs, and facilities. This funding includes some local programs over and above the mandated requirements, such as Teen Court, Drug Court, and the Public Defender's jail diversion initiatives. 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 is 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 County 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 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 all the other County elected officials and independent agencies, excluding 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 expenditures 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 technology support provided to General Fund agencies. The FY21 budget for technology charges is $30.8M, which is 21.9% of the total Operating Expenses budget.



*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 includes 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 twelve CRAs. In addition, one CRA has been established in the Lealman unincorporated area of the County. The County is budgeted to contribute a total of $21.5M in TIF payments in FY21.

FY21 budget for Grants and Aids totals $33.6M, which is 5.0% of the total General Fund expenditures.

*Transfers*

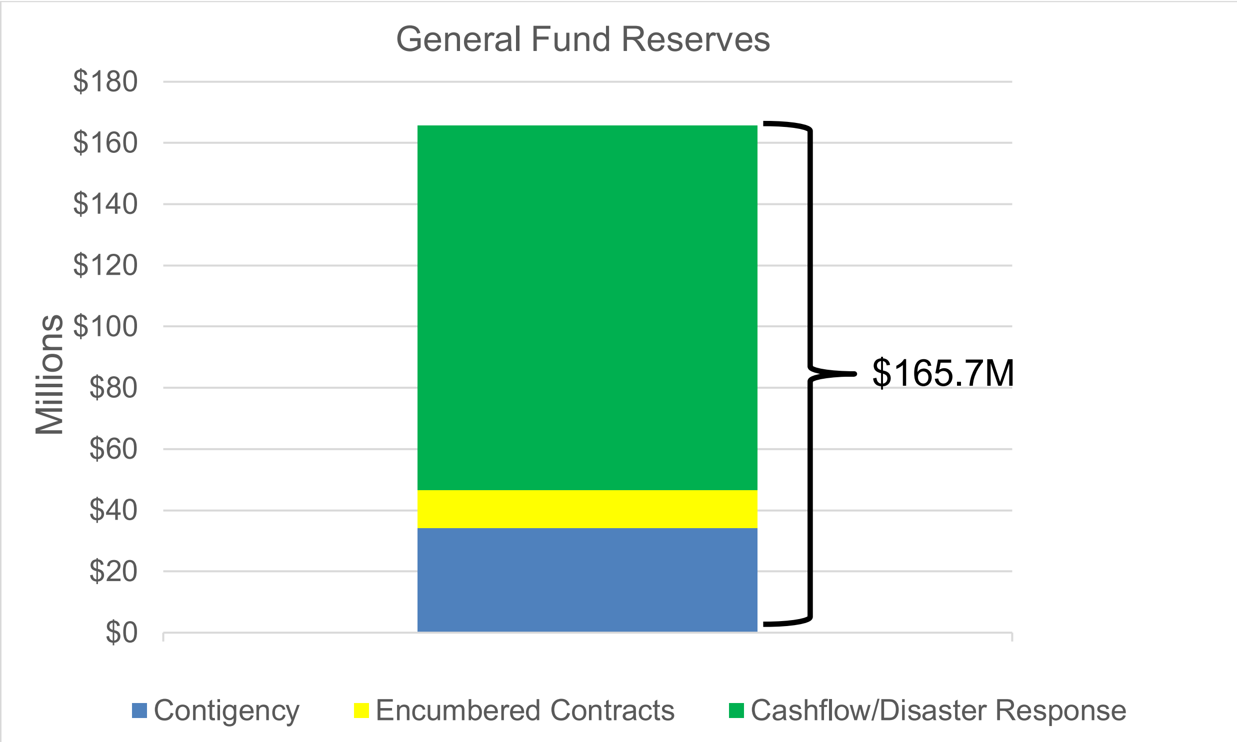
Transfers between funds include ongoing and non-recurring items. For example, an ongoing transfer to the Employee Health Benefits Fund is budgeted to address future liabilities for Other Post-Employment Benefits (OPEB). Also included in this category are the transfers to the Constitutional Officers, such as the Sheriff ($330.1M), Clerk of the Circuit Court ($14.2M), Property Appraiser ($12.1M), Tax Collector ($23.2M), and Supervisor of Elections ($9.8M). The FY21 budget for Transfers is $396.3M and represents 59.1% of the General Fund expenditures.

*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 realigning 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 or pandemic. Having an adequate reserve also demonstrates stability to the financial markets. As Pinellas has no general revenue debt, this stability enhances our ability to raise capital through bonding at a lower cost if required in the future.

The FY21 General Fund adopted budget included reserves of $165.7M, or 24.2% of total revenues, which exceeds the BCC policy target of 15.0%. The components of the General Fund reserves are Contingency, Encumbered Contracts, and Cash Flow /Disaster Response.




**Contingency Reserve**
The Contingency Reserve, which is budgeted at $34.3M in FY21, is an amount equal to 5.0% of revenues to be used for unanticipated revenue shortfalls or expenditures. For example, fuel costs and electricity rate increases can be highly volatile and may exceed normal inflation. Another example is the need for accrued leave payouts due to unanticipated retirements.

**Encumbered Contracts Reserve**
During the year, there are purchase orders and service contracts that have been approved and are subject to payment as work is completed or goods delivered. The $14.2M in the Encumbered Contracts Reserve for FY21 represents the average amount that was encumbered at month's end for the 12-month period ending May 2020.

**Cash Flow / Disaster Response Reserve**
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 73.3% of the total General Fund revenue. As a high hazard coastal county, Pinellas needs to have Disaster Response Reserve funds on hand in case of an emergency such as Hurricane Irma or other natural or man-made disasters. The Cash Flow / Disaster Response Reserve is intended for these unexpected situations because reimbursement from the Federal Emergency Management Agency (FEMA) and the State usually cover only a portion of the costs. These funds are not available at the beginning of a disaster, and often are not received for many months or years. The FY21 budget for this reserve account is $117.2M.

**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 will remain the same over the forecast period. The FY21 countywide rate was set at 5.2755 mills, and the MSTU rate was set at 2.0857 mills.

As was discussed in the *Key Assumptions* section of this document, COVID-19 is expected to have very little, if any, impact on FY21 property tax revenue collections. While ad valorem revenue is the largest source of revenue in the General Fund (73.3% in FY21), it is also the most stable year-over-year due to the County's ability to collect taxes owed through a tax sale if the property owner fails to pay in a timely manner. The impact of COVID-19 will be mainly seen in the taxable values of commercial properties in Pinellas County. Bar and restaurants were forced to close or limit operations for several weeks and then reopened with reduced capacity, while hotel occupancy is still below rates experienced in recent years. These impacts will show up in valuations for the FY22 County Budget Year.

Due to the continued strength in residential properties, taxable values are projected to increase by a net 1.0% in FY22. While this growth is lower than trends, it is much better than the -4.0% assumptions built into the FY21 Adopted Budget in September 2020. From FY23 – FY27, growth is projected to be 2.9% - 4.3% while MSTU taxable values are projected to be flat in FY22, and increase by 1.4% - 2.8% in FY23 – FY27.

From FY14 – FY19, the Half-Cent Sales Tax revenue grew by an average of 3.9%, while the state's sales tax revenue increased by an average of 5.5% during that same period. For the forecast assumptions, we used the 1.6% difference between the county's and state's average growth. Our projection is based on the change in "Sales Tax/GR" revenue projection in the State Revenue Estimating Conference for General Revenue Fund on August 14, 2020. Half-Cent Sales Tax revenue is projected to increase by 8.6% in FY22 compared to FY21, 2.1% in FY23, 2.5% in FY24, and 1.6% in FY25 – FY27. After falling in both FY20 and FY21 due to COVID-19, FY22 revenue is projected to be 4.8% higher than FY19, the last full year before the pandemic.

The County's share of State Revenue Sharing is projected to move in a similar way as Half-Cent Sales Tax. From FY14 – FY19, State Shared Revenue grew by 4.9%, but dropped by 15.2% in FY20 due to COVID-19. For State Revenue Sharing, an 8.6% growth rate is assumed for FY22, with increases ranging from 1.6% to 2.5% from FY23 – FY27.

Continuing several years of declining revenue collection, Communications Services Tax revenue is projected to decrease 3.0% annually throughout the forecast period.

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

Key Assumptions – Expenditures

The forecast assumes a continuation of current (FY21) programs and service levels. The basic assumptions for Personal Services and Operating Expenses that are used throughout the forecast apply to the General Fund.

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).

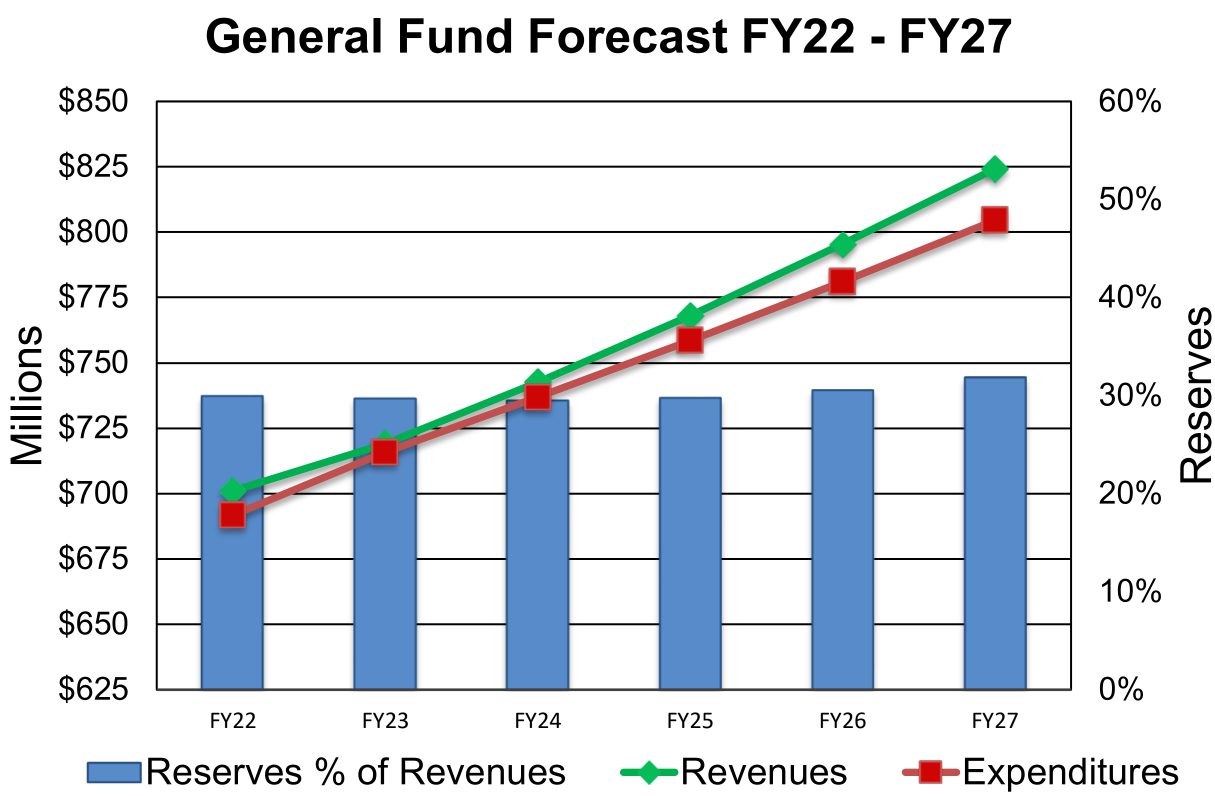
As discussed previously, the County has no outstanding bond debt supported by property taxes or other general revenues. No such bond issues are anticipated during the term of the forecast.

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, Human Services, in particular, has been very proactive in seeking federal and state funding for social support programs like behavioral and mental health 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.

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 used to increase reserves or for one-time purposes only. They should not be used to fund ongoing programs.

**Key Results**

Using the assumption in this forecast, the General Fund is balanced and maintains reserves exceeding the policy target of 15.0% 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.

With almost 75% of General Fund revenue coming from property tax, a sudden drop in the taxable values of properties will have an immediate, and prolonged, negative impact on the funds needed to pay for county services. This can be seen in the not-too-distant past during the Great Recession. The taxable value dropped 8.7% in FY09, 11.7% in FY10, 9.8% in FY11, 4.8% in FY12, and 2.0% in FY13. These declines in taxable value resulted in a $146.3M cumulative reduction in property tax revenues between FY07 and FY12. Due to the Save Our Homes amendment available to property owners, the increase in taxable values for homesteaded properties is limited to the annual change in the CPI, with a 3.0% cap

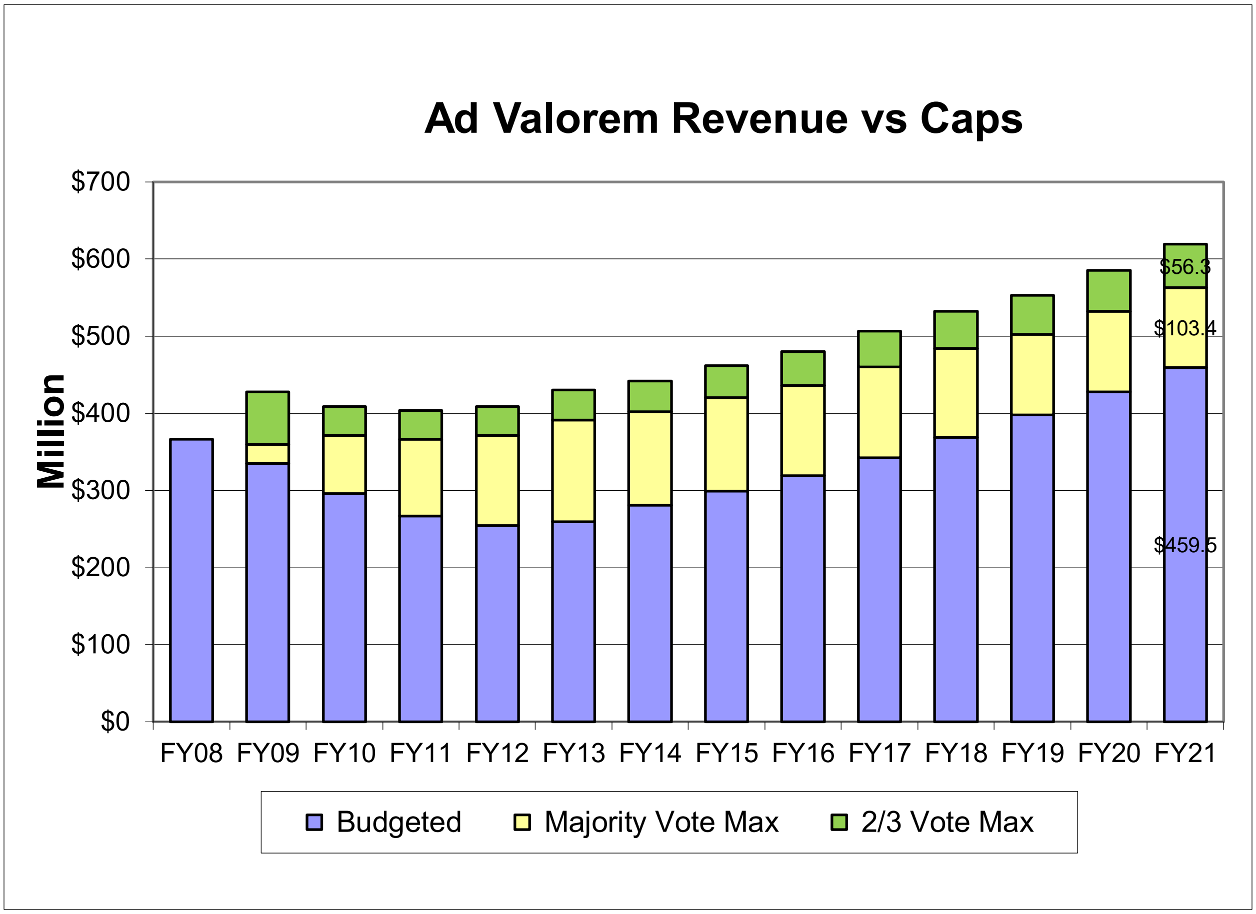
A change of 1.0% in the FY21 countywide taxable value would result in a $4.6M change in revenue at the FY21 millage rate of 5.2755. Similarly, a change of 0.1 mills in the rate using the FY20 taxable value would result in a $8.6M change in revenue. In the following years, these impacts would be amplified by the other growth factors.

*Save Our Homes Impact*

As referenced above, another variable is the homesteaded taxable value increase cap imposed by the Save Our Homes (SOH) amendment. The SOH is based on the annual change (December to December) in the Consumer Price Index, as published by the Bureau of Labor Statistics. The CPI for December 2020, which is used to set the homestead cap on certain properties for FY22 growth, increased by 1.4%. As the real estate market continues to grow, the taxable value excluded from assessment of the County's millage has increased from $2.1B in FY13 to $18.6B in FY20. In FY20 (most recent data available), $93.2M in potential revenue is not available to the General Fund due to the protections that are in place with the SOH amendment.

*Ad Valorem Revenue Caps*

In 1980, the Florida Legislature passed the Truth in Millage (TRIM) law to keep the public informed about the taxing intentions of the various local taxing authorities throughout the state. This law, among other things, established the "rolled-back rate," which is the millage rate that would produce the same amount of property tax revenues as approved the prior fiscal year, less allowances for new construction, additions, and other items. If the tax base increases, the rolled-back rate is less than the prior year's rate. In 2007, the Legislature enacted new limitations on property tax revenue increases by mandating rates above certain thresholds require a super-majority (2/3) or unanimous vote of the taxing body. These new requirements went into effect just as the Great Recession took effect in Florida, limiting revenue options. In Pinellas County, the current rate for countywide General Fund is 5.2755 mills, which produces $460.5 in ad valorem revenue. Under the 2007 law, the millage could increase to 6.4629 mills with a simple majority vote of the Board of County Commissioners (BCC), producing an additional $103.4M of revenue. With a super-majority vote, the rate could have been increased to 7.1092 mills, which would have produced another $56.3M of revenue. Since the new limitation went into effect with the FY09 budget, Pinellas County has levied a millage rate below the allowable rate, saving taxpayers almost $2.0B.




*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. 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. During the COVID-19 shutdown, consumer spending fell dramatically, and statewide sales tax revenue dropped 3.1% in FY20 and is projected to fall another 1.8% in FY21. As a result, the County's shares of Sales Tax revenue fell 5.2% in FY20, while Revenue Sharing fell 15.2%.

The forecast assumes that the both Sales Tax and Revenue Sharing will increase in tandem during the forecast period. However, there is no Constitutional prohibition against the State changing the formula to reduce or eliminate Revenue Sharing 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 funds pledged to support debt, so the entire allocation is subject to revision by the Legislature.

*State Budget Impacts*

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 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.

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 of more than $25.0M on local CST revenues.

*Potential for Recession*

The last twelve months highlights the sensitivity of the local economy to events that occur halfway around the globe. When COVID-19 first appeared in China in December 2019, it was not considered as the threat it became in less than three months. The economy was expected to continue the 'slow but steady' growth trend seen since the Great Recession ended in 2009. The reality ended up much different as 1$^{st}$ quarter GDP fell 5.0%, followed by an unprecedented 31.4% drop in the 2$^{nd}$ quarter. Unemployment jumped from 4.4% in March, when COVID-19 first appeared in Florida, to 14.7% in April as the entire U.S. imposed some form of restrictions to combat the spread of the virus. More than 22.2M people filed new claims for unemployment in March and April as many businesses shut down or severely reduced availability of services.

The impacts of COVID-19 are expected to remain for much of FY21 and into FY22 as at least two vaccines against the virus become widely available over the next several months.

## 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 State of Florida's National Economic Estimating Conference. 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.

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.

*Personal Services*

Because salaries and benefits are a significant part of General Fund expenditures (63.9% including transfers to Constitutional Officers), higher than projected salary adjustments, FRS contribution rates, or health insurance cost increases could have significant negative impacts. The County recently completed a pay and classification study that yielded increases in salaries for many employees as part of the first implementation phase. Additional phases to address career paths and ladders, pay compression, and merit pay, as well as consideration for increasing the minimum wage threshold for County employees, will also yield cost increases.

The FRS rates approved for the State's 2020 fiscal year (July 1, 2019 to June 30, 2020) 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 as the Legislature and Governor assess the current state of the fund.

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.

*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.

**Balancing Strategies**

The General Fund is balanced throughout the Forecast period. However, due to the fund's heavy reliance on a single source of revenue (ad valorem), a downturn in property values could have an almost immediate negative effect on the stability of the General Fund. There are several balancing strategies that could be considered if gaps between revenues and expenditures arise.

Expenditure reductions are an option that may be considered. As stewards of taxpayers' money, we will continue efforts to find efficiencies and streamline operations to efficiently and effectively deliver service to the citizens and businesses of Pinellas County.

The FY21 General Fund budget of $962.8M includes $165.7M in reserves and $126.2M of CARES Act CRF grant appropriations. Included in the FY21 budget are $6.4M in expenses for new or expanded programs that were requested by various County departments and agencies and members of the Board of County Commissioners during the budget development process. While the budgeted revenues were sufficient to fund these programs in the current fiscal year, this pace is not sustainable within the current forecast model.

Revenue increases are another option. User fees are reviewed on a regular basis to ensure the programs they support are being adequately funded while limiting the need for tax revenue. Any increase to users would also need to be considered in the context of the local marketplace and the effect on our citizens. In addition to increasing user fees, other options include payments in lieu of taxes or a return on equity from County enterprise funds.

As stated above, the county does not currently levy the maximum allowable millage rate. If necessary, the BCC could have increased the millage rate by 1.1874 and raised an additional $103.4M in FY21 with a simple majority vote of the members, and another $56.3M by raising the millage an additional 0.6463 to 7.1092 mills, the current maximum rate allowed for Pinellas County.

**GENERAL FUND FORECAST**
**Fund 0001**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Property Taxes - Countywide | 1.0% | 2.9% | 3.8% | 4.1% | 4.3% | 4.3% |
| Property Taxes - MSTU | 0.0% | 1.4% | 2.3% | 2.6% | 2.8% | 2.8% |
| Half Cent Sales Tax | 8.6% | 2.1% | 2.5% | 1.6% | 1.6% | 1.6% |
| Revenue Sharing | 8.6% | 2.1% | 2.5% | 1.6% | 1.6% | 1.6% |
| Communications Svc Tax | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% |
| Grants | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Charges for Services | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Capital Outlay | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Grants & Aids | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |
| Estimated New Construction % of tax base | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |

**GENERAL FUND FORECAST**
**Fund 0001**

| (in $ millions) | Actual FY20* | Budget FY21** | Estimated FY21 | Estimated FY22 (FORECAST) | Estimated FY23 (FORECAST) | Estimated FY24 (FORECAST) | Estimated FY25 (FORECAST) | Estimated FY26 (FORECAST) | Estimated FY27 (FORECAST) |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **145.2** | **151.2** | **179.8** | **200.5** | **209.8** | **213.1** | **218.8** | **228.2** | **242.6** |
| **REVENUES** | | | | | | | | | |
| Property Taxes -Countywide | 435.3 | 460.5 | 465.3 | 470.0 | 483.6 | 502.0 | 522.6 | 545.1 | 568.5 |
| Property Taxes - MSTU | 40.2 | 41.9 | 42.3 | 42.3 | 42.9 | 43.9 | 45.0 | 46.3 | 47.6 |
| Half Cent Sales Tax | 46.1 | 45.5 | 47.9 | 52.0 | 53.1 | 54.5 | 55.3 | 56.2 | 57.1 |
| Revenue Sharing | 17.1 | 19.5 | 20.5 | 22.2 | 22.7 | 23.3 | 23.7 | 24.0 | 24.4 |
| Communications Svc Tax | 9.0 | 7.4 | 7.4 | 7.2 | 7.0 | 6.8 | 6.6 | 6.4 | 6.2 |
| Grants (fed/state/local) | 17.9 | 11.7 | 11.7 | 11.9 | 12.2 | 12.4 | 12.7 | 12.9 | 13.2 |
| Interest | 6.5 | 6.5 | 3.0 | 0.4 | 0.2 | 0.2 | 0.4 | 0.7 | 1.0 |
| Charges for Services | 59.8 | 59.4 | 59.4 | 60.8 | 62.4 | 63.7 | 65.1 | 66.5 | 68.0 |
| Reimbursement - Irma | 15.6 | - | - | - | - | - | - | - | - |
| Other revenues | 29.2 | 32.9 | 33.3 | 34.1 | 35.0 | 35.7 | 36.5 | 37.3 | 38.2 |
| **TOTAL REVENUES** | **676.6** | **685.3** | **691.0** | **701.0** | **719.1** | **742.6** | **767.9** | **795.4** | **824.2** |
| % vs prior year | | 1.3% | 0.8% | 1.5% | 2.6% | 3.3% | 3.4% | 3.6% | 3.6% |
| **TOTAL RESOURCES** | **821.8** | **836.5** | **870.8** | **901.6** | **928.9** | **955.7** | **986.7** | **1,023.6** | **1,066.8** |
| **EXPENDITURES*** | | | | | | | | | |
| Personal Services | 86.4 | 97.2 | 95.2 | 99.4 | 102.5 | 105.7 | 109.0 | 112.4 | 115.9 |
| Operating Expenses | 133.5 | 140.9 | 138.5 | 144.2 | 147.9 | 151.2 | 154.3 | 157.7 | 161.4 |
| Capital Outlay | 3.2 | 2.9 | 2.9 | 2.9 | 3.0 | 3.1 | 3.1 | 3.2 | 3.3 |
| Grants & Aids | 32.6 | 33.6 | 33.6 | 37.3 | 38.7 | 40.2 | 41.7 | 43.3 | 45.0 |
| Transfers to Other Funds | 9.9 | 6.9 | 6.9 | 6.6 | 6.8 | 7.0 | 7.2 | 7.4 | 7.6 |
| Constitutional Officers Transfers | 376.3 | 389.4 | 393.2 | 405.6 | 421.2 | 434.2 | 447.7 | 461.7 | 476.2 |
| Expenditure Lapse*** | - | - | - | (4.2) | (4.4) | (4.5) | (4.6) | (4.7) | (4.8) |
| **EXPENDITURES** | **641.9** | **670.9** | **670.3** | **691.8** | **715.8** | **736.9** | **758.5** | **781.0** | **804.5** |
| % vs prior year | | 4.5% | -0.1% | 3.2% | 3.5% | 3.0% | 2.9% | 3.0% | 3.0% |
| **ENDING FUND BALANCE** | 179.8 | **165.7** | **200.5** | **209.8** | **213.1** | **218.8** | **228.2** | **242.6** | **262.3** |
| ENDING FUND BALANCE AS % OF REVENUE | 26.6% | 24.2% | 29.0% | 29.9% | 29.6% | 29.5% | 29.7% | 30.5% | 31.8% |
| **TOTAL REQUIREMENTS** | **821.8** | **836.5** | **870.8** | **901.6** | **928.9** | **955.7** | **986.7** | **1,023.6** | **1,066.8** |
| **REVENUE minus EXPENDITURES** (NOT cumulative) | 34.6 | 14.5 | 20.7 | 9.3 | 3.3 | 5.7 | 9.4 | 14.4 | 19.7 |

*FY20 Actual excludes funding related to the 2020 CARES Act

**FY21 Beginning Fund Balance excludes funding related to the 2020 CARES Act

***Expenditure lapse is calculated as 2.0% of personal services, operating (less BTS cost

# 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 countywide basis to assist in financing the operation of a comprehensive countywide 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 Logistics, LLC, 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 EMS system design. The Fiscal Policy guidelines within Ordinance 88-12 state that the Board of County Commissioners (BCC), sitting as the Emergency Medical Services Authority, directs fiscal policy guidelines that govern the financial operations of the County’s EMS system which include establishing sound business controls, providing adequate funding for EMS components, and to provide for long-term financial stability.

## Summary

The EMS Fund is sensitive to property values as, in addition to ambulance user fee revenues, it is funded by ad valorem (property) tax revenue collected from property owners countywide. Property values have risen each year from FY15 through FY20 and have had a positive effect on the fund. With COVID-19 expected to impact economic growth, property tax revenue is projected to slow and increase by 1.0% in FY22. The remainder of the forecast period projects a gradual recovery, with property tax revenue to grow by 4.3% in FY27. The fund’s millage rate is projected to remain at 0.9158 mills throughout the forecast period. This millage rate has been in place since FY13.

The current millage rate 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 FY27. The fund reserve is projected at 40.0% in FY21 and is projected to be 27.7% in FY27. From FY21 through FY27, the ending fund balance is projected to decrease by $6.6M. As the reserve balance (fund balance as a percentage of expenditures) decreases, the level of expenditures increases $37.1M by FY27. The ability to maintain the 25.0% reserve level 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 FY21 reflect the current negotiated agreements with the 18 providers. The forecast projects inflationary increases to first responder agreements at 4.5% per year through FY27.

The County negotiated a new ambulance service contract with Paramedics Logistics, LLC for a 5-year term beginning FY16 and executed a three (3) year extension through FY23. Over the past few years, progress in containing costs, combined with better than anticipated growth in revenue, has 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 $780 per transport in FY21. The County bills Medicare, Medicaid, private insurance, and various other payers for transport service. Billing for the service is done by Pinellas County employees, with a segment that is outsourced to a billing vendor. The County provides emergency, non-emergency, and mental health transports. 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 $59.1M in FY21 and increase 4.0% per year in FY22 through FY27. The BCC has the authority to increase ambulance user fees as necessary, and 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% by ordinance 11-52). Retail rates increased by 2.0% in FY19, 0.0% in FY20, and 4.6% in FY21, but a retail rate increase has no impact on Medicare and Medicaid, which comprise approximately 63.0% of the payer mix. The County also offers an ambulance membership program that citizens can join to minimize out-of-pocket expenses associated with the cost of ambulance transports. Membership revenue is projected to generate $212,700 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 and the decline in the real estate market that resulted from the Great 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 BCC has the authority to increase or decrease the millage rate, and in FY12 the millage rate was increased to 0.8506 resulting 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 11-52, approved by the BCC on December 20, 2011). The millage cap for this ad valorem levy is 1.5000 mills.

**Expenditures**

The Emergency Medical Service Fund supports budgeted expenditures totaling $137.5M in FY21. The primary expenditures in the fund are $61.1M for payments to the ambulance contractor, which includes $3.8M for medical supplies used by the first responder units, and $59.2M for contractual payments and capital reimbursement to the first responders. Department expenditures of $14.5M support the Ambulance and First Responder programs. Other expenditures include $2.2M for transfers to the Property Appraiser and Tax Collector and $489,000 in the EMS Grant Trust Fund.

Ambulance Contractor Payments

In FY16, the County began a new 5-year service agreement with Paramedics Logistics, LLC to continue operating the Sunstar ambulance system. FY21 expense, including medical supplies for first responder units, is budgeted at $61.1M. A 4.5% annual increase from FY22 through FY27 is based on projected annual increases in the Medical CPI and transport volume.

First Responder Contractual Payments

The County contracts with 18 first responder EMS providers. These agencies respond to calls with paramedics using Advanced Life Support (ALS) equipment. FY21 expense is budgeted at $57.4M for operations and $1.8M for capital outlay. The County also has an agreement with Eckerd College for basic life support water rescue.

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's personnel, operating, and capital expense for EMS program support totals $14.5M. Support includes ambulance billing operations, maintenance of communication and Electrocardiogram (EKG) equipment, capital outlay, quality assurance, training, and contract administration. In FY22 a one-time cost of $5.0M is estimated for the replacement of EKG equipment due to the current EKG equipment nearing the end of its useful life. Program support costs also include the Medical Director's contract and Continuing Medical Education training expenses for all County Paramedics and Emergency Medical Technicians (EMTs).

**Transfers**

The EMS Fund makes transfers to the Property Appraiser and Tax Collector to cover the costs for assessment and collection of ad valorem tax revenues. FY21 costs for this function are $2.2M. 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 net worth equal to one-third of the annual budget for this fund. On December 20, 2011, per ordinance 11-52, 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 ambulance 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. Throughout the forecast period, ad valorem revenue assumes a collection rate of 96.0% and ambulance revenues assume a collection rate of 95.0%. Reserve levels are projected at 40.0% for FY21 and end at a level of 27.7% in FY27.

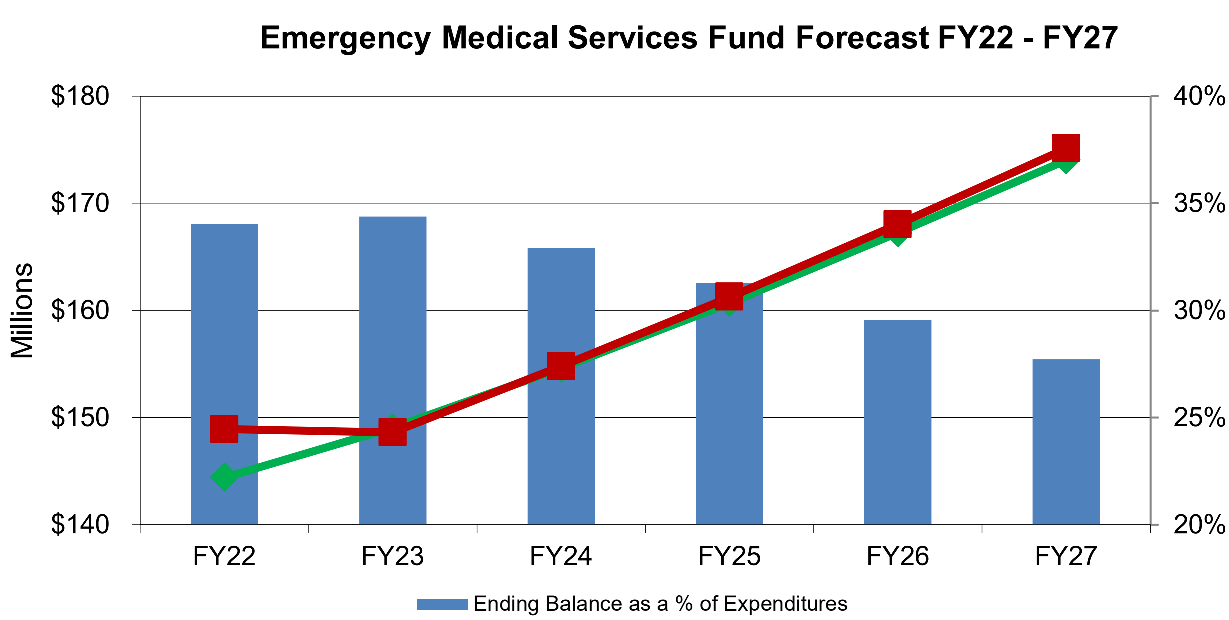
**Six-Year Forecast**

Key Assumptions

The EMS countywide millage is assumed to remain at the adopted FY21 rate of 0.9158 mills through the forecast period. Ad valorem tax revenue is projected to grow 1.0% in FY22 and gradually increase throughout the forecast period to 4.3% in FY27. Ambulance user fee revenues are estimated to increase by 4.0% annually from FY22 to FY27.

Contractual payments for ambulance service are projected to increase by 4.5% each year throughout the forecast period. Due to COVID-19, the increased need for medical supplies and personal protective equipment (PPE) have increased the forecast's growth assumptions over the timeframe. The County will continue to work with the provider to manage expenses while still maintaining quality service.

Beginning in FY20, a new first responder service agreement was executed for a five-year term. Per the agreement, each agency's budget allows for an annual increase of 3.0% plus an additional 1.0% for allowable overhead costs pending an audit. The agreement also allows for one five-year contract extension following the end of the initial term. The forecast period assumes an annual increase of 4.5%.



# EMERGENCY MEDICAL SERVICE FUND

**Key Results**

Based on current assumptions, the reserve level remains above the target of 25.0% throughout the forecast period. However, reserves are projected to decrease from 40.0% in FY21 to 27.7% in FY27. This decrease is largely due to the upcoming replacement of the EKG equipment using fund reserves.

**Potential Risks**

A major variable impacting future revenues for this fund is ad valorem revenue and taxable values. If values grow less than projected, or decline, revenue would be negatively affected. Additional factors impacting future revenues are ambulance user fee revenues as ambulance providers continue to be faced with increased scrutiny and regulatory impacts of non-emergency ambulance transportation services as well as Medicare and Medicaid reimbursement rates that remain below the actual costs to provide those services. This trend has led to many public and private health insurance carriers requiring an authorization prior to the service being provided, along with additional documentation. The administration of ambulance services within this category has increased labor demands and slowed the flow of revenue in this area.

The effects of COVID-19, the continued aging of the general population of Pinellas County, and the lower number of people visiting the area will continue to impact the number of users of the EMS system.

**EMERGENCY MEDICAL SERVICES FUND FORECAST**
**Fund 1006**

| **Forecast Assumptions** | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Ad Valorem Revenue | 1.0% | 2.9% | 3.8% | 4.1% | 4.3% | 4.3% |
| Ambulance Service Fees | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Ambulance Annual Members Fees | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Grant Revenue (EMS Trust Fund) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| County Officer Refunds | 1.0% | 2.9% | 3.8% | 4.1% | 4.3% | 4.3% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Operating Expenses-First Resp Med Supplies | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| Capital Outlay | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Ambulance Contract | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Grants & Aids (First Responder Agmts) | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**EMERGENCY MEDICAL SERVICES FUND FORECAST**
**Fund 1006**

| (in $ thousands) | Actual FY20 | Budget FY21 | Estimated FY21 | FORECAST Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **42,489.3** | **47,450.9** | **50,604.4** | **55,182.2** | **50,654.8** | **51,080.8** | **50,937.7** | **50,413.7** | **49,625.5** |
| **REVENUES** | | | | | | | | | |
| Ad Valorem Revenue | 71,203.0 | 75,500.6 | 76,295.3 | 77,058.3 | 79,292.9 | 82,306.1 | 85,680.6 | 89,364.9 | 93,207.6 |
| Ambulance Service Fees | 55,889.0 | 59,099.4 | 59,099.4 | 61,463.4 | 63,921.9 | 66,478.8 | 69,137.9 | 71,903.4 | 74,779.6 |
| Ambulance Annual Members Fees | 218.7 | 212.7 | 212.7 | 212.7 | 212.7 | 212.7 | 212.7 | 212.7 | 212.7 |
| Grant Revenue (EMS Trust Fund) | 153.5 | 489.0 | 489.0 | 130.0 | 130.0 | 130.0 | 130.0 | 130.0 | 130.0 |
| County Officer Refunds | 453.2 | 401.4 | 401.4 | 405.4 | 417.1 | 433.0 | 450.7 | 470.1 | 490.3 |
| Interest | 1,028.6 | 1,021.3 | 1,075.0 | 110.4 | 50.7 | 51.1 | 101.9 | 151.2 | 198.5 |
| Refund of Prior Years Expense | 174.3 | 357.2 | 376.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 | 350.0 |
| Medicaid Public Emergency Medical Transportation (PEMT) Reimbursement**** | 4,958.9 | - | 4,661.4 | 4,661.4 | 4,661.4 | 4,661.4 | 4,661.4 | 4,661.4 | 4,661.4 |
| FEMA Reimbursement (Hurricane Irma) | 610.3 | - | - | - | - | - | - | - | - |
| COVID-19 CARES Act | 1,904.1 | - | - | - | - | - | - | - | - |
| Other revenues | 19.4 | - | - | - | - | - | - | - | - |
| **TOTAL REVENUES** | **136,612.9** | **137,081.5** | **142,610.2** | **144,391.5** | **149,036.8** | **154,623.0** | **160,725.3** | **167,243.8** | **174,031.1** |
| % vs prior year | 6.8% | 5.4% | 4.4% | 1.2% | 3.2% | 3.7% | 3.9% | 4.1% | 4.1% |
| **TOTAL RESOURCES** | **179,102.1** | **184,532.4** | **193,214.7** | **199,573.7** | **199,691.6** | **205,703.8** | **211,663.0** | **217,657.6** | **223,656.6** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 4,235.5 | 4,798.7 | 4,798.7 | 4,910.4 | 5,063.5 | 5,221.5 | 5,384.4 | 5,552.6 | 5,726.2 |
| Operating Expenses | 8,141.8 | 8,820.2 | 8,820.2 | 9,023.0 | 9,257.6 | 9,461.3 | 9,660.0 | 9,872.5 | 10,099.6 |
| Operating Expenses - Ambulance Contract (First Responder Medical Supplies) | 3,175.1 | 3,789.6 | 3,789.6 | 3,922.2 | 4,059.5 | 4,201.5 | 4,348.6 | 4,500.8 | 4,658.3 |
| Medicaid PEMT Intergovernmental Transfer**** | 1,734.9 | - | 1,630.8 | 1,630.8 | 1,630.8 | 1,630.8 | 1,630.8 | 1,630.8 | 1,630.8 |
| Capital Outlay * | 658.5 | 928.2 | 928.2 | 6,849.5 | 974.2 | 995.6 | 1,016.5 | 1,038.9 | 1,061.8 |
| Ambulance Contract | 52,790.9 | 57,265.1 | 56,119.7 | 58,645.1 | 61,284.2 | 64,042.0 | 66,923.8 | 69,935.4 | 73,082.5 |
| EMS Trust Fund Grant Expenditures | 149.2 | 489.0 | 489.0 | 130.0 | 130.0 | 130.0 | 130.0 | 130.0 | 130.0 |
| Grants & Aids (First Responder Agmts) | 54,401.0 | 57,433.3 | 57,433.3 | 60,017.8 | 62,718.6 | 65,540.9 | 68,490.3 | 71,572.3 | 74,793.1 |
| Grants & Aids (First Responder Capital)** | 1,194.5 | 1,805.2 | 1,805.2 | 1,550.0 | 1,187.5 | 1,150.0 | 1,174.2 | 1,200.0 | 1,227.6 |
| Transfers to County Officers*** | 2,016.2 | 2,217.8 | 2,217.8 | 2,240.0 | 2,304.9 | 2,392.5 | 2,490.6 | 2,597.7 | 2,709.4 |
| **TOTAL EXPENDITURES** | **128,497.7** | **137,547.0** | **138,032.4** | **148,918.9** | **148,610.8** | **154,766.1** | **161,249.3** | **168,032.1** | **175,122.2** |
| % vs prior year | 5.6% | 3.7% | 7.4% | 7.9% | -0.2% | 4.1% | 4.2% | 4.2% | 4.2% |
| **ENDING FUND BALANCE** | **50,604.4** | **46,985.5** | **55,182.2** | **50,654.8** | **51,080.8** | **50,937.7** | **50,413.7** | **49,625.5** | **48,534.4** |
| Ending balance as % of Expenditures | 39.4% | 34.2% | 40.0% | 34.0% | 34.4% | 32.9% | 31.3% | 29.5% | 27.7% |
| **TOTAL REQUIREMENTS** | **179,102.1** | **184,532.4** | **193,214.7** | **199,573.7** | **199,691.6** | **205,703.8** | **211,663.0** | **217,657.6** | **223,656.6** |
| **REVENUE minus EXPENDITURES (NOT cumulative)** | 8,115.2 | (465.4) | 4,577.8 | (4,527.4) | 426.0 | (143.1) | (524.0) | (788.3) | (1,091.1) |

* Capital outlay for County EMS is inflated at the countywide assumption rate. The purchase of EKGs will take place in FY21 and require a Public Hearing.
** FY22 - FY27 Capital expenditures align with planned purchases that have been submitted by agencies.
*** These are fees paid to the Tax Collector and Property Appraiser to cover the costs of assessing and collecting ad valorem taxes.

**** This is a relatively new income and expense to the fund and is anticipated to continue as the program is now aproved by the State. The forecasted numbers are built off the FY20 Actuals and assume a 6.0% reduction in FY21 to coincide with the forecasted reduction in ambulance transports. The remainder of the forecast remains flat.

Hurricane Irma reimbursement revenue in FY20 is for storm expenses incurred in FY17.

# SURFACE WATER UTILITY FUND

## Description

In FY14, Pinellas County began a surface water assessment program to generate dedicated revenues for the management of stormwater drainage and surface water in the unincorporated County. Stormwater management reduces rainwater runoff and localized flooding, decreasing number of pollutants entering surface waters and thus improving water quality. This was 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 regulates discharge 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.

On September 14, 2016, the Board adopted the rate of $117.74 per Equivalent Residential Unit (ERU) per year to fund the Surface Water program. The rate is unchanged since FY17, and the resulting revenue is budgeted at $18.7M for FY21.

## Summary

The Surface Water Utility Fund is reliant on the assessment of unincorporated properties' calculated impervious area as expressed in ERUs. This assessment is based on program funding needs to achieve and maintain the target 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 Utility Fund indicates the fund is not balanced throughout the forecast period. From FY22 to FY27, annual revenues will not be enough to cover new requirements and inflationary increases for ongoing expenditures; therefore, accumulated fund balance resulting from appropriation lapses in prior years will be used to offset the variance. It is expected, however, that by FY26 Surface Water program expenditures will decrease as the ten-year level of service for corrugated metal pipes is achieved. Inflationary increases will continue driving expenditures upward in FY26 – FY27. A rate study is underway and may impact the assessment methodology and projected revenues.

## Revenues

The primary funding source for the Surface Water Utility Fund is the Surface Water Assessment Fee for the unincorporated area and was first approved in FY14.

Surface water assessments are based upon the estimated impervious surface on a parcel which contributes to stormwater runoff. 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 Special Assessment area includes 2,339 square feet of impervious surface, which is the value of one ERU.

The growth in the number of ERUs is anticipated to remain flat throughout the forecast period. The revenue of $18.7M is budgeted at 95% and based on 167,342 ERUs. Additionally, total revenue is expected to be reduced due to mitigation credits. Mitigation credits reduce the assessment for developed properties that have onsite stormwater management systems that reduce stormwater runoff impacts from the property to the County system. For FY21, the reduction in revenue from mitigation credits is estimated at $256,000.

FY21 Revenues are based on a rate of $117.74 per ERU, which is unchanged since FY17. On September 14, 2017, Surface Water Resolution No. 17-63 was adopted by the Board of County Commissioners. For each fiscal year subsequent to FY18, the rate may be increased by no more than 3.0% of the prior year rate and shall not exceed $128.66 per ERU, unless approved by the Board.

The remaining revenues 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.

The Surface Water Assessment Governance and Rate Study is planned for FY21 & FY22, where it will be determined whether a change to the rate structure is needed to fully fund the expenses associated with implementation of the current and potential surface water management program activities.

**Expenditures**

The Surface Water Utility Fund supports budgeted expenditures in FY21 totaling $23.5M for its operational plan. The expenditures in the fund are $8.8M for personal services and $14.5M for various surface water programs that cover permit compliance, watershed planning, and open and closed conveyance maintenance and rehabilitation.

For the overall Level of Service (B-) to be achieved, all sub-programs under the surface water assessment must meet their individual Level of Service (LOS) requirements. All sub-programs are currently meeting their LOS requirements, with the exception of two: operations and maintenance (O&M) of pipes and the corrugated metal pipe (CMP) lining/replacement programs. For the LOS (B-) in O&M of pipes program to be achieved, all pipes must be inspected and maintained once every ten years. For the LOS requirement for CMP lining/replacement to be achieved, 24 miles of the CMPs must be lined/replaced within ten years of surface water assessment inception. The overall LOS (B-) is trending toward achievement throughout the forecast period. In FY20, the CMP lining and replacement program completed 69% of the annual goal and brought the program to 82% of its original goal through the end of FY20. In FY20, the cleaning and televising of over half the remaining segments was accelerated in order to prioritize the areas of greatest need. This information will be used to organize the remaining work for contractor efficiency, and it is anticipated that the LOS requirements will be met by the end of FY24. Contractor performance issues have been a setback in accomplishing the original 24 miles goal within 10-year timeframe by the end of FY23. Furthermore, since the inception of the pipe rehabilitation program, an additional 2 miles of CMP were identified through the stormwater asset inspection program, which would take a full completion out to the end of FY25.

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

Transfers

The Surface Water Utility Fund transfers funds to the Tax Collector to cover the costs for collection of the assessment pursuant to Florida Statutes. FY21 budgeted costs for this function are $295,170.

Reserves

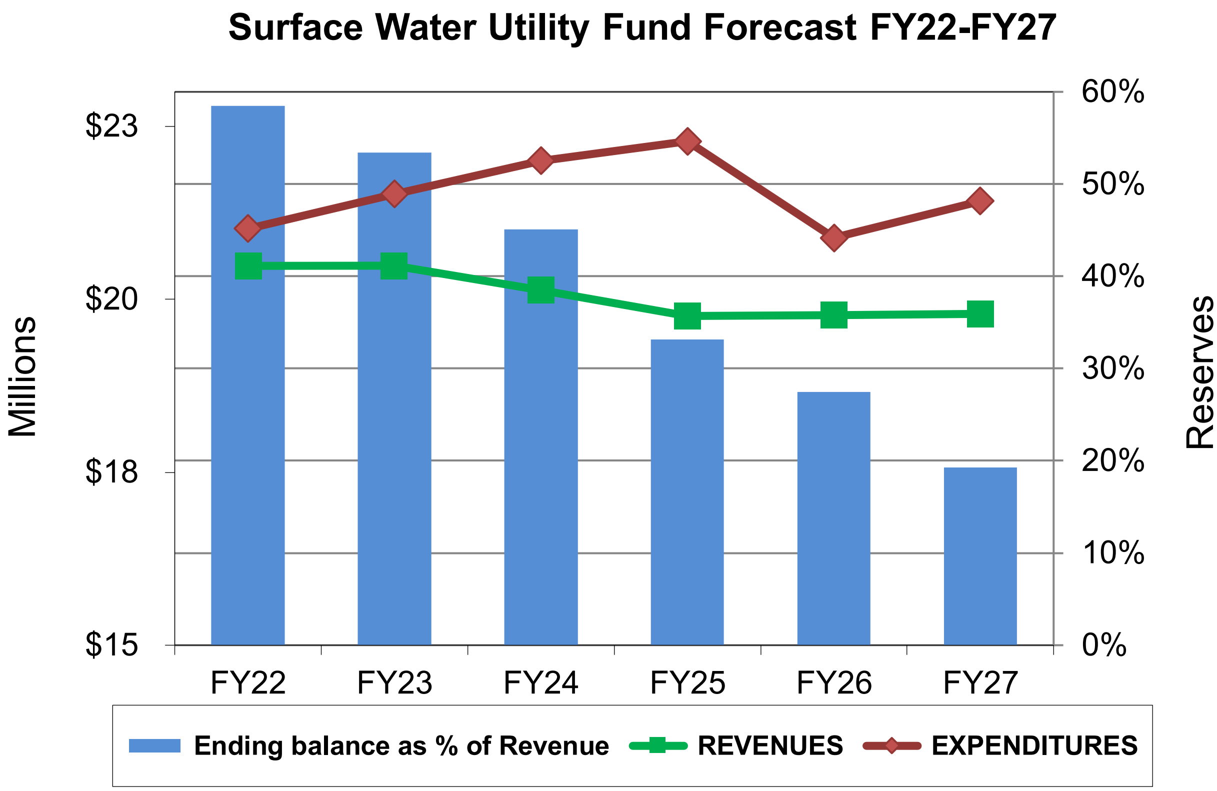
Special assessment revenue is collected from property tax bills which are mailed on the last business day of October. Thus, the majority of the revenue is not received until December, when most of the tax revenue is collected. As a result, expenditures exceed revenues for the first two months of the year; therefore, targeted reserve levels for this fund need to support at least two months of operating expenditures. The FY21 reserve level of $9.0M, or 43.8%, in the Surface Water Utility Fund exceeds the 15.0% target per County budget policies.

**Six-Year Forecast:**

Key Assumptions

In the forecasted years, ERU growth is projected to stay flat from FY22 through FY27, but revenue might be negatively impacted by mitigations credits or annexations of property by cities. The rate reflected per ERU is $117.74 through FY27.

Expenditure assumptions are anticipated to follow the inflationary expense growth factors as described in the Key Assumptions section of this document. In FY22-FY27, revenues will not be enough to cover estimated inflationary increases for expenditures. By the end of FY25, it is expected that program expenditures will decrease as the ten-year LOS for corrugated metal pipe lining/replacement programs is achieved. Inflationary growth is anticipated for remaining expenditures through FY27.




**Key Results**

In the previous chart, the forecast shows revenues are less than expenditures throughout the forecast period as inflationary pressures on expenditures outpace revenues. However, accumulated fund balance is available to offset the imbalance. As the adopted LOS for the corrugated metal pipe program is expected to be achieved, expenditures will decrease by the end of FY25. Permit requirements dictate that certain areas of the surface water program, such as the pipe, ditch, and pond programs, adhere to a minimum ten-year maintenance cycle.

**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. Mitigation credits for onsite stormwater management systems will also negatively impact revenues.

**Balancing Strategies**

The forecast shows that the Surface Water Utility Fund is out of balance in FY22. Assessment revenues at the current assessment fee rate will not be enough to cover inflationary increases for expenditures through FY27. Fund balance will be used to fund this gap.

**SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST**
**Fund 1094**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Surface Water Assessmt - ERU Growth | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Surface Water Assessmt - CPI increase | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Surface Water Assessmt-Total increase | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| ERU (excludes govt) | 168,698 | 168,698 | 168,698 | 168,698 | 168,698 | 168,698 |
| | | | | | | |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| | | | | | | |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Capital Outlay | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| | | | | | | |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST**
**Fund 1094**

| (in $ thousands) | Actual FY20 | Budget FY21 | FORECAST Estimated FY21 | Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **Annual Rate **** | $117.74 | $117.74 | $117.74 | $117.74 | $117.74 | $117.74 | $117.74 | $117.74 | $117.74 |
| **BEGINNING FUND BALANCE** | **13,839.5** | **12,054.9** | **15,010.4** | **12,523.3** | **11,987.2** | **10,949.4** | **9,076.0** | **6,550.2** | **5,435.1** |
| **REVENUES** | | | | | | | | | |
| Surface Water Assessment * | | | | | | | | | |
| Non-Ad Valorem Assessment | 19,073.5 | 18,717.7 | 18,812.0 | 19,068.0 | 19,068.0 | 19,068.0 | 19,068.0 | 19,068.0 | 19,068.0 |
| Grants (fed/state/local) | 701.7 | 841.5 | 841.5 | 764.4 | 761.0 | 391.0 | - | - | - |
| Interest | 436.0 | 277.5 | 147.1 | 24.5 | 11.7 | 10.7 | 17.8 | 19.3 | 21.3 |
| Other revenues | 502.8 | 596.6 | 615.4 | 629.6 | 646.0 | 660.2 | 674.0 | 688.9 | 704.7 |
| **TOTAL REVENUES** | **20,714.1** | **20,433.2** | **20,416.0** | **20,486.5** | **20,486.7** | **20,129.9** | **19,759.8** | **19,776.1** | **19,794.0** |
| % vs prior year | 0.5% | 2.1% | -1.4% | 0.3% | 0.0% | -1.7% | -1.8% | 0.1% | 0.1% |
| **TOTAL RESOURCES** | **34,553.6** | **32,488.1** | **35,426.3** | **33,009.8** | **32,473.9** | **31,079.3** | **28,835.9** | **26,326.3** | **25,229.1** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 7,784.8 | 8,778.0 | 8,251.3 | 8,443.5 | 8,706.7 | 8,978.3 | 9,258.5 | 9,547.7 | 9,846.1 |
| Operating Expenses | 9,141.6 | 11,927.4 | 8,941.9 | 9,147.6 | 9,385.4 | 9,591.9 | 9,793.3 | 10,008.8 | 10,239.0 |
| Capital Outlay | 481.1 | 32.0 | 32.7 | 33.4 | 34.3 | 35.1 | 35.8 | 36.6 | 37.4 |
| CIP | 1,850.3 | 2,500.0 | 5,382.0 | 3,100.0 | 3,100.0 | 3,100.0 | 2,900.0 | 1,000.0 | 1,000.0 |
| Constitutional Officer Transfers | 285.4 | 295.2 | 295.2 | 298.0 | 298.0 | 298.0 | 298.0 | 298.0 | 298.0 |
| **TOTAL EXPENDITURES** | **19,543.2** | **23,532.6** | **22,903.1** | **21,022.6** | **21,524.5** | **22,003.3** | **22,285.7** | **20,891.1** | **21,420.6** |
| % vs prior year | -3.4% | -4.6% | 17.2% | -8.2% | 2.4% | 2.2% | 1.3% | -6.3% | 2.5% |
| **ENDING FUND BALANCE** | **15,010.4** | **8,955.5** | **12,523.3** | **11,987.2** | **10,949.4** | **9,076.0** | **6,550.2** | **5,435.1** | **3,808.5** |
| Ending balance as % of Revenue | 72.5% | 43.8% | 61.3% | 58.5% | 53.4% | 45.1% | 33.1% | 27.5% | 19.2% |
| **TOTAL REQUIREMENTS** | **34,553.6** | **32,488.1** | **35,426.3** | **33,009.8** | **32,473.9** | **31,079.3** | **28,835.9** | **26,326.3** | **25,229.1** |
| **REVENUE minus EXPENDITURES** (NOT cumulative) | 1,170.9 | (3,099.3) | (2,487.1) | (536.0) | (1,037.8) | (1,873.4) | (2,525.9) | (1,115.0) | (1,626.6) |
| **Net recurring rev- exp** | **1,170.9** | **(3,099.3)** | **(2,487.1)** | **(536.0)** | **(1,037.8)** | **(1,873.4)** | **(2,525.9)** | **(1,115.0)** | **(1,626.6)** |

* Per Statute, revenue is budgeted at 95.0% of total calculated amount.
** Annual rate based on 167,342 ERU in FY21. Rate may
be increased by no more than 3% of the amount of the per
Net ERU rate for the prior fiscal year and shall not exceed

# TOURIST DEVELOPMENT TAX FUND

## Description

The Tourist Development Tax (TDT) Fund is a special revenue fund that accounts for the 6.0% Tourist Development Tax (TDT) on rents collected for temporary lodgings of less than six months. 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, which was approved by a voter referendum 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 renourishment projects. In January 1996, an additional 1.0% was levied to provide additional funds for promotional activities, beach renourishment, and the County's obligation to service debt on 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 in 2015 (effective date January 1, 2016) to provide additional resources to promote the destination and to invest in tourism-related capital projects that will bring economic benefit to the County.

The Fund supports the Convention & Visitors Bureau (CVB), operating 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 and promoting the destination as well as making direct investments in the beaches, museums, and Major League Baseball spring training facilities throughout the County.

## Summary

The Tourist Development Tax Fund is funded by the Tourist Development Tax (TDT), a revenue that is sensitive to general economic conditions. Tourist Development Tax revenue had been steadily increasing since Spring 2010, with record-setting revenue from FY13 – FY19. In FY20, revenue fell by 22.6% as the effects of COVID-19 severely reduced overnight visitors in Pinellas County. Tourist Development Tax revenue is estimated to grow by 12.1% in FY21 compared to FY20 but remain below pre-COVID-19 levels until FY25. Revenue is projected to increase 5.4% in FY22 and 3.0% annually from FY23 – FY27.

Total expenditures are projected to decrease by 33.4% in FY21 as the City of Dunedin’s Spring Training project, which was part of the list of Capital Funding Program projects approved by the BCC in FY17, was completed in FY20. Operating expenditures, which include the department’s marketing and promotions contracts, are projected to increase 38.9% compared to FY20, while the Capital Funding Program is projected to decrease by 95.5%.

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

## Revenues

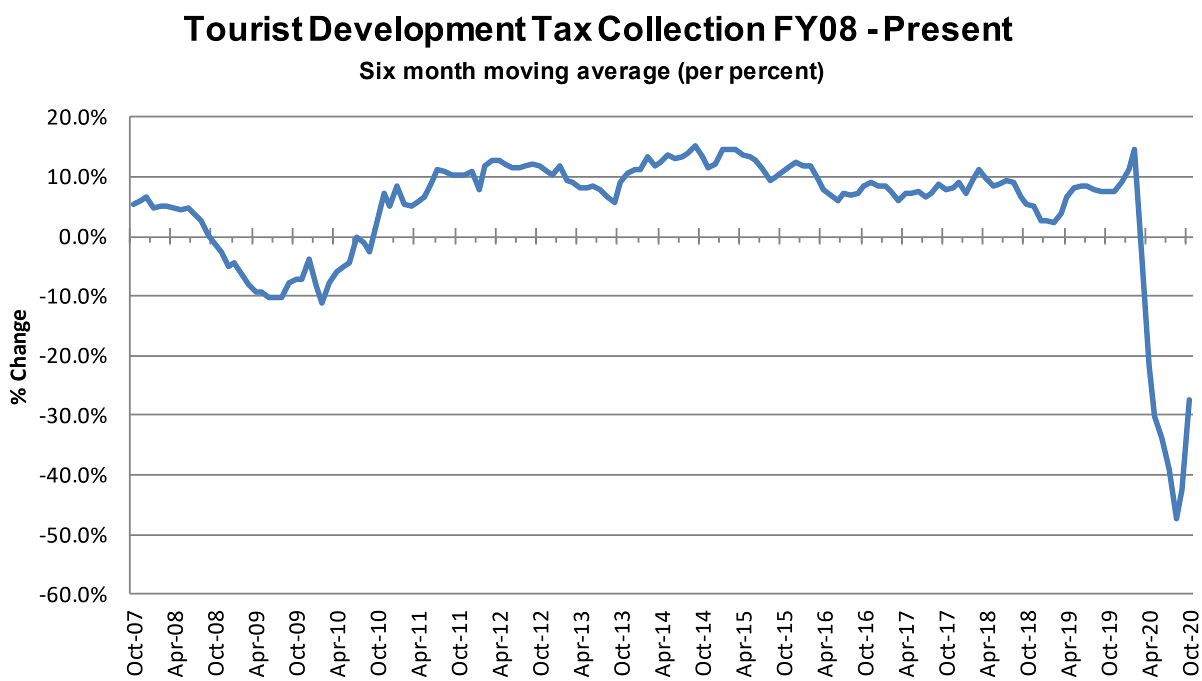
The TDT Fund consists almost exclusively of revenue collected through the Tourist Development Tax on temporary lodgings.

# TOURIST DEVELOPMENT TAX FUND

Tourist Development Taxes

Tourist Development Tax collections are sensitive to both environmental and economic conditions due to the close relationship between disposable income and leisure travel. In March 2020, the COVID-19 pandemic virtually shut down the tourist industry. In Pinellas County, bars, restaurants, and beaches were forced to close or limit operations for several weeks to help reduce the spread of the virus, causing many businesses to close and hotels to see occupancy rates drop to 52.6% in March and 20.7% in April. Twelve months before, the occupancy rates in Pinellas County were 89.2% and 79.5%, respectively. In addition to the lower occupancy rate, the average daily rate for rooms dropped 13.5% in March and 59.8% in April 2020. The combination of fewer rooms sold and a lower rate for the rooms that did sell led to lower collections of TDT throughout the rest of FY20. Collections from March 2020 through September 2020 were $17.9M lower than the same period in 2019. In the 113 months before COVID-19 appeared in Florida, there were a total of six months that showed lower revenue than the previous year, for a total of $482,260.

The chart below shows the 6-month moving average change in tax collections from October 2007 to October 2020.




Due to the effects of COVID-19, total TDT revenue collected in FY20 decreased by $14.3M to $48.8M, 22.6% below FY19. In FY21, TDT revenue is projected to increase by 12.1% compared to FY20 as overnight visitors return to the County. Revenue is projected to increase 5.4% in FY22 and annually by 3.0% from FY23 – FY27. Even with the projected increases in revenue, a return to a pre-COVID-19 level is not expected until FY25.

**Expenditures**

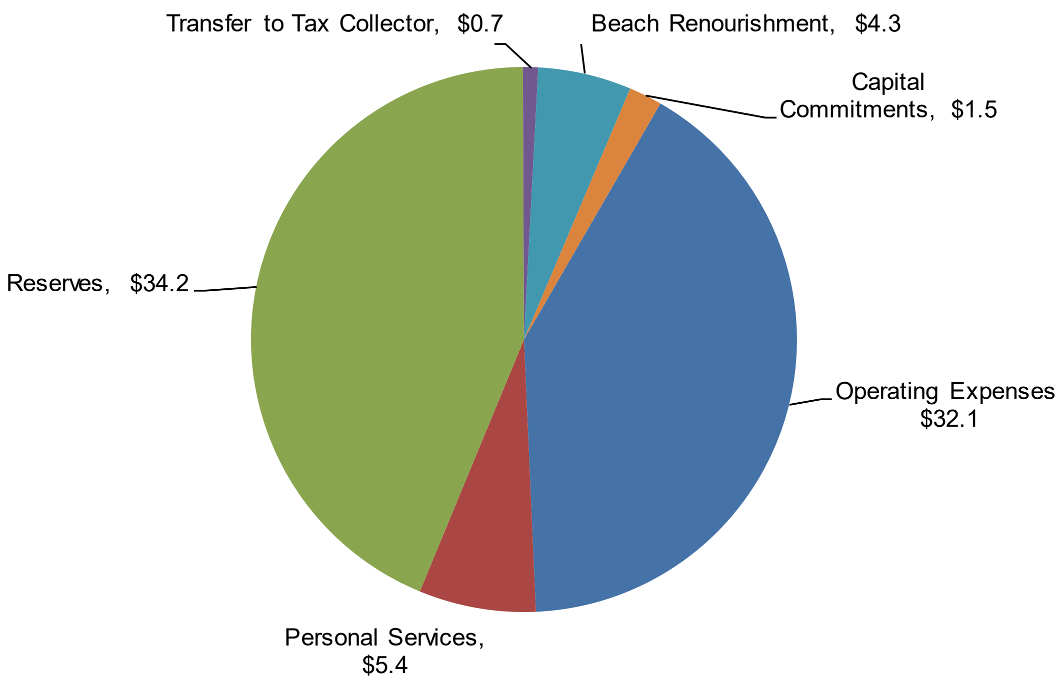
The TDT Fund supports budgeted expenditures and reserves totaling $78.3M in FY21. The primary expenditures in the fund are $32.8M for operations and promotional activities, $5.4M for personal services, $1.5M for the capital program, $4.3M for beach renourishment, and $34.2M in reserves. Listed below are the approved capital projects that anticipate receiving funding in FY21. The County's commitment for all of these projects, except beach renourishment, are anticipated to be complete in FY21. Annual commitments to beach renourishment will continue through the forecast period.

**FY21 Capital Project Program**

| Project | FY21 Budget |
|---|---|
| Beach Renourishment | $ 4,329,630 |
| City of Clearwater - Countryside Sports Complex | $ 950,000 |
| City of Clearwater - Spring Training | $ 244,900 |
| Florida Holocaust Museum | $ 350,000 |
| Total | $ 5,874,530 |

Source: Pinellas County FY21 Adopted Budget

**FY21 Tourist Development Tax Fund Budgeted Expenditures and Reserves (millions of $)**




Operations and Promotional Activities

The discretionary expenditure budget of $37.3M includes the staff, operations, and activities that promote the St. Petersburg/Clearwater destination. Promotional activities are primarily comprised of the advertising contracts, with the balance of the funding supporting such programs as sponsorships, publicity, and promotion via technology. To pay the costs associated with the administration and collection of the TDT revenue, a transfer of $701,330 is budgeted to be made to the Pinellas County Tax Collector in FY21.

**Convention & Visitors Bureau Personnel, Operations, & Promotional Expense**

| Expenses | FY21 Budget | % of Operations |
|---|---|---|
| Personnel | $ 5,426,160 | 14.3% |
| Advertising/Sales/Promotions | $ 28,692,650 | 75.5% |
| Operating & Capital Outlay | $ 3,173,410 | 8.4% |
| Transfer to Tax Collector | $ 701,330 | 1.8% |
| Total | $ 37,993,550 | 100.0% |

Source: Pinellas County FY21 Adopted Budget

Reserves

Operating Reserves are budgeted at $22.3M, 69.7% of revenues, in FY21, which is above the target reserve level of 15.0%. The fund's Operating Reserve will serve as a fiscal shock absorber in the event the TDT revenues decline in response to changes in economic or environmental conditions, as they did in FY20 due to COVID-19. The TDT Fund also has established Capital Reserves that will be used to help fund capital projects. The FY21 budget includes $11.9M in Capital Reserves, which is 57.3% of revenue. The FY21 Adopted Budget includes the use of $4.4M of revenue that would have been allocated to Capital Reserves to fund the Operating portion of CVB's budget. This was done in the early months of the COVID-19 pandemic as hotel occupancy dropped to 20.7% in April 2020 and the revenue generated fell $10.7M in March and April compared to the same period in 2019. This allowed the department to fully fund its marketing and advertising budget while projected TDT revenue is depressed due to COVID-19.

| | FY21 Budget | % of Revenue |
|---|---|---|
| Operating Reserves | $ 22,322,220 | 69.7% |
| Capital Reserves | $ 11,918,810 | 57.3% |
| Total | $ 34,241,030 | |

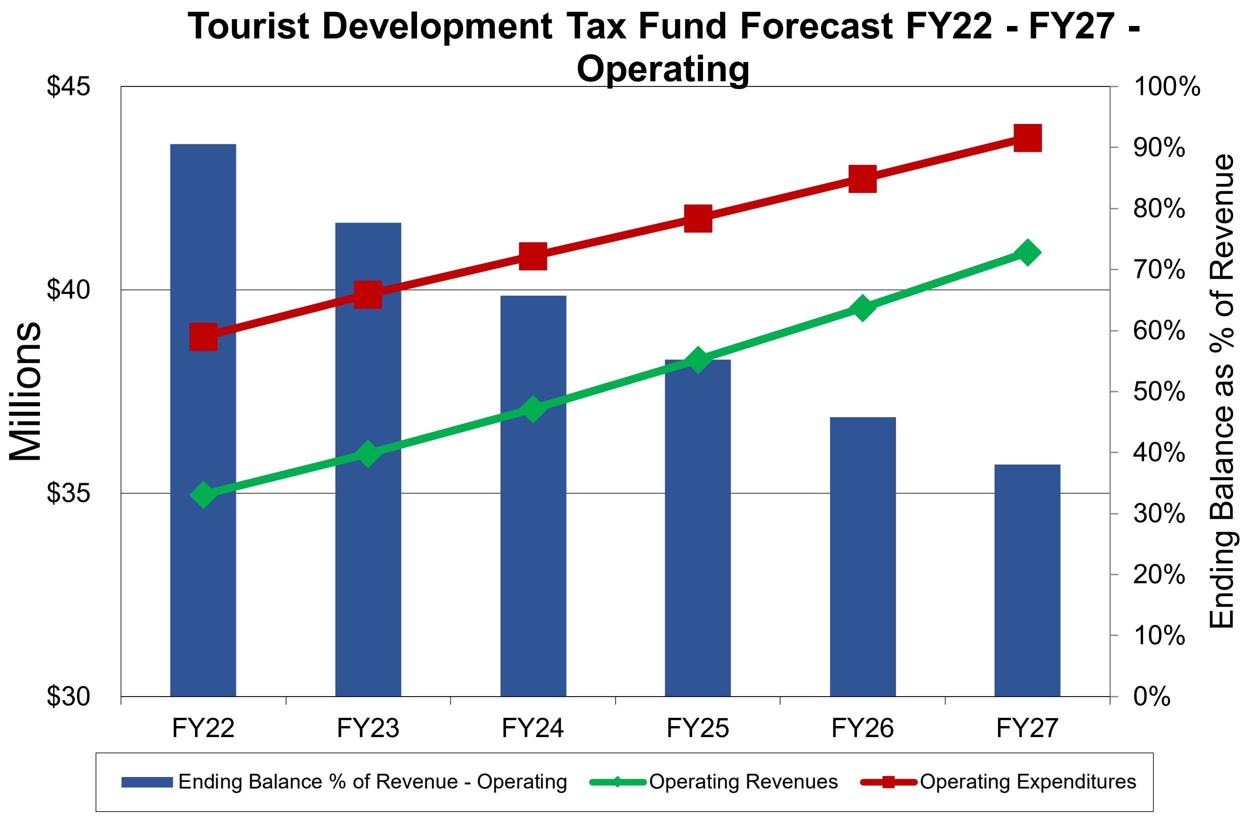
Source: Pinellas County FY21 Adopted Budget

**Six-Year Forecast**

Key Assumptions

The revenue forecast for the TDT Fund reflects an FY21 increase in TDT revenue of 12.1% above FY20 actual. Revenue is projected to increase by 5.4% in FY22 and 3.0% annually from FY23 – FY27. On the expenditure side, personal services are projected to increase 2.3% in FY22 and 3.1% annually from FY23 – FY27. Promotional activities (advertising) may be increased or decreased during the year as revenue is collected and needs are assessed. The County's current commitments to capital projects are projected to end in FY22, but funding will continue for beach renourishment. The Fund will use current revenue and capital reserves accumulated over the past few years to satisfy any capital project commitments as quickly as possible without compromising the operational needs of the department.

# TOURIST DEVELOPMENT TAX FUND




**Key Results**

The Operating portion of the TDT Fund is not balanced during the forecast period. The operating budget will use accumulated reserves to balance the annual budget. If revenues dedicated to operating do not meet projections, funding could be appropriated from the capital reserves to maintain the marketing and advertising programs of the CVB, or program reductions could be imposed as needed. The Fund maintains operating reserves above the policy level of 15.0% throughout the forecast period.

**Potential Risks**

There are many impacts that can alter the six-year forecast of TDT revenue collections. As experienced in FY20, events can change almost overnight, and the tourists and day-trippers that many businesses rely on may not show up for weeks or even months.

Environmental conditions may 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 destination's reputation or infrastructure. Such incidents may keep visitors away, 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 the average daily rate, along with limited increases in hotel rooms, could slow growth in the number of overnight tourists in Pinellas County.

**Balancing Strategies**

The operating portion of the TDT Fund shows expenditures exceeding revenue each year during the forecast period. During FY20, as COVID-19 and its economic effects arrived in Pinellas, CVB reduced planned expenditures to better align with projected revenue. For FY21, CVB reduced expenditures by defunding long-term vacant positions and reducing staff travel, while maintaining marketing expenditures to help the County remain as a top destination for travelers when the pandemic ends. The assumption is that the overall CVB budget will be adjusted to match the TDT revenue stream to keep the Fund balanced in the long-term while maintaining a minimum of 15.0% operating reserves.

**TOURIST DEVELOPMENT TAX FUND FORECAST**
**Fund 1040**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Tourist Development Taxes | 5.4% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Advertising Expense | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Capital Outlay | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**TOURIST DEVELOPMENT TAX FUND FORECAST**
**Fund 1040**

| (in $ thousands) | Actual FY20 | Budget FY21 | Estimated FY21 | FORECAST Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **52,420.9** | **25,529.8** | **37,028.3** | **48,736.0** | **62,760.5** | **77,651.5** | **93,260.7** | **109,742.7** | **127,125.6** |
| **REVENUES*** | | | | | | | | | |
| **Capital Revenues** | | | | | | | | | |
| Tourist Development Taxes | 19,521.5 | 20,790.5 | 21,884.7 | 23,066.5 | 23,758.5 | 24,471.3 | 25,205.4 | 25,961.6 | 26,740.4 |
| Subtotal - Capital Revenues | 19,521.5 | 20,790.5 | 21,884.7 | 23,066.5 | 23,758.5 | 24,471.3 | 25,205.4 | 25,961.6 | 26,740.4 |
| **Operating Revenues** | | | | | | | | | |
| Tourist Development Taxes - Operating | 29,282.3 | 31,185.8 | 32,827.1 | 34,599.8 | 35,637.8 | 36,706.9 | 37,808.1 | 38,942.4 | 40,110.6 |
| Interest | 994.7 | 570.0 | 410.0 | 97.5 | 62.8 | 77.7 | 186.5 | 329.2 | 508.5 |
| Other revenues | 299.9 | 263.0 | 263.0 | 269.0 | 276.0 | 282.1 | 288.0 | 294.4 | 301.1 |
| Subtotal - Operating Revenues | 30,576.9 | 32,018.8 | 33,500.1 | 34,966.3 | 35,976.6 | 37,066.7 | 38,282.7 | 39,566.0 | 40,920.3 |
| **TOTAL REVENUES** | **50,098.4** | **52,809.3** | **55,384.9** | **58,032.8** | **59,735.1** | **61,538.0** | **63,488.1** | **65,527.5** | **67,660.7** |
| % vs prior year | | 5.4% | 10.6% | 4.8% | 2.9% | 3.0% | 3.2% | 3.2% | 3.3% |
| **TOTAL RESOURCES** | **102,519.4** | **78,339.1** | **92,413.3** | **106,768.8** | **122,495.6** | **139,189.4** | **156,748.8** | **175,270.2** | **194,786.3** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 4,741.7 | 5,426.2 | 5,263.4 | 5,552.5 | 5,725.6 | 5,904.2 | 6,088.5 | 6,278.7 | 6,474.8 |
| Operating Expenses | 3,072.7 | 3,170.2 | 3,106.8 | 3,243.1 | 3,327.4 | 3,400.6 | 3,472.0 | 3,548.4 | 3,630.0 |
| Advertising/Sales/Promotions | 20,103.5 | 28,692.7 | 28,692.7 | 29,352.6 | 30,115.7 | 30,778.3 | 31,424.6 | 32,116.0 | 32,854.6 |
| Capital Outlay - Operating | 11.1 | 3.2 | 3.2 | 3.3 | 3.4 | 3.5 | 3.5 | 3.6 | 3.7 |
| Transfer - Tax Collector | 416.5 | 701.3 | 701.3 | 701.3 | 722.4 | 744.0 | 766.4 | 789.4 | 813.0 |
| **Subtotal - Operating** | 28,345.6 | 37,993.6 | 37,767.4 | 38,852.8 | 39,894.5 | 40,830.6 | 41,755.1 | 42,736.1 | 43,776.2 |
| Transfer - Beach Renourishment | 3,121.4 | 4,329.6 | 4,329.6 | 4,805.5 | 4,949.7 | 5,098.2 | 5,251.1 | 5,408.7 | 5,570.9 |
| Capital Spending Program | 3,273.3 | 1,530.0 | 1,180.0 | 350.0 | - | - | - | - | - |
| Capital Outlay - Dali Museum | 500.0 | - | - | - | - | - | - | - | - |
| Capital Outlay - Dunedin Spring Training Facility | 29,663.2 | - | - | - | - | - | - | - | - |
| Capital Outlay - Clearwater Spring Training Facility | 587.6 | 244.9 | 244.9 | - | - | - | - | - | - |
| **Subtotal - Capital Funding Program** | 37,145.5 | 6,104.5 | 5,754.5 | 5,155.5 | 4,949.7 | 5,098.2 | 5,251.1 | 5,408.7 | 5,570.9 |
| **EXPENDITURES** | **65,491.1** | **44,098.1** | **43,521.8** | **44,008.3** | **44,844.1** | **45,928.7** | **47,006.1** | **48,144.6** | **49,347.0** |
| % vs prior year | | -32.7% | -33.5% | 1.1% | 1.9% | 2.4% | 2.3% | 2.4% | 2.5% |
| **ENDING FUND BALANCE** | | | | | | | | | |
| **Operating** | **35,592.7** | **22,322.2** | **35,736.0** | **31,660.5** | **27,951.5** | **24,360.7** | **21,142.7** | **18,125.6** | **15,539.2** |
| **Capital** | **1,435.6** | **11,918.8** | **13,000.0** | **31,100.0** | **49,700.0** | **68,900.0** | **88,600.0** | **109,000.0** | **129,900.0** |
| Ending balance as % of Revenue | | | | | | | | | |
| Operating | 116.4% | 69.7% | 106.7% | 90.5% | 77.7% | 65.7% | 55.2% | 45.8% | 38.0% |
| Capital | 7.4% | 57.3% | 59.4% | 134.8% | 209.2% | 281.6% | 351.5% | 419.9% | 485.8% |
| **TOTAL REQUIREMENTS** | **102,519.4** | **78,339.0** | **92,257.8** | **106,768.8** | **122,495.6** | **139,189.4** | **156,748.8** | **175,270.2** | **194,786.3** |
| **REVENUE minus EXPENDITURES - Operating** | 2,231.4 | (5,974.8) | (4,267.2) | (3,886.5) | (3,918.0) | (3,764.0) | (3,472.4) | (3,170.1) | (2,855.9) |
| **REVENUE minus EXPENDITURES - Capital Funding Program** (NOT cumulative) | (17,624.0) | 14,686.0 | 16,130.2 | 17,911.0 | 18,808.8 | 19,373.1 | 19,954.3 | 20,552.9 | 21,169.5 |

*Typically, revenue is budgeted at 95% of expected collections, per State Statute.

# COUNTY 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 Advanced Traffic Management System/Intelligent Transportation Systems (ATMS/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 per gallon levy (referred to by Statute as the Ninth Cent) which began in January 2007. It is dedicated to the installation, operation, and maintenance of ATMS/ITS. The other local levy is the Six Cent Local Option Fuel Tax (LOFT) per gallon tax that is shared per an 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%.

## Summary

The Transportation Trust Fund is primarily funded by state and local fuel taxes. Revenue is projected to show a minimal gradual incline but not keep pace with inflationary increases for expenditures in this fund. The growth of revenue is limited by more efficient cars and fuel conservation efforts, as well as restrictions imposed by state laws that do not allow indexing fuel taxes for inflation.

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues throughout the forecast period. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Gasoline usage declined during the COVID-19 pandemic and the anticipated decline in future commuting will likely place further constraints on this revenue growth. The fund balance is used each year to cover the gap until the fund balance is depleted in FY22.

## Revenues

The Transportation Trust Fund's FY21 budget consists of three primary funding sources: State-shared fuel taxes ($10.2M), a six-cent per gallon LOFT ($13.3M), and a one-cent per gallon fuel tax (the Ninth Cent) earmarked for the ATMS/ITS ($4.0M). 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. This resource has been significantly impacted by COVID-19 since gasoline usage has declined during the pandemic. While revenues are expected to rebound, the long-term implications for tourism and commuting are not clear at this time. As a result, state shared fuel taxes, as well as the other fuel taxes, are anticipated to increase between 2.7% in FY23 based on a COVID-19 recovery. However, they are projected to increase at a declining rate from 1.3% in FY24 to 0.5% in FY27.

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 installation, operation, and maintenance of the countywide ATMS/ITS. This tax will expire on December 31, 2026.

**Expenditures**

The Transportation Trust Fund’s budgeted expenditures are $36.6M in FY21 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 FY21 budget for this program is $15.3M.

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 FY21 operating expenses for the ATMS/ITS program under Transportation Management are $2.8M.

Streets and Bridges

This program provides for maintenance and operation of County streets and bridges with an FY21 expenditure budget of $12.4M. Key program expenditure areas include inspection, maintenance engineering, management, repair, and maintenance operations.

Vegetation Management and Urban Forestry

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 FY21, the budget for this program in the Transportation Trust Fund is $7.3M.

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 FY21 budget for this program in the Transportation Trust Fund is $1.7M.

Transfers

The Transportation Trust Fund transfers funding to the Capital Projects Fund for improvements to the County's transportation infrastructure. In FY20 $2.0M of these funds were used to make a non-recurring contribution to capital projects for special priorities including sidewalk repair and local road resurfacing. Additionally, in recent years $1.7M has been transferred annually to continue implementing the Advanced Transportation Management System/Intelligent Transportation System. However, because of the quickly diminishing Transportation Trust Fund reserve levels, there are no budgeted transfers to the Capital Projects Fund in FY21.

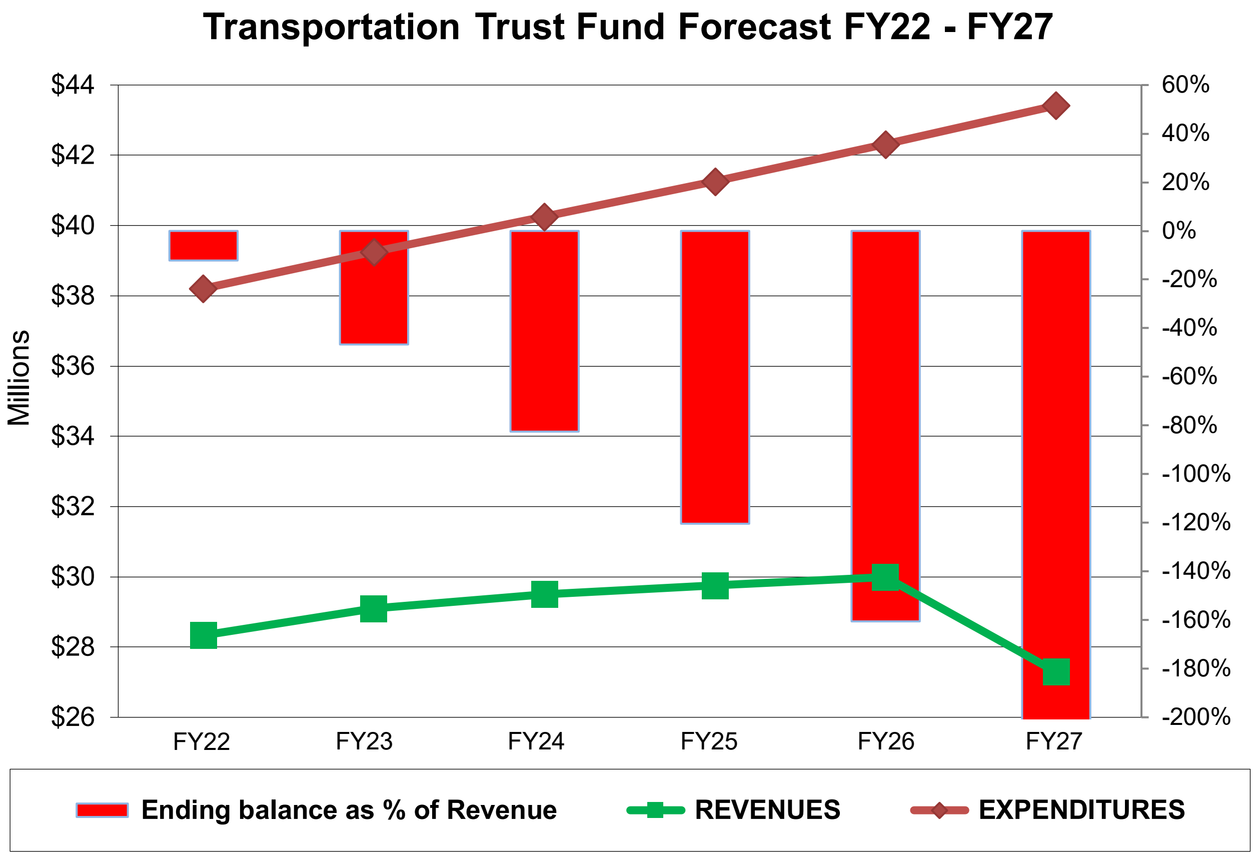
Reserves

The budgeted FY21 reserve level of $4.0M in the Transportation Trust Fund is 13.1% of revenues, which is lower than the 15.0% target reserve level. As expenditure increases continue to outpace revenue growth, this reserve level is projected to be depleted by FY22.

**Six-Year Forecast**

Key Assumptions

The primary 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 2027, and the Ninth Cent levy is in effect until December 2026. These taxes are based on gallons pumped and not fuel prices. Pinellas County's population growth is expected to be minimal through the forecast period due to its built-out condition, which limits the overall increase in fuel consumption. The likelihood of future mandated vehicle fuel efficiency standards contributes toward minimal increases in fuel tax revenues despite an improving economy and stable gas prices. Additionally, the immediate decline in gasoline usage due to COVID-19 and the long-term implication of modified commutes will likely impact revenues during this time frame. Based on the historical reduction and future impacted growth patterns, current fuel tax revenues are not expected to keep up with projected inflationary expenditures required for transportation operation and maintenance needs.




**Key Results**

Transportation Trust Fund expenditures exceed revenues throughout the forecast period, causing a complete depletion of fund balance during FY22.

**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.

COVID-19 recovery periods are currently unknown, as well as whether widespread and permanent modified workplace work-from-home policies will impact gasoline consumption in the years following COVID-19 recovery.

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 and/or increasing revenue by imposing additional local option fuel taxes.

From an enhanced revenue standpoint, the County has the authority to impose an additional one to five-cent tax per gallon of fuel sold within the County. Diesel fuel is not subject to this tax. By statute, proceeds would have to be shared with municipalities. If an interlocal agreement similar to the Six-Cent Local Option Fuel Tax is assumed, the County's estimated share of one cent of this local option fuel tax would be $1.8M, which is 60.0% of the $3.0M in proceeds that would be generated countywide.

| 1 cent | 2 cents | 3 cents | 4 cents | 5 cents |
|---|---|---|---|---|
| $1.8M | $3.6M | $5.4M | $7.2M | $9.0M |

If no interlocal agreement 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 it maintains its current seven-cent fuel tax rate. 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-cent tax could be levied by a majority plus one vote of the Board, or by approval in a countywide voter 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 |
| Bradford | 12 |
| Broward | 12 |
| Charlotte | 12 |
| Citrus | 12 |
| Clay | 12 |
| Collier | 12 |
| DeSoto | 12 |
| Escambia | 11 |
| Hardee | 12 |
| Hendry | 9 |
| Hernando | 12 |
| Highlands | 12 |
| Jefferson | 12 |
| Lee | 12 |
| Leon | 12 |
| Levy | 11 |
| Madison | 12 |
| Manatee | 12 |
| Marion | 12 |
| Martin | 12 |
| Miami-Dade | 10 |
| Monroe | 12 |
| Nassau | 12 |
| Okaloosa | 10 |
| Okeechobee | 12 |
| Osceola | 12 |
| Palm Beach | 12 |
| Pasco | 12 |
| Polk | 12 |
| Putnam | 12 |
| Santa Rosa | 12 |
| Sarasota | 12 |
| St. Lucie | 12 |
| Suwannee | 12 |
| Volusia | 12 |

Source: Florida Department of Revenue, 2021 Fuel Tax Rates

Of Florida’s 67 counties, thirty-six (36), including Pasco, Manatee, and Sarasota, levy more than 7¢. Nineteen (19), including Pinellas and Hillsborough, levy 7¢, and twelve (12) levy less than 7¢.

**TRANSPORTATION TRUST FUND FORECAST**
**Fund 1001**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Ninth Cent Fuel Tax | 0.0% | 2.7% | 1.3% | 0.8% | 0.6% | 0.5% |
| State Shared Fuel Taxes | 0.0% | 2.7% | 1.2% | 0.8% | 0.6% | 0.5% |
| Local Option Fuel Taxes | 0.0% | 2.7% | 1.3% | 0.8% | 0.6% | 0.5% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Capital Outlay | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Grants & Aids | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**TRANSPORTATION TRUST FUND FORECAST**
**Fund 1001**

| (in $ thousands) | Actuals FY20 | Budget FY21 | Estimated FY21 | FORECAST Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **18,701.5** | **10,361.5** | **13,687.4** | **6,419.7** | **(3,289.0)** | **(13,277.9)** | **(23,873.4)** | **(35,205.5)** | **(47,360.8)** |
| **REVENUES** | | | | | | | | | |
| Ninth Cent Fuel Tax | 3,759.6 | 3,990.0 | 3,651.1 | 3,651.1 | 3,751.4 | 3,798.3 | 3,827.6 | 3,851.1 | 967.5 |
| State Shared Fuel Taxes | 9,742.2 | 10,225.3 | 9,571.4 | 9,571.4 | 9,832.5 | 9,953.9 | 10,032.8 | 10,093.6 | 10,142.1 |
| Local Option Fuel Tax | 12,528.8 | 13,300.0 | 12,360.1 | 12,360.1 | 12,699.6 | 12,858.4 | 12,957.5 | 13,036.9 | 13,101.5 |
| Interest | 207.8 | 133.0 | 140.0 | 12.8 | - | - | - | - | - |
| Other revenues | 3,263.7 | 2,555.1 | 2,689.6 | 2,751.5 | 2,823.0 | 2,885.1 | 2,945.7 | 3,010.5 | 3,079.7 |
| FDOT Grant | 997.1 | - | - | - | - | - | - | - | - |
| **TOTAL REVENUES** | **30,499.2** | **30,203.4** | **28,412.3** | **28,347.0** | **29,106.5** | **29,495.7** | **29,763.7** | **29,992.0** | **27,290.9** |
| % vs prior year | -9.3% | | -1.7% | 0.0% | 2.7% | 1.2% | 0.8% | 0.6% | -10.3% |
| **TOTAL RESOURCES** | **49,200.6** | **40,564.9** | **42,099.7** | **34,766.7** | **25,817.5** | **16,217.8** | **5,890.3** | **(5,213.4)** | **(20,069.9)** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 15,987.5 | 18,395.6 | 17,843.8 | 18,259.4 | 18,828.6 | 19,415.9 | 20,021.9 | 20,647.3 | 21,292.6 |
| Operating Expenses * | 12,448.0 | 12,742.0 | 12,359.7 | 12,644.0 | 12,972.7 | 13,258.1 | 13,536.6 | 13,834.4 | 14,152.6 |
| Capital Outlay | 172.1 | 181.8 | 181.8 | 186.0 | 190.9 | 195.1 | 199.2 | 203.5 | 208.2 |
| Grants & Aids | 192.6 | 193.7 | 193.5 | 47.9 | 49.1 | 50.2 | 51.2 | 52.4 | 53.6 |
| Debt Service | 65.3 | 65.3 | 65.3 | 66.8 | 68.6 | 70.1 | 71.6 | 73.1 | 74.8 |
| Full Cost Allocation | 2,947.7 | 5,035.8 | 5,035.8 | 5,151.6 | 5,285.6 | 5,401.8 | 5,515.3 | 5,636.6 | 5,766.3 |
| Transfers to Capital Funds - Ninth Cent | 1,700.0 | - | - | 1,700.0 | 1,700.0 | 1,700.0 | 1,700.0 | 1,700.0 | 1,700.0 |
| Non-recurring Transfers to Capital Fund | 2,000.0 | - | - | - | - | - | - | - | - |
| **TOTAL EXPENDITURES** | **35,513.2** | **36,614.3** | **35,679.9** | **38,055.7** | **39,095.4** | **40,091.2** | **41,095.7** | **42,147.3** | **43,248.1** |
| % vs prior year | -26.3% | -8.3% | 0.5% | 6.7% | 2.7% | 2.5% | 2.5% | 2.6% | 2.6% |
| **ENDING FUND BALANCE **** | **13,687.4** | **3,950.7** | **6,419.7** | **(3,289.0)** | **(13,277.9)** | **(23,873.4)** | **(35,205.5)** | **(47,360.8)** | **(63,318.0)** |
| Ending balance as % of Revenue | 44.9% | 13.1% | 22.6% | -11.6% | -45.6% | -80.9% | -118.3% | -157.9% | -232.0% |
| **TOTAL REQUIREMENTS** | **49,200.6** | **40,564.9** | **42,099.7** | **34,766.7** | **25,817.5** | **16,217.8** | **5,890.3** | **(5,213.4)** | **(20,069.9)** |
| **REVENUE minus EXPENDITURES (NOT cumulative)** | **(5,014.1)** | **(6,410.8)** | **(7,267.7)** | **(9,708.7)** | **(9,988.9)** | **(10,595.5)** | **(11,332.1)** | **(12,155.3)** | **(15,957.2)** |

* Operating Expenses net of Full Cost Allocation

# CAPITAL PROJECTS FUND

## Description

The Capital Projects Fund is used for governmental capital projects included in the County's Capital Improvement Program (CIP). These projects include roads, bridges, drainage, beach nourishment, park development, and construction of facilities necessary to provide County services.

The Pinellas County CIP is a comprehensive, six-year plan of proposed capital projects intended to identify and balance the capital needs of the community within the fiscal capabilities and limitations of the County. It is primarily a planning document that is updated annually and subject to change as the needs of the community become more defined. The first year of the program is the basis for actual appropriations authorized by the Board of County Commissioners for capital projects when adopting the annual budget. The remaining five years are a guide for the future development of the County's new and replacement infrastructure needs.

## Summary

The Fund is balanced for FY21 only. The Fund will need to be rebalanced during the FY22 budget process based upon actual activity and prioritization of projects.

County staff and administration have implemented the Capital Improvement Program Project Portfolio Management (CIP PPM) process for prioritizing, coordinating, and managing projects to enhance output, reporting, and decision support. Departments will review all projects in a systematic and holistic manner. Projects that can provide the County with multiple benefits (e.g. - a project that will improve drainage, reduce stormwater/wastewater overflows, and provide infrastructure to support economic development) will be prioritized. This will enhance the coordination of cross-functional projects to provide efficient delivery of projects and best use of resources.

## Revenues

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

<u>Local Government Infrastructure Sales Surtax (Penny for Pinellas)</u>

This Fund's primary revenue source is the "Penny for Pinellas" (Penny). It is a one-percent local government infrastructure sales surtax imposed in Pinellas County pursuant to Section 212.055(2), Florida Statutes. 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 has been approved for four sequential ten-year periods beginning in 1990. It was most recently approved in November 2017 for the period January 1, 2020 through December 31, 2029 (Penny IV) by 83% of the voters.

The Penny surtax is collected on the first $5,000 of all purchases excluding groceries and medications. 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. When COVID-19 hit Florida, the economy experienced an immediate downturn. The tourism and hospitality industries essentially shut down in March. The loss of customers, including tourists and their spending in the local economy, had an impact on statewide sales tax revenue. Penny revenues decreased 5.0% from FY19 to FY20. The revenue assumptions for the Penny have been updated and are consistent with the State sales tax revenue projections. FY21 is estimated to decrease 1.6%, followed by an increase of 8.6% in FY22, 2.1% in FY23, 2.5% in FY24 and 1.6% from FY25-FY27.

In accordance with statutory requirements and interlocal agreements with each municipality in Pinellas County beginning January 1, 2020, Penny IV sets aside 11.3% of net proceeds for countywide investments consisting of Economic Development Capital Projects and Housing at 8.3% and Jail and Courts Facilities at 3.0%. The County's proceeds for Penny IV are 51.75% after the countywide investment distribution.

Grants

The second largest source of revenue in the Capital Projects Fund is grants. The FY21 Budget includes $16.4M in local, state, and federal grants from agencies such as the Southwest Florida Water Management District, Florida Department of Environmental Protection, 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 transfers from other funds to cover or contribute to costs for specific capital projects.

In FY21 and beyond, the General Fund transfer provides funding of $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. Beginning in FY21 through FY29, the transfer also includes $461,780 annually for reimbursement of the purchase and renovation of the Mid-County Tax Collector Building. The FY21 amount is $923,560.

There is an annual transfer of $1.7M from the Transportation Trust Fund, specifically the proceeds of the Ninth Cent Fuel Tax, which funds the cost of Intelligent Transportation System/Advanced Transportation Management System (ITS/ATMS) projects. Due to the impacts of COVID, this transfer will not occur in FY21. It is currently included in the forecast for FY22-FY27.

The FY21 transfer of $4.3M from the Tourist Development Tax (TDT) Fund (approximately half of the net proceeds from one of the six percents of the TDT) provides funding for beach nourishment projects in the Coastal Management program.

The transfer of $2.1M from the Multi-Modal Impact Fee Fund in FY21 contributes to the costs of authorized transportation projects in the 13 geographic multimodal impact fee districts of the County. The Multi-Modal Impact Fee Fund is used to account for Multi-Modal 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. The majority of expenditures are for infrastructure projects in the areas of transportation, stormwater, drainage, water quality, parks, environmental preservation, courts, jail, public safety, and other public facilities. Please see the *Capital Improvement Program* (CIP) section of the FY21 Adopted Budget document for expenditure highlights of the One-Year CIP and the Six-Year CIP.

## Six-Year Forecast

Key Assumptions

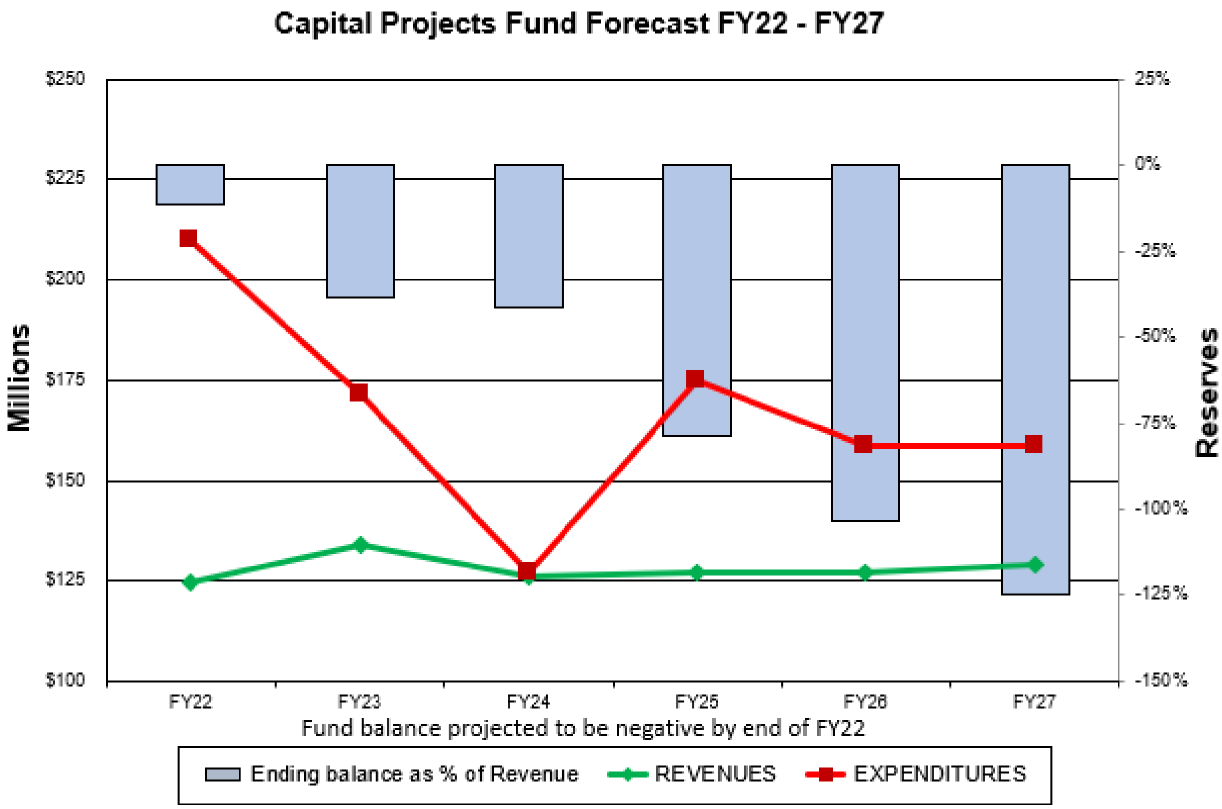
During discussions of the Penny IV interlocal agreement with municipalities, several scenarios to project estimated revenue for Penny IV were modeled with assumptions based on recessions and historically based annual growth, as well as a flat growth scenario. At that time, the growth rate for the Penny sales tax was projected at 3.5% in FY20, and 2.5% in FY21 through FY25.

As noted in the Revenue section, COVID-19 impacted sales tax revenue statewide. The revenue assumptions for the Penny have been updated and are consistent with the State sales tax revenue projections. FY21 is estimated to decrease 1.6%, followed by an increase of 8.6% in FY22, 2.1% in FY23, 2.5% in FY24 and 1.6% from FY25-FY27.

## Key Results

The forecast for the Capital Projects Fund shows that the Fund is balanced for FY21 due to accumulated fund balance. As noted previously, the first year of the CIP, FY21, must be balanced as part of the adoption of the annual budget. The Fund will need to be rebalanced again during the FY22 budget process based upon actual activity and prioritization of projects. There are additional proposed projects to be considered that are scheduled to begin in FY22 and beyond. The forecast will be updated accordingly for the FY22 Proposed Budget presented in July. The graph includes anticipated revenues and projected expenditures during the forecast period.

# CAPITAL PROJECTS FUND




**Potential Risks**

There are many impacts that can alter the six-year forecast of the Fund. The primary concern is the strength of the local economy due to the sensitivity of Penny tax collections to economic conditions. If the economy improves, collections could be higher than anticipated as consumer activity increases. The reverse would be true if the economy deteriorates. The economy over the past year was impacted by the unprecedented challenge of COVID-19. The impacts of COVID-19 are expected to remain for much of FY21 and into FY22 as at least two vaccines against the virus become widely available over the next several months.

There are inflationary risks for major commodities used in capital project construction such as steel or concrete. According to Florida Department of Transportation's (FDOT) Program Management Office, material prices were trending upward at an average of 8.8% in 2018, but are now stabilizing. Competition between suppliers may restrain prices. Construction employment is also stabilizing.

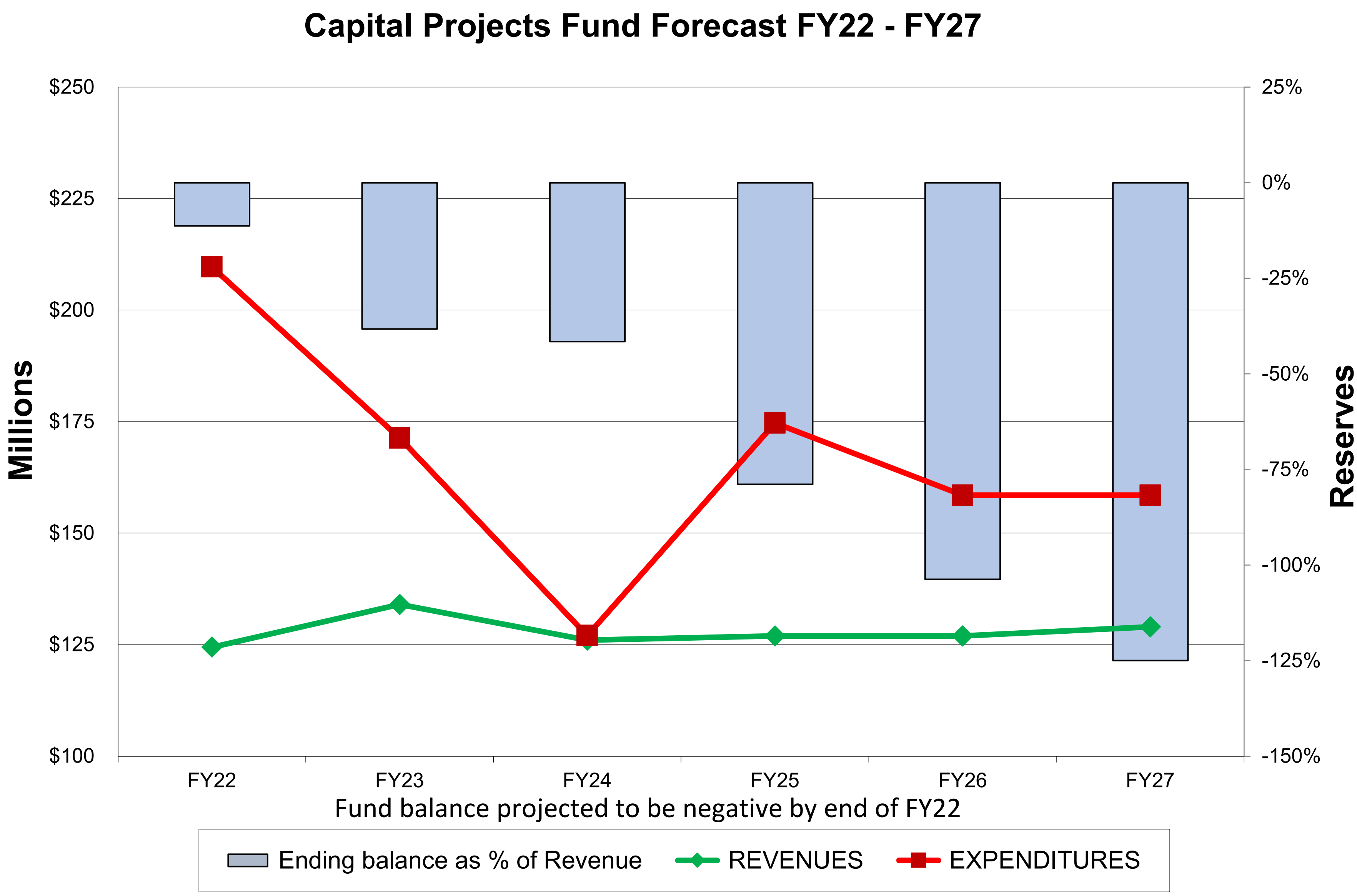
**Balancing Strategies**

The Capital Projects Fund used accumulated fund balance to balance the fund in FY21 and this strategy may be leveraged for FY22 and future years. Project appropriations will be added to the forecast as they are approved for funding through the County's CIP Project Portfolio Management (PPM) prioritization process as part of the annual budget development process.

**CAPITAL PROJECTS FUND FORECAST**
**Fund 3001**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Infrastructure Sales Tax | **8.6%** | **2.1%** | **2.5%** | **1.6%** | **1.6%** | **1.6%** |
| Interest Rate | **0.2%** | **0.1%** | **0.1%** | **0.2%** | **0.3%** | **0.4%** |
| Other revenues | **2.3%** | **2.6%** | **2.2%** | **2.1%** | **2.2%** | **2.3%** |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | **2.3%** | **2.6%** | **2.2%** | **2.1%** | **2.2%** | **2.3%** |

| (in $ thousands) | Actual FY20 | Budget FY21 | Estimated FY21 | Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **127,704.7** | **97,357.5** | **155,757.7** | **71,208.1** | **(14,039.7)** | **(51,310.5)** | **(52,375.2)** | **(100,098.2)** | **(131,642.8)** |
| **REVENUES** | | | | | | | | | |
| Infrastructure Sales Tax (Penny for Pinellas) | 98,093.9 | 91,727.3 | 96,555.0 | 104,858.7 | 107,060.8 | 109,737.3 | 111,493.1 | 113,277.0 | 115,089.4 |
| Grants | 17,806.7 | 16,354.1 | 16,354.1 | 7,622.5 | 14,953.0 | 4,024.0 | 3,030.0 | 1,022.0 | 1,022.0 |
| Transfer from Ninth-Cent Fuel Tax (Transportation Trust Fund) | 1,700.0 | - | - | 1,700.0 | 1,700.0 | 1,700.0 | 1,700.0 | 1,700.0 | 1,700.0 |
| Transfer from Multi-Modal Impact Fees | 2,226.7 | 2,104.0 | 2,104.0 | 1,800.0 | 1,800.0 | 1,800.0 | 1,800.0 | 1,800.0 | 1,800.0 |
| Transfer from General Fund | 1,300.0 | 1,573.6 | 1,573.6 | 1,111.8 | 1,111.8 | 1,111.8 | 1,111.8 | 1,111.8 | 1,111.8 |
| Transfer from TDT Fund | 3,121.4 | 4,329.6 | 4,329.6 | 4,696.1 | 4,837.0 | 4,982.1 | 5,131.6 | 5,285.5 | 5,444.1 |
| Transfer from LOFT (Transportation Trust Fund non-recurring) | 2,000.0 | - | - | - | - | - | - | - | - |
| Interest | 3,132.0 | 1,730.9 | 1,822.0 | 142.4 | - | - | - | - | - |
| Other revenues | 5,570.7 | 2,334.2 | 2,457.0 | 2,513.5 | 2,578.9 | 2,635.6 | 2,690.9 | 2,750.1 | 2,813.4 |
| **TOTAL REVENUES** | **134,951.4** | **120,153.6** | **125,195.3** | **124,445.0** | **134,041.4** | **125,990.8** | **126,957.4** | **126,946.4** | **128,980.6** |
| % vs prior year | | -11.0% | -7.2% | -0.6% | 7.7% | -6.0% | 0.8% | 0.0% | 1.6% |
| **TOTAL RESOURCES** | **262,656.1** | **217,511.1** | **280,952.9** | **195,653.2** | **120,001.7** | **74,680.2** | **74,582.2** | **26,848.2** | **(2,662.1)** |
| **EXPENDITURES** | | | | | | | | | |
| Capital Projects | 106,898.4 | 209,744.8 | 209,744.8 | 209,692.9 | 171,312.2 | 127,055.4 | 174,680.4 | 158,491.0 | 158,491.0 |
| **TOTAL EXPENDITURES** | **106,898.4** | **209,744.8** | **209,744.8** | **209,692.9** | **171,312.2** | **127,055.4** | **174,680.4** | **158,491.0** | **158,491.0** |
| % vs prior year | | | | 0.0% | -18.3% | -25.8% | 37.5% | -9.3% | 0.0% |
| **ENDING FUND BALANCE** | **155,757.7** | **7,766.3** | **71,208.1** | **(14,039.7)** | **(51,310.5)** | **(52,375.2)** | **(100,098.2)** | **(131,642.8)** | **(161,153.1)** |
| Ending balance as % of Revenue | 115.4% | 6.5% | 56.9% | -11.3% | -38.3% | -41.6% | -78.8% | -103.7% | -124.9% |
| **TOTAL REQUIREMENTS** | **262,656.1** | 217,511.1 | **280,952.9** | **195,653.2** | **120,001.7** | **74,680.2** | **74,582.2** | **26,848.2** | **(2,662.1)** |
| **REVENUE minus EXPENDITURES** (NOT cumulative) | 28,053.0 | (89,591.2) | (84,549.5) | (85,247.9) | (37,270.8) | (1,064.6) | (47,723.0) | (31,544.6) | (29,510.4) |
| net recurring revenues-expenditures | **28,053.0** | **(89,591.2)** | **(84,549.5)** | **(85,247.9)** | **(37,270.8)** | **(1,064.6)** | **(47,723.0)** | **(31,544.6)** | **(29,510.4)** |



Capital Projects Fund Forecast FY22 - FY27
$250
$225
$200
$175
$150
$125
$100
Millions
25%
0%
-25%
-50%
-75%
-100%
-125%
-150%
Reserves
FY22
FY23
FY24
FY25
FY26
FY27
Fund balance projected to be negative by end of FY22
Ending balance as % of Revenue
REVENUES
EXPENDITURES

# AIRPORT REVENUE AND OPERATING FUND

## Description

In March 1941, construction started for the St. Pete-Clearwater International Airport at its present site. After Pearl Harbor, the Airport was known as Pinellas Army Airfield and 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 are dedicated to the airfield, terminal building, and car parking. The remaining acreage includes the 130-acre future planned development site (formerly the Airco Golf course), a 200-acre Airport Business Center, and leased space for industrial, commercial, and governmental operations. All activities necessary for airport operations and capital projects are included in this fund.

## Summary

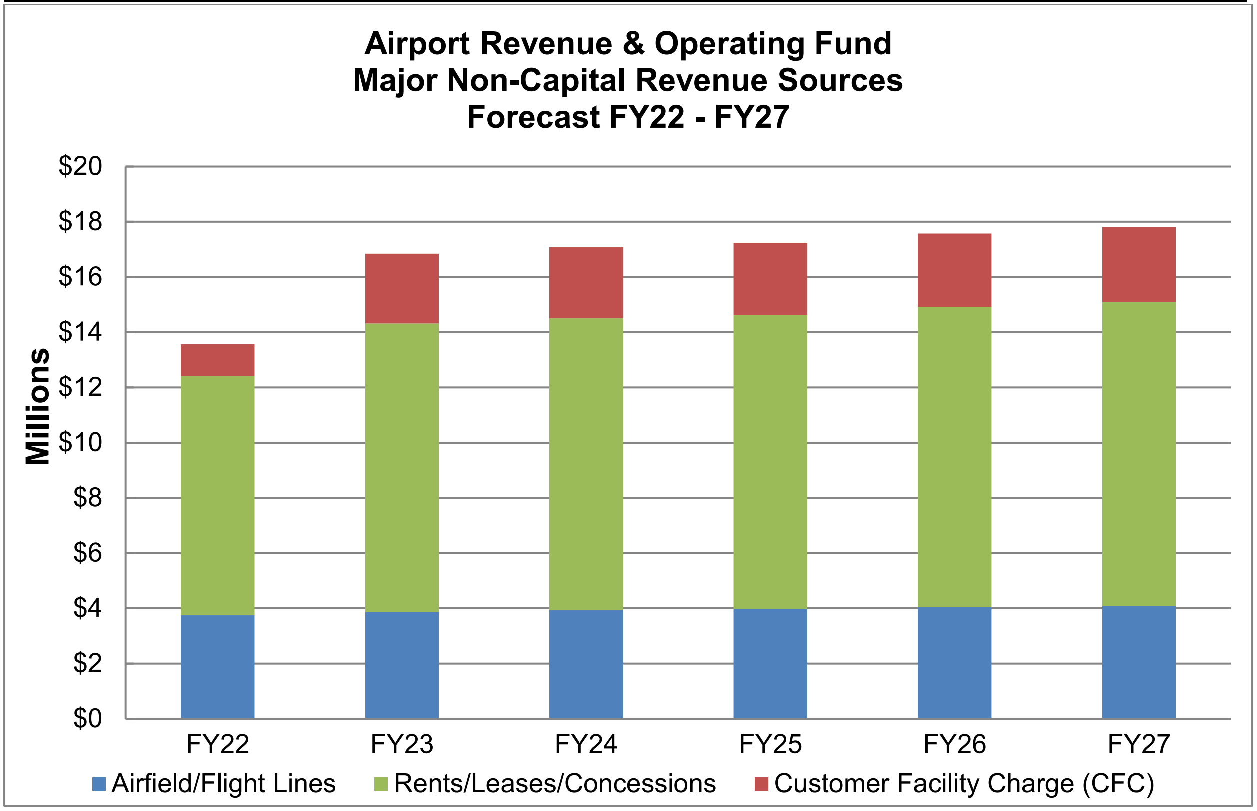
The Airport Revenue and Operating Fund is an enterprise fund that accounts for all revenues and expenditures at the Airport. This includes management of passenger airline operations, military, and general aviation, along with commercial and industrial airport property. The Airport is entirely self-supporting,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

Excluding impacts from COVID-19, airline and concession revenues have grown in recent years due to increased passenger service from Allegiant Air. After the projected passenger level increase in FY22 and FY23, these revenues are forecasted to increase on average 1.4% per year over the remaining forecast period. These projections are based on the anticipated recovery from the COVID-19 impact on traveling, the negotiated agreement with Allegiant, and the retail/food/beverage concessionaire agreement approved in FY19. The forecast for availability of capital contributions and other grant funding is based on current federal and state funding participation ratios for those capital projects that are eligible for Federal Aviation Administration (FAA) or Florida Department of Transportation (FDOT) funding.

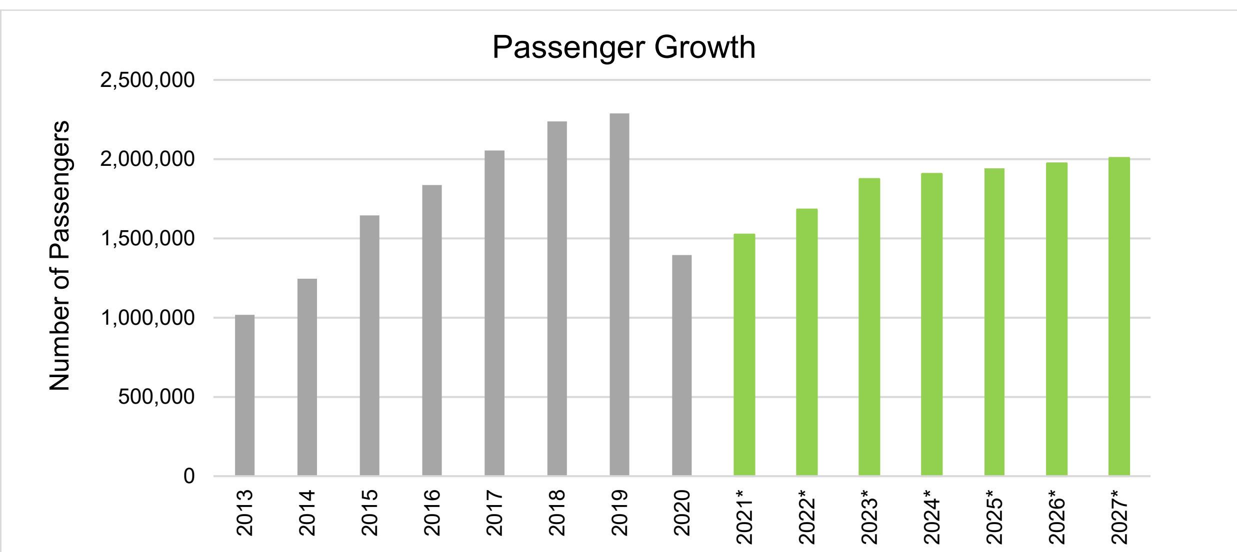
The forecast for the Airport Revenue and Operating Fund shows that the fund is utilizing reserves to implement the Capital Improvement Program through the forecast period. This presumes the timing of capital projects may need to be adjusted to reflect the timing and amounts of any grant revenues, changing priorities, or capacity issues. Federal stimulus funds mitigated revenue reductions resulting from COVID-19.

## Revenues

Excluding the Passenger Facility Charge (PFC) and grants, the three major funding sources supporting the Airport Revenue and Operating Fund during the forecast period are: Rentals, Leases, and Concessions; Customer Facility Charges (CFCs); and Airfield and Flight Line Fees. Rentals, Leases, and Concessions and CFCs include all direct and indirect revenue related to passenger airlines. These revenues also include long-term ground lease income. Airfield and Flight Line revenue includes U.S. Coast Guard fees, airline landing and fuel flowage fees, and general aviation rent/fees.




With the decline in the number of passengers traveling due to the COVID-19 pandemic, as shown on the chart below, the Airport's major funding sources generated less revenue than originally forecasted. The Airport received an $8.7M CARES Act grant from the federal government (FAA) to help replace lost operating revenue due to the COVID-19 pandemic. The grant revenue is accounted for in FY20 and FY21. The projected number of passengers for 2021 through 2027 increase each year compared to 2020, but do not recover to pre-COVID-19 levels during the forecast period.




The projected Number of Passengers are shown for 2021* through 2027*

Rentals/Leases/Concessions

St. Pete-Clearwater International Airport, which is classified as a small-hub airport by the FAA based upon the annual number of enplaned passengers, provides commercial and private aviation services for the community. The Airport also has a significant amount of land under long-term ground leases that provides a stable source of revenues. The Pinellas County Justice Center, Cracker Barrel Restaurant, Chick-Fil-A, and Dynamet Inc. are examples of long-term ground leases. Long-term ground leases typically have a five-year adjustment based on the Consumer Price Index (CPI). Also included in this revenue source are concessions operating at the airport terminal, such as the rental cars, paid parking, gift shops, and restaurants.

The rents/lease/concessions revenue sources decreased by 15.8% from FY19 to FY20. As the passenger volume decreased due to COVID-19 pandemic, the paid parking revenue and car rental revenue collected in FY20 was significantly lower compared to FY19. The airport's revenues decreased because of contract provisions in the rental car and retail/food/beverage concessionaire agreements, which allowed those concessionaires to pay a percentage of their gross revenues rather than paying the Minimum Annual Guarantee (MAG) that they bid. The rentals/leases/concessions revenue are projected to increase by 4.3% in FY22 mostly due to expected land lease escalations and 20.5% in FY23, when the passenger volume is anticipated to increase significantly per air service development industry forecasts. The passenger volume is not anticipated to return to pre-COVID-19 levels during the forecast period. These revenues are forecasted to increase 1.3% on average annually for the remainder of the forecast period.

Customer Facility Charges

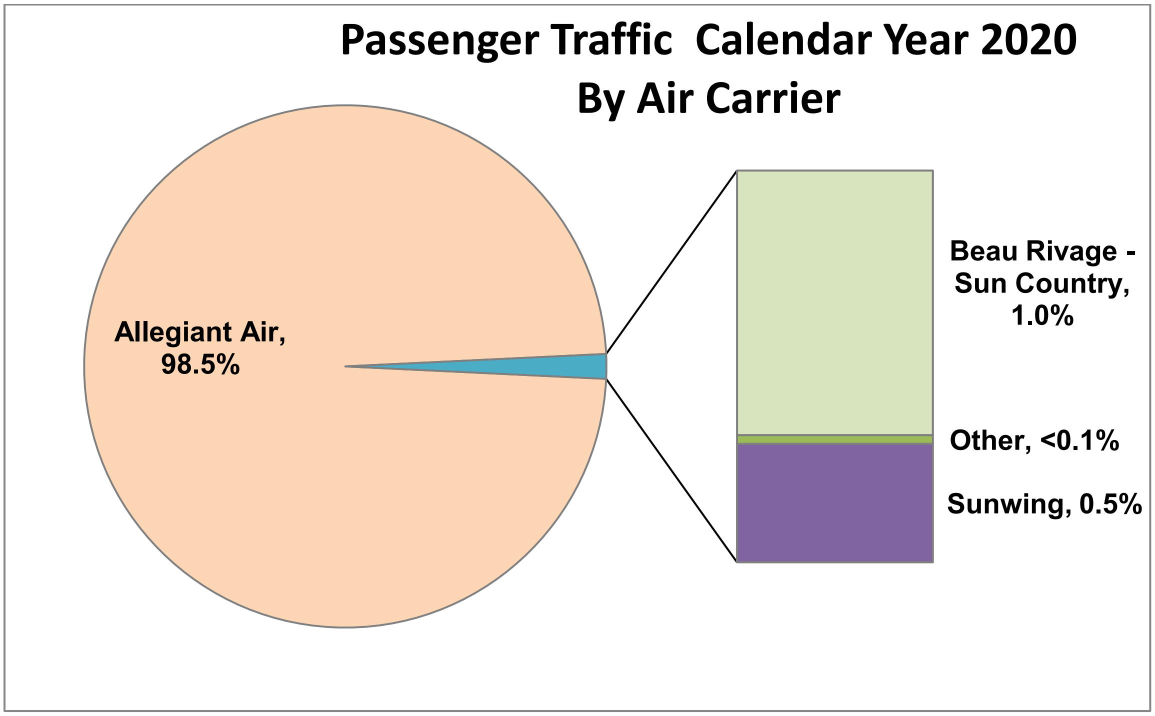
The Customer Facility Charge (CFC) is a user fee approved by the Board of County Commissioners (BCC) and imposed on each rental car user at the Airport. The fee is collected by rental car concessionaires and remitted to the Airport. The State of Florida has no restrictions on the use of the fee.

The CFC revenue is forecasted to increase by 1.4% for FY22, and 1.7% for FY24, FY25, FY26, and FY27, which are the projected increases in the Master Plan based upon the FAA's Terminal Area Forecast for PIE. The rental car providers are expected to return to paying the minimum annual guaranteed payments in FY23, when the passenger volume is anticipated to increase significantly, resulting in CFC revenue increasing by 120.1% during that year only.

Airfield/Flight Line

Airfield revenue includes U.S. Coast Guard fees, airline 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 decreased by 7.6% from FY19 to FY20 mostly due to the lessened flight activity due to the COVID-19 pandemic. After partial recoveryfrom COVID-19 impacts in FY22 and FY23, the airfield and flight line revenue is anticipated to increase by an average of 1.4% per year from FY24 through FY27.

The following chart illustrates passenger traffic for the 2020 calendar year. The chart shows that Allegiant Air represents 98.5% 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 2019, airline passenger traffic for 2020 decreased by 39.1%.




Capital Contributions, Passenger Facility Charges and Grants

Grants from the FAA and FDOT, along with PFCs provide the funding base for Airport capital improvement projects. These are the revenue sources typically used for the Airport's capital project funding. Airport reserves are also used to assist with funding capital improvement projects. It is important to note that PFCs are restricted to fund certain pre-approved projects by the FAA.

The PFC program administered 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, capacity, reduce noise, or increase air carrier competition. The Airport currently uses these funds for capital improvements only. PIE's PFC is $4.50 per enplaned passenger.

The forecasted PFC revenue growth rates are 1.9% for FY22, and 1.7% for FY24 through FY27, which are the projected increases in the Master Plan based upon the FAA's Terminal Area Forecast for PIE. In FY23, PFC revenue is projected to increase by 14.8% as passenger enplanements are anticipated to increase significantly.

**Expenditures**

In FY21, the Airport Revenue and Operating Fund supports budgeted expenditures and reserves totaling $71.9M, of which $14.8M is allocated for capital projects and $41.7M for reserves.

Airport Programs

Of the remaining $15.4M budgeted for operating expenditures, 98.5% supports the Aviation Services program and 1.5% supports 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 FAA lease requirements. There are 61.0 full time equivalent positions budgeted tosupport the department.

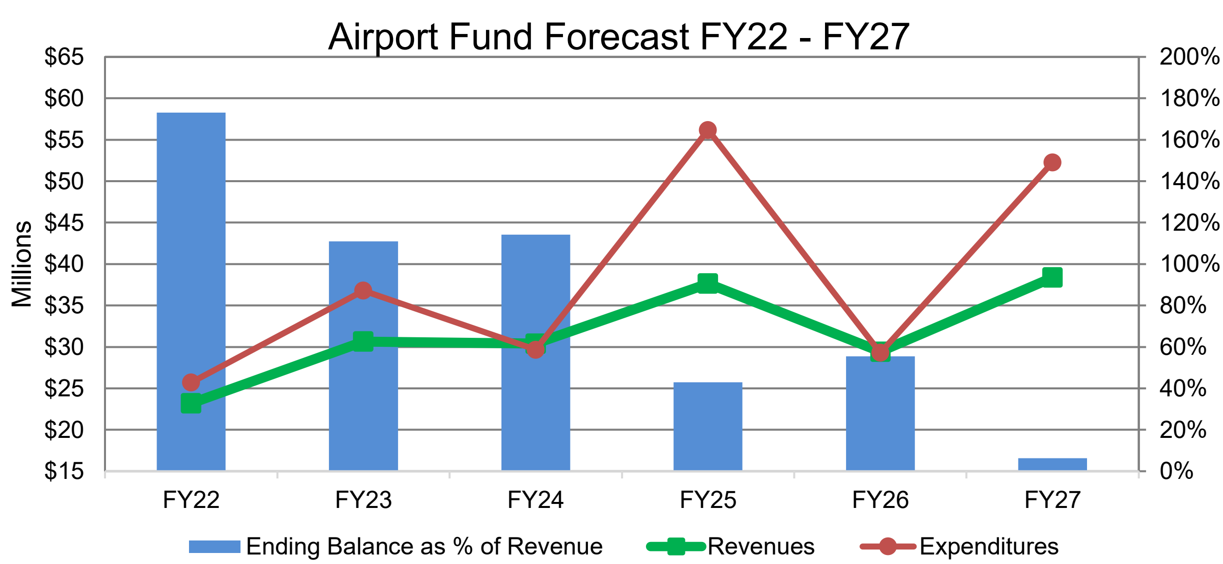
Capital Projects

The FY21 Budget for Capital Projects is $14.8M. These projects receive partial funding in the form of grants from the FAA and FDOT. PFC revenue is also used on specific capital projects with FAA approval. When additional funds are needed, reserves may be used.

In FY21 through FY22, capital projects include Runway 18/36 Rehabilitation, a new airfield electronic vault, and the replacement of the existing chiller in Ticketing Area “B”. The scheduled capital projects in the outer years of the forecast period include construction of a new taxiway, drainage improvements, a parking garage, Airco property improvements, and improvements and expansion to the passenger terminal.

Reserves

The total reserve level in the Airport Revenue and Operating fund is budgeted at $41.7M for FY21. The Airport built reserves over the past several years from the increased passenger airline service revenues, CFCs, and conservative operating expenditures, which resulted in increased annual operating profits. The reserves are used to support future capital funding needs, and they are available in the event of unanticipated revenue shortfalls. The forecast accounts for the drawdown of reserves to fund capital improvement program projects.




**Six-Year Forecast**

Key Assumptions

As discussed, the revenue assumptions are based on the number of passengers increasing significantly in FY23 and a conservative revenue growth rate through the remainder of the forecast period. Passenger levels are not anticipated to return to pre-COVID-19 levels during the forecast period.

Operating expenditures are expected to increase an average of 2.6% annually over the forecast period due to personal services and operating costs. If needed in the future, expenditures will be adjusted to reflect changes in airline service and revenues.

**Key Results**

The forecast for the Airport Fund is balanced, with operating revenues covering operating expenses over the forecast period. The fluctuations in total revenues and expenditures are caused by the impact of the pandemic on traveling and the timing of capital projects. The declining fund balance reflects the planned drawdown of reserves to pay for planned capital improvement projects.

**Potential Risks**

Several items can alter the six-year forecast of Airport revenue collections. A primary concern continues to be the strength of the airline industry and the continued dependence on one very successful airline, Allegiant Air. Also, a decline in the economy and a slow or delayed COVID-19 recovery would have a negative impact on the Airport's revenue sources.

PIE experienced a 39.1% passenger decrease from calendar year 2019 to 2020 due to COVID-19. After the significant increase in total passengers in FY23, passenger projections are only estimated to increase on average by 1.7% annually for the forecast period. This trend is reflected in the conservative revenue assumptions.

**Balancing Strategies**

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

**AIRPORT FUND FORECAST**
**Fund 4001**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Airfield/Flight Lines | 5.8% | 3.1% | 1.7% | 1.3% | 1.3% | 1.3% |
| Rents/Leases/Concessions | 4.3% | 20.5% | 1.2% | 0.6% | 2.3% | 1.2% |
| Customer Facility Charges (CFC) | 1.4% | 120.1% | 1.7% | 1.7% | 1.7% | 1.7% |
| Passenger Facility Charge (PFC) | 1.9% | 14.8% | 1.7% | 1.7% | 1.7% | 1.7% |
| Interest | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.3% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Capital Outlay | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Grants & Aids | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**AIRPORT FUND FORECAST**
**Fund 4001**

| (in $ thousands) | Actual FY20 | Budget FY21 | Estimate FY21 | FORECAST Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **39,999.1** | **41,188.8** | **41,221.3** | **42,638.6** | **40,126.5** | **33,984.8** | **34,728.3** | **16,178.0** | **16,312.1** |
| **REVENUES** | | | | | | | | | |
| Airfield/Flight Lines | 3,907.2 | 2,536.0 | 3,546.0 | 3,751.7 | 3,868.0 | 3,933.7 | 3,984.9 | 4,036.7 | 4,089.2 |
| Rents/Leases/Concessions | 8,968.5 | 9,109.9 | 8,310.2 | 8,667.6 | 10,444.4 | 10,569.7 | 10,633.2 | 10,877.7 | 11,008.3 |
| Grants-Operating | 110.9 | 121.6 | 121.0 | 123.8 | 127.0 | 129.8 | 132.5 | 135.4 | 138.6 |
| COVID CARES Funding | 2,739.1 | 5,737.3 | 5,998.2 | - | - | - | - | - | - |
| Customer Facility Charge (CFC) | 1,989.1 | 1,767.7 | 1,124.6 | 1,149.3 | 2,529.7 | 2,572.7 | 2,616.5 | 2,660.9 | 2,706.2 |
| Passenger Facility Charge (PFC) | 3,266.4 | 2,359.8 | 3,496.8 | 3,563.2 | 4,090.6 | 4,160.1 | 4,230.8 | 4,302.8 | 4,375.9 |
| Grants-Capital | 13,891.6 | 8,416.1 | 7,967.3 | 5,886.4 | 9,545.8 | 8,995.8 | 16,000.0 | 7,400.0 | 16,000.0 |
| FEMA Reimbursements - Irma | 42.4 | - | - | - | - | - | - | - | - |
| Interest | 899.4 | 638.6 | 638.6 | 42.6 | 40.1 | 34.0 | 34.7 | 16.2 | 48.9 |
| Other revenues | 22.7 | 3.8 | 3.8 | 3.9 | 4.0 | 4.1 | 4.2 | 4.3 | 4.4 |
| **TOTAL REVENUES** | **35,837.3** | **30,690.7** | **31,206.5** | **23,188.5** | **30,649.6** | **30,400.0** | **37,636.8** | **29,434.0** | **38,371.3** |
| % vs prior year | -6.7% | -14.4% | -12.9% | -24.4% | 32.2% | -0.8% | 23.8% | -21.8% | 30.4% |
| **TOTAL RESOURCES** | **75,836.4** | **71,879.5** | **72,427.7** | **65,827.1** | **70,776.1** | **64,384.8** | **72,365.1** | **45,612.0** | **54,683.4** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 5,637.7 | 6,120.8 | 5,937.2 | 6,263.3 | 6,458.6 | 6,660.0 | 6,867.9 | 7,082.5 | 7,303.8 |
| Operating Expenses | 5,198.2 | 6,695.1 | 6,494.2 | 6,849.1 | 7,027.1 | 7,181.7 | 7,332.5 | 7,493.9 | 7,666.2 |
| Capital Outlay | 482.1 | 665.0 | 665.0 | 680.3 | 697.9 | 713.3 | 728.3 | 744.3 | 761.4 |
| Full Cost Allocation | 1,695.0 | 1,906.8 | 1,906.8 | 1,950.6 | 2,001.3 | 2,045.4 | 2,088.3 | 2,134.3 | 2,183.4 |
| Grants and Aids | 69.6 | 18.0 | 18.0 | - | - | - | - | - | - |
| Non-recurring CIP expenditures | 21,532.5 | 14,768.0 | 14,768.0 | 9,957.4 | 20,606.3 | 13,056.0 | 39,170.0 | 11,845.0 | 34,367.6 |
| **TOTAL EXPENDITURES** | **34,615.1** | **30,173.6** | **29,789.1** | **25,700.7** | **36,791.3** | **29,656.4** | **56,187.1** | **29,299.9** | **52,282.4** |
| % vs prior year | -18.0% | -12.8% | -13.9% | -14.8% | 43.2% | -19.4% | 89.5% | -47.9% | 78.4% |
| **ENDING FUND BALANCE** | **41,221.3** | **41,705.9** | **42,638.6** | **40,126.5** | **33,984.8** | **34,728.3** | **16,178.0** | **16,312.1** | **2,401.0** |
| Ending balance as % of Revenue | 115.0% | 135.9% | 136.6% | 173.0% | 110.9% | 114.2% | 43.0% | 55.4% | 6.3% |
| **TOTAL REQUIREMENTS** | **75,836.4** | **71,879.5** | **72,427.7** | **65,827.1** | **70,776.1** | **64,384.8** | **72,365.1** | **45,612.0** | **54,683.4** |
| **REVENUE minus EXPENDITURES** | 1,222.2 | 517.1 | 1,417.4 | (2,512.2) | (6,141.7) | 743.5 | (18,550.3) | 134.1 | (13,911.1) |

Total Requirements do not include OPEB annual expense or OPEB cumulative liability as reflected in GAAP financial statements. These amounts are shown below.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| OPEB annual expense | 299.1 | 300.1 | 300.1 | 307.1 | 316.6 | 326.5 | 336.7 | 347.2 | 358.1 |
| OPEB cumulative (long-term liability) | 7,757.9 | 8,057.9 | 8,057.9 | 8,365.0 | 8,681.7 | 9,008.2 | 9,344.9 | 9,692.1 | 10,050.2 |

# 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 for the collection of wastewater from residential, commercial, and industrial users. The Sewer System provides for the treatment and reclamation of water and biosolids through advanced processes that provide removal of pollutants that are harmful to the environment. The system also allows for the recycling of valuable resources that are beneficially re-used in order to protect public health and property while practicing superior environmental stewardship.

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. This forecast covers all three funds.

## Summary

The forecast for the Sewer Funds shows that the multi-year rate increases approved in May of 2019 will provide sufficient revenues to maintain reserves, sustain the debt service coverage ratio, and fund capital replacement needs through the forecast period. This assumes a 9.5% annual rate increase through FY24, and a 3.0% annual rate increase thereafter. Through FY23, expenditures will exceed revenues, using fund balance to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

## Revenues

The Sewer Funds are projected to generate revenues totaling $96.3M in FY21. The Sewer Funds have three primary funding sources: retail sewer charges of $74.6M, wholesale sewer charges of $11.3M, and retail and wholesale reclaimed water charges of $6.8M.

### Retail Sewer Charges

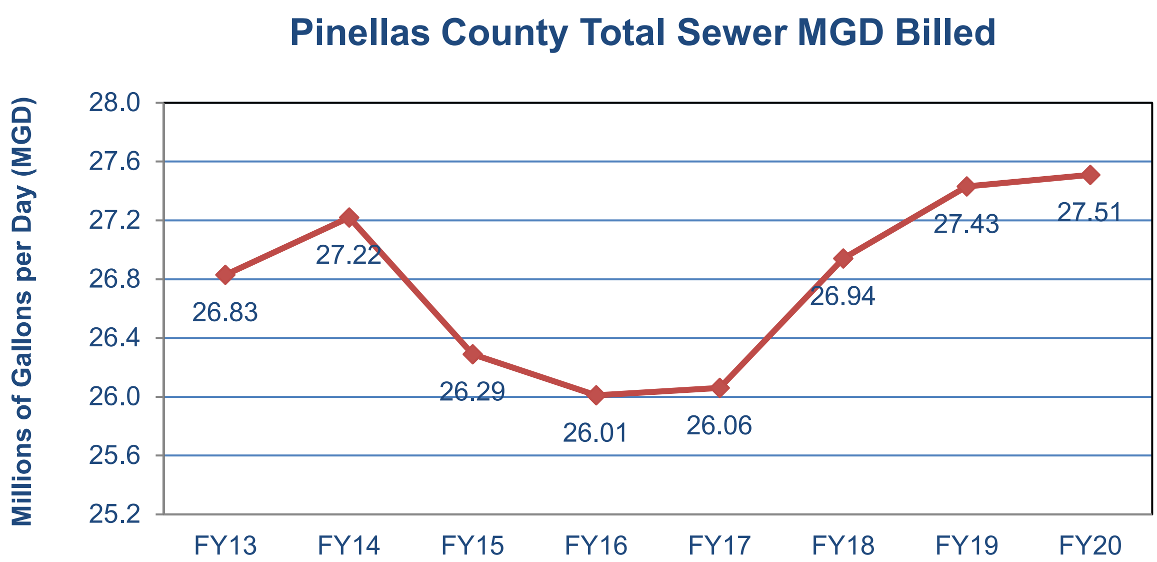
In FY19, an annual rate increase of 9.5% was adopted for FY20 through FY23, with a base rate of $16.38 per month and $5.98 per 1,000 gallons for retail sewer service in FY21. Prior to this approved rate increase, there were rate increases ranging from 1.0% to 6.0% in fiscal years 2010 through 2019. The customer base for retail sewer service is both commercial and residential properties in the Pinellas County Sewer service area.

### Wholesale Sewer Sales

The Sewer System charges $5.1617 per 1,000 gallons for wholesale sewer service in FY21, with an adopted rate increase of 9.5% per year for FY20 through FY23. Wholesale customers are three municipalities within Pinellas County (North Redington Beach, Pinellas Park, and Redington Shores) that purchase sewer service from the Sewer System in bulk after collecting it from their retail sewer customers.

# SEWER FUNDS

The following graph shows the recent history of the volume of wastewater billed by the Sewer System. The amount of wastewater processed is affected by economic conditions, housing and commercial vacancies, and levels of water usage.




<u>Retail Reclaimed Water Charges</u>

The Reclaimed Water System charges fixed rates depending upon the nature of the delivery system serving each customer. Unfunded, un-metered customers (systems without existing distribution lines) pay $19.00 per month and a $7.00 per month availability charge. Funded, un-metered customers (systems with pre-existing distribution lines) pay a per month rate of $22.00 for FY21. 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 (2.1% of total accounts) pay the volumetric rate of $1.47 per 1,000 gallons in FY21, with the remaining 97.9% of customers paying the flat monthly rate.

<u>Wholesale Reclaimed Water Charges</u>

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

**Expenditures**

The Sewer Funds support budgeted expenditures totaling $118.5M in FY21. The expenditures in the funds are $20.6M for personal services costs, $31.3M for operating expenses, $14.6M for debt service, and $51.9M for capital projects and equipment.

Personal Services

The Sewer System is budgeted for 220.8 full-time equivalent employees in FY21. The Personal Services expenditures of $20.6M are for the salaries and benefits of those positions needed to operate the Sewer System.

Operating Expenses

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

Debt Service

The Sewer System has $113.9M of debt principal outstanding as of September 30, 2020. The debt was issued to fund various sewer system capital projects and require annual principal and interest payments to the debt holders. From FY21 through FY28, the debt service requirement is between $14.6M and $14.7M. From FY29 through FY32, debt service payments fall to between $5.0M and $5.5M. The debt matures between 2024 and 2032. There is a proposed restructuring of debt being presented to the Board of County Commissioners in January 2020, which could result in net present value savings of a minimum of $4.9M.

Capital Improvements and Equipment

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

Reserves

The budgeted FY21 reserve level in the Sewer System is 27.3% of fund revenues, which is higher than the targeted reserve level of 25.5%. As a self-supporting enterprise, the Sewer System maintains budgeted reserves for cash flow and emergencies. Any reserves exceeding those needed for cash flow and emergencies are available to fund future capital needs.

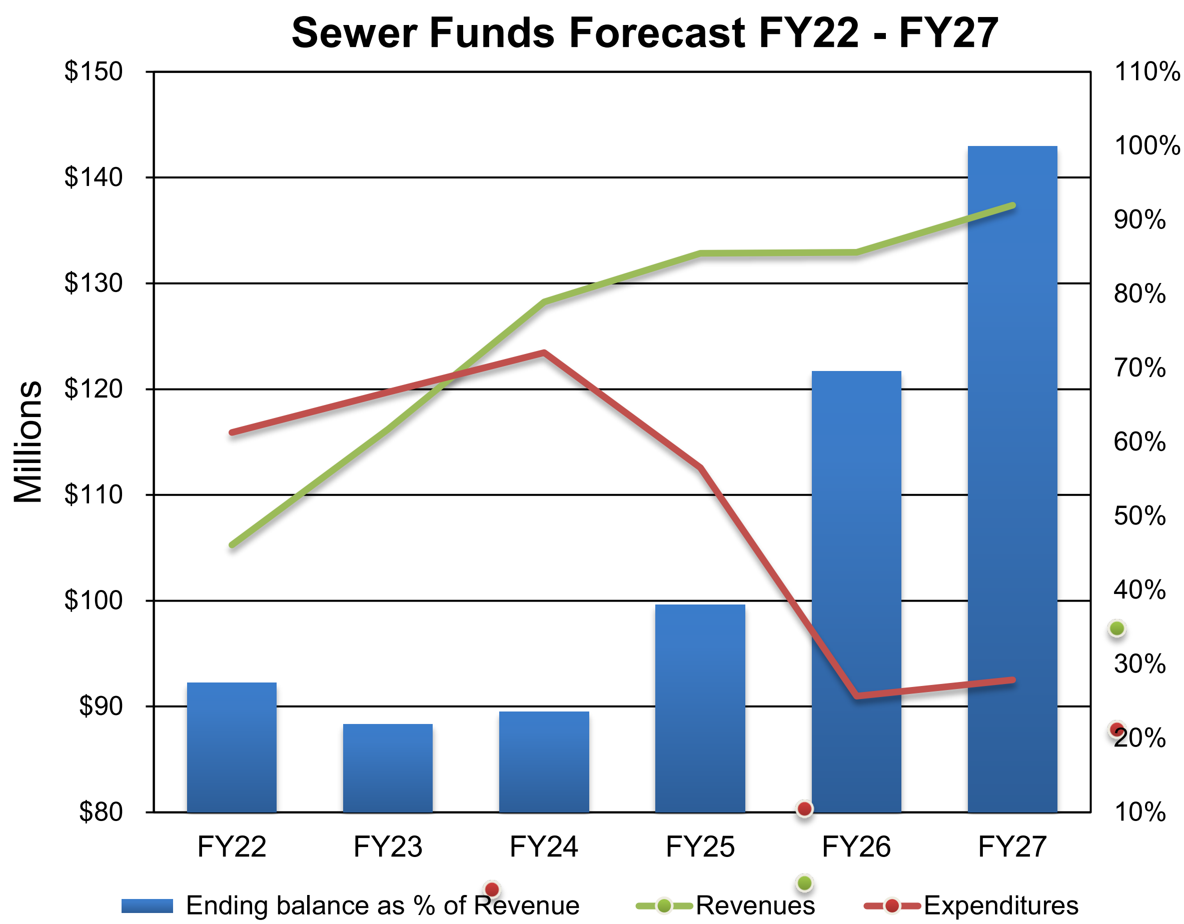
## Six-Year Forecast

Key Assumptions

Throughout the forecast period, the increase in total annual revenues will range from 0.1% to 10.3%, as driven by planned rate increases and grant funding for specific capital projects. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The Capital Improvements and Equipment forecast reflects the construction and purchase needs as estimated by staff.

To balance revenues with projected expenditures, the forecast includes rate increases approved through FY23. Stantec, independent consultants, computed that additional rate increases were necessary: 9.5% in FY24 and 3.0% for FY25 through FY27, for retail and wholesale sewer; 5.0%

in FY24 and 3.0% in FY25 through FY27, for retail and wholesale reclaimed water. There is also a 0.2% annual anticipated increase in revenue from sewer and reclaimed water charges for customer growth.




**Key Results**

The forecast for the Sewer System Funds shows that the approved and projected rate increases will provide sufficient revenues to maintain reserves and fund capital replacement needs. The Sewer Funds are structurally balanced.

**Potential Risks**

There are several factors 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. Findings from the Wastewater/Stormwater Partnership formed in October of 2016 have increased future capital project costs related to collection system improvements and facility upgrades. 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 multi-year rate increases approved during FY19, the Sewer System is balanced over the forecast period. Recurring revenues and reserve balances will be sufficient to cover projected expenditures and maintain sufficient reserves each year during the forecast period.

| FORECAST ASSUMPTIONS | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Sewer Charges - Retail | 9.7% | 9.7% | 9.7% | 3.2% | 3.2% | 3.2% |
| Sewer Charges - Wholesale | 9.7% | 9.7% | 9.7% | 3.2% | 3.2% | 3.2% |
| Reclaimed - Retail | 5.9% | 5.6% | 5.0% | 3.0% | 3.0% | 3.0% |
| Reclaimed - Wholesale | 5.9% | 5.6% | 5.0% | 3.0% | 3.0% | 3.0% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Power | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Chemicals | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **PROJECTED ECONOMIC CONDITIONS/INDICATORS:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**SEWER FUNDS FORECAST**
**Fund 4051, 4052, & 4053**

| (in $ thousands) | Actuals FY20 | Budget FY21 | Estimated FY21 | FORECAST Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **67,746.4** | **51,943.6** | **61,781.9** | **39,590.4** | **29,009.5** | **25,513.8** | **30,297.6** | **50,598.1** | **92,658.5** |
| **REVENUES*** | | | | | | | | | |
| Sewer Charges - Retail | 67,806.4 | 70,860.5 | 74,590.0 | 81,832.7 | 89,778.6 | 98,496.1 | 101,657.9 | 104,921.1 | 108,289.1 |
| Sewer Charges - Wholesale | 10,795.1 | 10,687.5 | 11,250.0 | 12,342.4 | 13,540.8 | 14,855.6 | 15,332.5 | 15,824.7 | 16,332.6 |
| Reclaimed - Retail | 5,965.9 | 5,985.0 | 6,300.0 | 6,671.7 | 7,044.0 | 7,396.2 | 7,618.1 | 7,846.6 | 8,082.0 |
| Reclaimed - Wholesale | 585.8 | 508.3 | 535.0 | 566.6 | 598.2 | 628.1 | 646.9 | 666.3 | 686.3 |
| Interest | 1,093.5 | 503.5 | 530.0 | 79.2 | 29.0 | 25.5 | 60.6 | 151.8 | 370.6 |
| Other Revenues | 3,233.4 | 3,021.5 | 3,127.9 | 3,824.8 | 5,224.2 | 6,839.2 | 7,563.3 | 3,636.1 | 3,719.7 |
| FEMA Reimbursement - IRMA | 518.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **TOTAL REVENUES** | **89,998.3** | **91,566.2** | **96,332.9** | **105,317.3** | **116,214.9** | **128,240.7** | **132,879.3** | **133,046.6** | **137,480.4** |
| % vs prior year | 8.5% | 5.1% | 7.0% | 9.3% | 10.3% | 10.3% | 3.6% | 0.1% | 3.3% |
| **TOTAL RESOURCES** | **157,744.7** | **143,509.8** | **158,114.8** | **144,907.7** | **145,224.3** | **153,754.6** | **163,176.8** | **183,644.7** | **230,138.9** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 17,660.4 | 20,643.6 | 20,643.6 | 21,124.4 | 21,782.9 | 22,462.4 | 23,163.5 | 23,887.0 | 24,633.6 |
| Operating Expenses | 15,357.2 | 16,718.9 | 16,718.9 | 17,103.5 | 17,548.2 | 17,934.2 | 18,310.8 | 18,713.7 | 19,144.1 |
| Power | 3,898.1 | 4,389.3 | 4,389.3 | 4,490.3 | 4,607.0 | 4,708.4 | 4,807.3 | 4,913.0 | 5,026.0 |
| Chemicals | 2,761.9 | 2,942.0 | 2,942.0 | 3,009.7 | 3,087.9 | 3,155.9 | 3,222.1 | 3,293.0 | 3,368.8 |
| Cost Allocation | 6,698.4 | 7,287.8 | 7,287.8 | 7,455.4 | 7,649.3 | 7,817.6 | 7,981.7 | 8,157.3 | 8,345.0 |
| Debt Service | 14,641.4 | 14,623.8 | 14,623.8 | 14,619.8 | 14,615.0 | 14,617.8 | 14,747.3 | 14,746.3 | 14,743.3 |
| Capital Equipment | 2,482.6 | 1,865.2 | 1,865.2 | 1,970.4 | 1,970.4 | 1,970.4 | 1,970.4 | 1,970.4 | 1,970.4 |
| Capital Improvements | 32,462.7 | 50,053.8 | 50,053.8 | 46,124.8 | 48,449.8 | 50,790.4 | 38,375.6 | 15,305.3 | 15,305.3 |
| **TOTAL EXPENDITURES** | **95,962.8** | **118,524.4** | **118,524.4** | **115,898.2** | **119,710.5** | **123,457.0** | **112,578.7** | **90,986.2** | **92,536.5** |
| % vs prior year | 16.5% | 5.4% | 23.5% | -2.2% | 3.3% | 3.1% | -8.8% | -19.2% | 1.7% |
| **TOTAL ENDING FUND BALANCE** | **61,781.9** | **24,985.4** | **39,590.4** | **29,009.5** | **25,513.8** | **30,297.6** | **50,598.1** | **92,658.5** | **137,602.4** |
| Ending balance as % of Revenue | 68.6% | 27.3% | 41.1% | 27.5% | 22.0% | 23.6% | 38.1% | 69.6% | 100.1% |
| **TOTAL REQUIREMENTS**** | **157,744.7** | **143,509.8** | **158,114.8** | **144,907.7** | **145,224.3** | **153,754.6** | **163,176.8** | **183,644.7** | **230,138.9** |
| **Debt Service Coverage** | **2.85** | **2.62** | **2.94** | **3.50** | **4.15** | **4.88** | **5.05** | **4.96** | **5.14** |
| **REVENUE minus EXPENDITURES** (NOT cumulative) | (5,964.5) | (26,958.2) | (22,191.6) | (10,580.9) | (3,495.6) | 4,783.7 | 20,300.5 | 42,060.4 | 44,943.9 |

Transfers between funds are excluded from revenues and expenditures.
*Revenues reflect the combined impact of changes in rate and/or levels of consumption. Other Revenues for FY21 through FY25 reflect SWFWMD grant income.
**Total Requirements do not include OPEB annual expense or OPEB cumulative liability as reflected in GAAP financial statements. These amounts are shown below.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| OPEB annual expense | (455.4) | (455.4) | (455.4) | (466.0) | (480.5) | (495.5) | (511.0) | (527.0) | (543.4) |
| OPEB cumulative (long-term liability) | 24,187.5 | 23,732.1 | 23,732.1 | 23,266.1 | 22,785.5 | 22,290.0 | 21,779.0 | 21,252.1 | 20,708.7 |

# SOLID WASTE FUNDS

**Description**

Pinellas County Code Chapter 106 mandates that the Department of Solid Waste (DSW) provide municipal solid waste disposal and recycling services for all County citizens and businesses. It does so by employing a safe and environmentally sound integrated solid waste services program. These services emphasize public outreach to enable citizens to make educated choices regarding responsible solid waste management.

DSW operates with a core strategy to reduce, reuse, recycle, recover, and dispose. Disposal of material in the landfill is the last resort. This strategy enables DSW to extend the life of the landfill. To that end, DSW provides public outreach programs through presentations, tours, event participation, and information provided through web and literature resources. Through site inspections, businesses are provided education for proper solid and hazardous waste management practices, compliance, and identification of waste reduction and recycling opportunities.

DSW offers recycling drop-off sites located in County parks and beaches. Yard waste is processed into mulch, which is used in County parks and offered free to the public. Reefs are constructed from discarded concrete and derelict vessels. The household electronic and chemical collection center offers reuse opportunities through the swap shop and works with contractors to maximize the recycling of collected chemicals and electronics. Metals recovered from waste are recycled.

Waste materials that are not recycled are received for recovery and disposal. Most materials are routed to the Waste-to-Energy (WTE) facility for recovery, where they are incinerated to generate electricity. The reduced volume of material ash is sent to the landfill as a recycled material used for cover. Metals are also recovered and recycled from the ash.

The landfill is used for disposal of non-burnable materials such as bricks and dirt, oversized materials that will not fit in the feed chutes at the WTE facility, materials received in excess of the WTE facility processing capacity, materials received when the WTE facility is unavailable due to maintenance, and WTE facility processed ash. Although total solid waste tons delivered to Solid Waste have increased an average of 1.7% annually since 2012, the efforts to reduce, reuse, recycle, and recover have resulted in maintaining the projected landfill life through 2099.

The Solid Waste Funds are enterprise funds and are committed solely to support DSW functions. DSW utilizes two funds: (1) Revenue and Operating, and (2) Renewal and Replacement (capital).

**Summary**

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

The forecast for the Solid Waste Funds indicates that the funds are not balanced throughout the forecast period. The current Power Purchase Agreement (PPA) with Duke Energy expires in December 2024. If the current agreement with Duke Energy to sell WTE power for revenue is not renegotiated, then DSW will be forced to enter into a new standard offer contract or sell electrical power on the open market. In either case, the forecast for Solid Waste Funds reflects a significant gap in revenue starting in FY25 due to the uncertainty regarding this agreement.

# SOLID WASTE FUNDS

**Revenues**

The Solid Waste Funds are projected to generate revenues in FY21 totaling $121.1M. The Solid Waste Funds consist almost exclusively of two primary funding sources: (1) tipping fees of $43.9M and (2) electrical capacity and electricity sales of $73.3M.

Tipping Fees

The current tipping fee is $42.15 per ton for all waste brought to the DSW campus. A multi-year rate study was conducted by a consultant in FY19. As a result of that rate study, the Board of County Commissioners (BCC) approved a three-year rate increase to the tipping fee, effective FY20 through FY22. The rate study included the potential to build a rate stabilization fund to minimize the impacts of anticipated future increases in fees. The Technical Management Committee (TMC), which is comprised of municipal, County, and private hauler representatives, continues to evaluate program options and tipping fees and makes annual recommendations to the BCC regarding tipping fee rate changes. No tipping fee changes are included in the forecast from FY23-27.

As an apparent result of COVID-19, DSW has experienced an approximate 2.0% overall decline of waste received at the facility between March 2020 – October 2020 when compared to 2019. It is anticipated that the remainder of FY21 will continue to experience a decline in tonnages of 2.0%. We further anticipate FY22 will return to pre-COVID-19 tonnages. Therefore, FY22 reflects an increase of 8.0% (tipping fee increase of 6.0% plus tonnage growth of 2.0%). For the balance of the forecast period, revenues are expected to remain steady as the volume of disposed waste remains flat.

Electrical Capacity and Electricity Sales

DSW and Duke Energy have a PPA in place for the WTE facility to provide Duke Energy with both electrical capacity and generated electricity. The revenue from this contract is defined by rates specified in the agreement, which expires in December 2024. DSW receives two streams of revenue as a result of this agreement: (1) electrical capacity revenue and (2) electricity sales revenue.

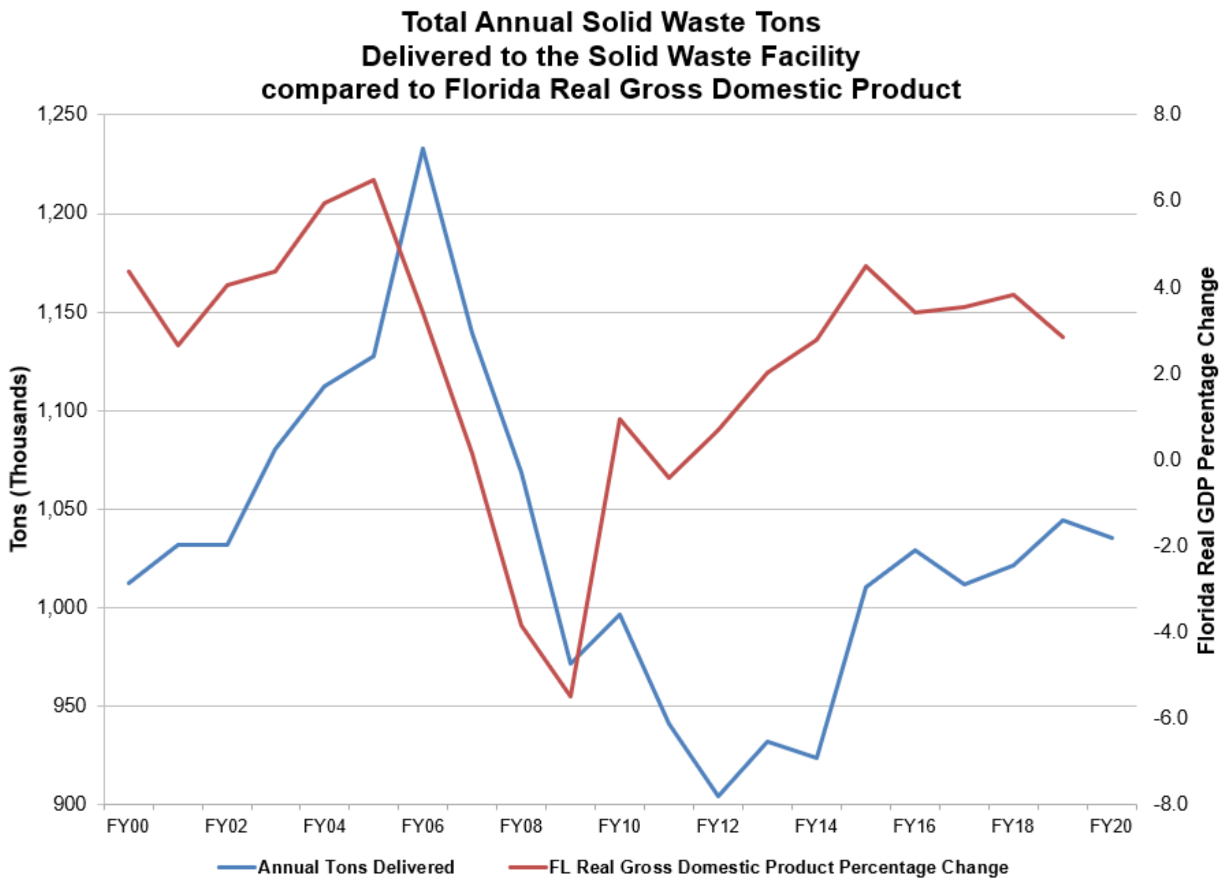
Electrical capacity revenue escalates at a fixed rate each year (6.4%) and is paid provided WTE facility operating capacity terms are fulfilled. Electricity sales revenue directly correlates with the amount of waste received and processed by the WTE facility. A 0.5% increase in electricity sales revenue is anticipated beginning in FY22 and continuing through FY24 due to increased waste processing efficiency after the planned WTE facility restoration work is completed. After December 2024, when the PPA expires, electricity sales revenue is expected to remain flat.

Recycling Revenue

DSW receives revenue for contract sales of recyclable materials that are brought to the campus, as well as metals recovered from the WTE facility process. Due to the metals market, Recycling Revenue is anticipated to remain constant throughout the forecast period. During the forecast period, DSW also plans to implement an enhanced process to recover more metals from the WTE facility ash. Anticipated incremental metals recovery revenue is approximately $500,000 annually, beginning FY23.

# SOLID WASTE FUNDS

The following graph shows the historical total annual waste tons delivered to the DSW campus. Tons delivered are impacted by economic activity and considered to be leading economic indicator.




Source: Pinellas County Solid Waste

**Expenditures**

The Solid Waste Funds support budgeted expenditures for FY21 totaling $104.3M. The expenditures in the funds are $35.5M for the WTE service contract, $29.7M for capital outlay and equipment, $12.4M for the landfill service contract, $19.2M for all other operating expenses, and $7.5M for Personal Services.

Capital Outlay and Equipment

DSW maintains its equipment, facilities, and plants utilizing revenues generated within its funds. Decisions regarding equipment/technology improvements and construction projects are based on asset condition assessments, permit or regulatory requirements, and availability of funds.

DSW recently completed a 30-year Master Plan, which the BCC approved in February 2020. Recommendations stemming from the plan may result in future capital improvement projects and/or operating expenses, which are not included in this forecast.

Waste-to-Energy Service Contract

DSW has a service contract with Covanta Projects, LLC (Covanta) to operate and maintain the WTE facility. The contract commenced in December 2014 and has a 10-year term. In FY21, general operating costs are expected to level off, consistent with waste delivery trends. Capital investment into the facility is expected to decrease due to the anticipated completion of WTE facility renovation projects.

Landfill Service Contract

DSW has a contract with Waste Management to operate the landfill. This contract commenced in August 2018 and has a 10-year term.

Operating Expenses

DSW incurs annual recurring costs for its other programs. Chemicals for the WTE facility operations and industrial water treatment facility, repair and maintenance, contract services, and liability insurance premiums are major components of DSW's operating expenses.

Personal Services

DSW is budgeted for 78.0 full-time equivalent employees in FY21. The Personal Services expenses of $7.5M are for the salaries and benefits of those positions needed to operate the Integrated Solid Waste Management System.

Reserves

The budgeted FY21 reserve level in the Solid Waste System is 196.6% of fund revenues, which is above the 41.0% target reserve level. DSW maintains the following reserves: $3.0M required reserves per the contract with Covanta, $18.8M for three months of operating expenses, $2.1M for continued funding of the vehicle replacement program, $25.0M for future capital needs, and the remaining $185.4M 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 anticipated as part of the Master Plan, but not yet included in this forecast, and to begin setting aside funds for the future post-closure care of the landfill. Florida Department of Environmental Protection estimates post-closure care costs to be approximately $45.9M in FY36.

**Six-Year Forecast**

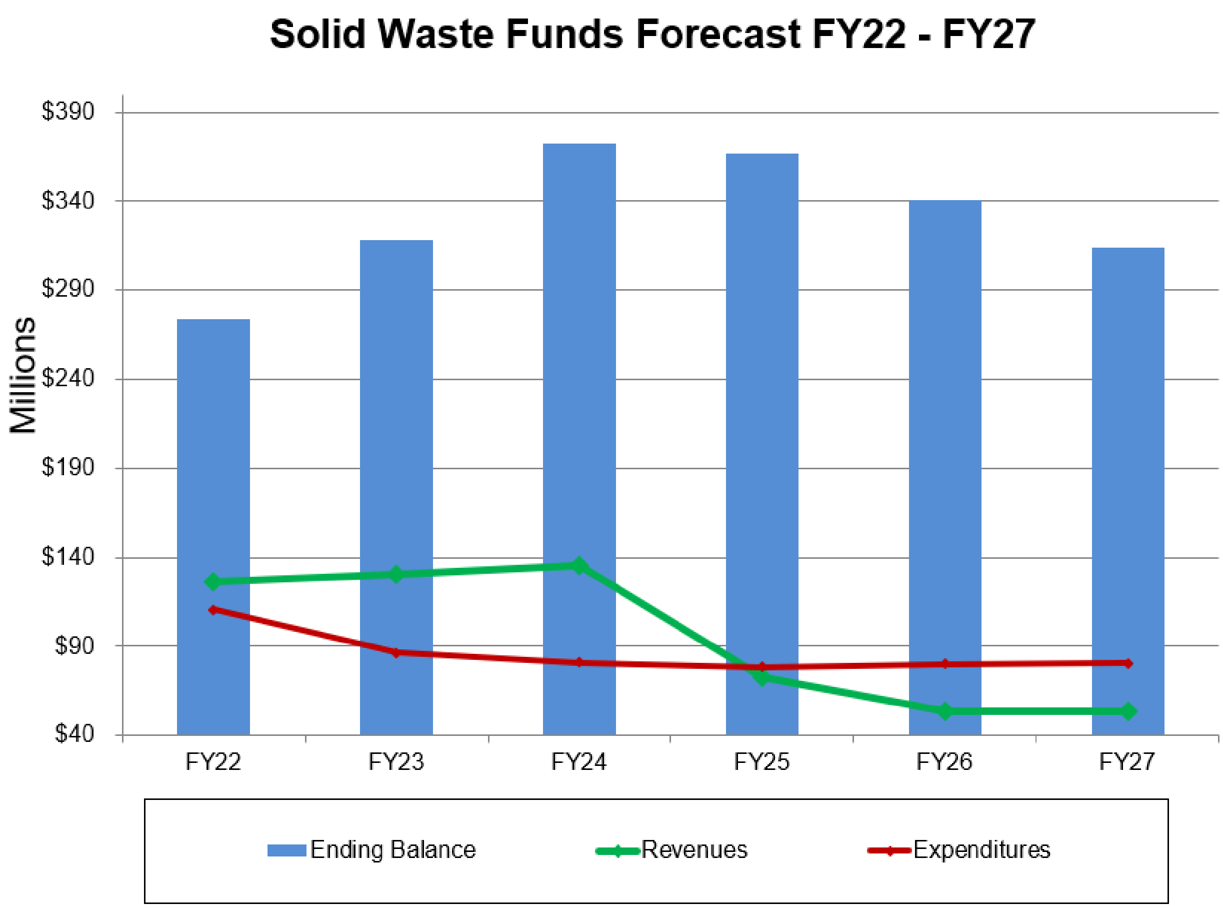
Key Assumptions

As previously mentioned, the BCC approved a three-year rate increase to tipping fees as a result of a multi-year rate study. The per ton tipping fees will increase 6.0% each year from FY20 through FY22. Beyond FY22, the forecast for tipping fee revenues is flat.

The forecast also includes electrical capacity revenue per the County's current PPA with Duke Energy. The PPA term will expire in December 2024. DSW continues PPA renegotiation discussions with Duke Energy to address potential revisions or extensions beyond the 2024 agreement expiration. At this time, the PPA has not been renegotiated. Therefore, the forecast reflects the termination of electrical capacity payments in December 2024.

The forecast also assumes a 0.5% increase in electricity sales from FY22 through FY24. With the forecasted termination of the PPA in December 2024, electricity sales revenue is anticipated to reduce by 57.4% in FY25. Additionally, the forecast assumes no change in recycling revenue.

For expenditures, Personal Services and Operating Expenses 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 asset condition assessments, permit or regulatory requirements, and availability of funds.




<u>Key Results</u>

The forecast for the Solid Waste Funds shows that revenues are sufficient to provide for expenditures through FY24. The forecast predicts that revenues will not be sufficient to provide for expenditures beginning FY25. This is a direct result of the loss of electrical capacity revenue. Therefore, the use of reserves will be required to meet remaining expenditure needs not only from FY25 through FY27 (as shown in the above graph), but also beyond the forecast period. This use of reserves is reflected in the ending fund balance reductions in the funds forecast graph above. It is estimated that the continued use of reserves to meet expenditure needs would deplete reserve levels in 2032.

As part of the FY19 rate study, the consultants addressed the 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. Future rate study updates may result in tipping fee modifications beyond FY22. Staff will continue the examination of cost estimates, future needs, and reserve funding options as part of the FY22 budget process.

**Potential Risks**

Some impacts 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.

Additionally, the current PPA with Duke Energy expires in 2024. If no contract extensions or supplemental contracts are negotiated to sell WTE facility power for revenue, the Solid Waste Funds will have a significant gap in revenue and expenditures starting in FY25. Lack of waste could also impact the capacity revenue, if contractual commitments for delivery of electricity are not met, resulting in a gap between revenue and expenditures.

**Balancing Strategies**

Pinellas County Code Chapter 106 mandates the TMC to evaluate the Solid Waste Funds and forecasts and make annual recommendations to the BCC regarding tipping fee rate changes. The anticipated revenue shortfall starting in FY25 will be factored into any potential future tipping fee rate changes that may be recommended. Another balancing strategy may include reductions in future capital projects.

**SOLID WASTE FUNDS FORECAST**
**Fund 4021 & 4023**

| Forecast Assumptions | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Tipping Fees | 8.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Electricity Sales | 0.5% | 0.5% | 0.5% | -57.4% | 0.0% | 0.0% |
| Electrical Capacity | 6.4% | 6.4% | 6.4% | -74.6% | -100.0% | 0.0% |
| Recycling Revenue | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Other revenues | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| WTE Service Fee | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Landfill Service Fee | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Grants & Aids | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Projected Economic Conditions / Indicators:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**SOLID WASTE FUNDS FORECAST**
**Fund 4021 & 4023**

| (in $ thousands) | Actual FY20 | Budget FY21 | FORECAST Estimated FY21 | Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **202,164.3** | **219,378.0** | **241,140.1** | **257,961.0** | **273,574.4** | **317,930.4** | **372,640.9** | **367,141.6** | **340,617.1** |
| **REVENUES** | | | | | | | | | |
| Tipping Fees | 42,207.7 | 42,510.0 | 43,852.4 | 47,360.6 | 47,360.6 | 47,360.6 | 47,360.6 | 47,360.6 | 47,360.6 |
| Electricity Sales | 8,431.6 | 8,581.7 | 9,033.3 | 9,078.5 | 9,123.9 | 9,169.5 | 3,901.9 | 3,901.9 | 3,901.9 |
| Electrical Capacity | 60,432.5 | 64,277.6 | 64,277.6 | 68,372.3 | 72,728.3 | 77,361.8 | 19,634.4 | 0.0 | 0.0 |
| Recycling Revenue | 579.6 | 727.0 | 765.3 | 765.3 | 765.3 | 765.3 | 765.3 | 765.3 | 765.3 |
| Incremental Metals Pilot Program Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 |
| Interest | 4,880.6 | 1,812.4 | 1,907.8 | 515.9 | 273.6 | 317.9 | 745.3 | 1,101.4 | 1,362.5 |
| Other Revenues | 366.5 | 26.2 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 |
| Reimbursement - Irma | 52.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reimbursement - Red Tide, JPA with FDOT | 0.0 | 1,255.2 | 1,255.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grants (e.g. Artificial Reef, etc.) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **TOTAL REVENUES *** | **116,950.5** | **119,190.1** | **121,118.7** | **126,119.7** | **130,778.6** | **135,502.1** | **72,934.6** | **53,656.3** | **53,917.3** |
| % vs prior year | | 1.9% | 3.6% | 4.1% | 3.7% | 3.6% | -46.2% | -26.4% | 0.5% |
| **TOTAL RESOURCES** | **319,114.8** | **338,568.1** | **362,258.8** | **384,080.6** | **404,353.0** | **453,432.5** | **445,575.4** | **420,797.8** | **394,534.4** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 6,384.1 | 7,516.7 | 7,516.7 | 7,691.8 | 7,931.6 | 8,179.0 | 8,434.3 | 8,697.7 | 8,969.6 |
| Operating Expenses | 8,892.3 | 12,866.1 | 12,866.1 | 13,162.1 | 13,504.3 | 13,801.4 | 14,091.2 | 14,401.2 | 14,732.4 |
| WTE Contract Service | 33,271.1 | 35,518.4 | 35,518.4 | 31,220.3 | 32,032.1 | 32,736.8 | 33,424.2 | 34,159.6 | 34,945.2 |
| Landfill Contract Service | 12,202.4 | 12,441.1 | 12,441.1 | 12,727.2 | 13,058.1 | 13,345.4 | 13,625.6 | 13,925.4 | 14,245.7 |
| Grants & Aids | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 |
| Cost Allocations | 5,322.0 | 5,741.9 | 5,741.9 | 5,874.0 | 6,026.7 | 6,159.3 | 6,288.6 | 6,427.0 | 6,574.8 |
| Capital Equipment | 40.7 | 743.3 | 743.3 | 533.5 | 533.5 | 533.5 | 533.5 | 533.5 | 533.5 |
| Capital Outlay | 11,400.8 | 28,970.4 | 28,970.4 | 38,797.4 | 12,836.4 | 5,536.4 | 1,536.4 | 1,536.4 | 0.0 |
| **TOTAL EXPENDITURES** | **78,013.4** | **104,297.9** | **104,297.9** | **110,506.2** | **86,422.6** | **80,791.7** | **78,433.9** | **80,180.8** | **80,501.2** |
| % vs prior year | | 33.7% | 33.7% | 6.0% | -21.8% | -6.5% | -2.9% | 2.2% | 0.4% |
| **TOTAL ENDING FUND BALANCE** | **241,101.4** | **234,270.2** | **257,961.0** | **273,574.4** | **317,930.4** | **372,640.9** | **367,141.6** | **340,617.1** | **314,033.1** |
| Ending balance as % of Revenue | 206.2% | 196.6% | 213.0% | 216.9% | 243.1% | 275.0% | 503.4% | 634.8% | 582.4% |
| **TOTAL REQUIREMENTS **** | **319,114.8** | **338,568.1** | **362,258.8** | **384,080.6** | **404,353.0** | **453,432.5** | **445,575.4** | **420,797.8** | **394,534.4** |
| **REVENUE minus EXPENDITURES** (NOT cumulative) | **38,937.1** | **14,892.3** | **16,820.8** | **15,613.4** | **44,356.0** | **54,710.4** | **(5,499.3)** | **(26,524.5)** | **(26,583.9)** |

* Revenues reflect the combined impact of changes in rates and/or levels of consumption.
** Total Requirements do not include OPEB annual expense or OPEB cumulative liability as reflected in GAAP financial statements. These amounts are shown below.

| | FY20 | FY21 Budget | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|---|---|---|
| OPEB annual expense | 112.9 | 116.5 | 116.5 | 119.3 | 123.0 | 126.8 | 130.8 | 134.9 | 139.1 |
| OPEB cumulative (long-term liability) | 9,324.4 | 9,440.9 | 9,440.9 | 9,560.2 | 9,683.2 | 9,810.0 | 9,940.8 | 10,075.6 | 10,214.7 |

# 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 residential, commercial, and industrial 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 Pinellas County Water System funds shows that the multi-year rate increases approved in May of 2019 will provide sufficient revenues to maintain reserves and fund capital replacement needs through the forecast period. This assumes that the 1.0% annual rate increase through FY23 is extended through FY27. The Water Funds are structurally balanced through the forecast period.

## Revenues

The Water Funds are projected to generate revenues totaling $98.2M in FY21. The Water Funds have two primary funding sources: retail water sales of $76.0M and wholesale water sales of $16.0M.

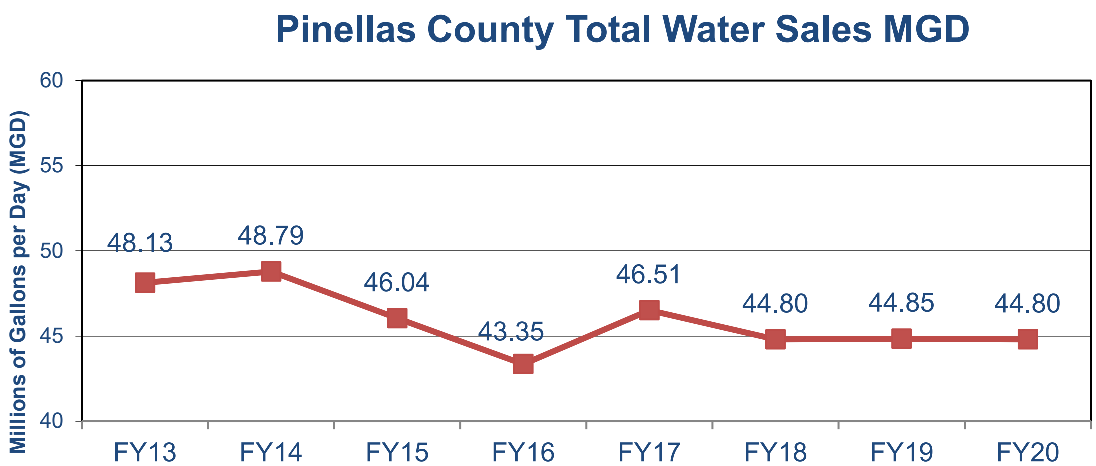
### Retail Water Sales

The Water System charges a per month base rate between $6.80 and $275.40, depending on the size of the meter; and $5.13 per 1,000 gallons for retail water service in FY21. The only increase from FY19 was the addition of base rate charges for meters of one inch or larger, affecting approximately 8.0% of the customer base. The volume of water sold increased 1.2% from FY13 to FY20.

### Wholesale Water Sales

The Water System rate for FY21 is $4.2159 per 1,000 gallons for wholesale water service. Wholesale Water Sales provide water to the municipalities of Clearwater, Tarpon Springs, Safety Harbor, Oldsmar, Belleair, and Pinellas Park. The volume of water sold declined 27.0% from FY13 to FY20, which can be attributed to the development of independent water sources by wholesale customers (Clearwater, Tarpon Springs, and Oldsmar). The forecast includes an additional decline of water purchased in FY23 by the City of Clearwater.

The following graph shows the recent history of the volume of total water sales by the Water System. Total water sales decreased 6.9% from 48.1 million gallons per day (MGD) in FY13 to 44.8 MGD in FY20. The amount of water sold can be affected by economic conditions, housing and commercial vacancies, rainfall, and levels of water conservation, as seen in this graph. Although the volume of water sales has decreased, the amount of water sales revenue over the same time period may reflect an increase in certain years, based on any annual rate increases approved by the Board of County Commissioners.




**Expenditures**

The Water Funds support budgeted expenditures totaling $104.5M in FY21. The expenditures in the fund are $43.5M for the purchase of water, $17.7M for personal services, $16.9M for operating expenses (excluding the purchase of water), and $26.3M for capital projects and equipment.

<u>Purchase of Water</u>

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 Inter-local 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 its adopted budget and collects those rates from all members, according to the Master Water Supply Contract.

<u>Personal Services</u>

The Water System is budgeted for 204.6 full-time equivalent employees in FY21. The Personal Services expenditures of $17.7M are for the salaries and benefits of those positions needed to operate the Water System.

<u>Operating Expenditures</u>

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 Improvements and Equipment

The Water System must maintain its equipment, facilities, pipelines, and plants in good working order, using revenues generated within its funds. Capital improvements and equipment reflect the construction and purchase needs as estimated by staff.

Reserves

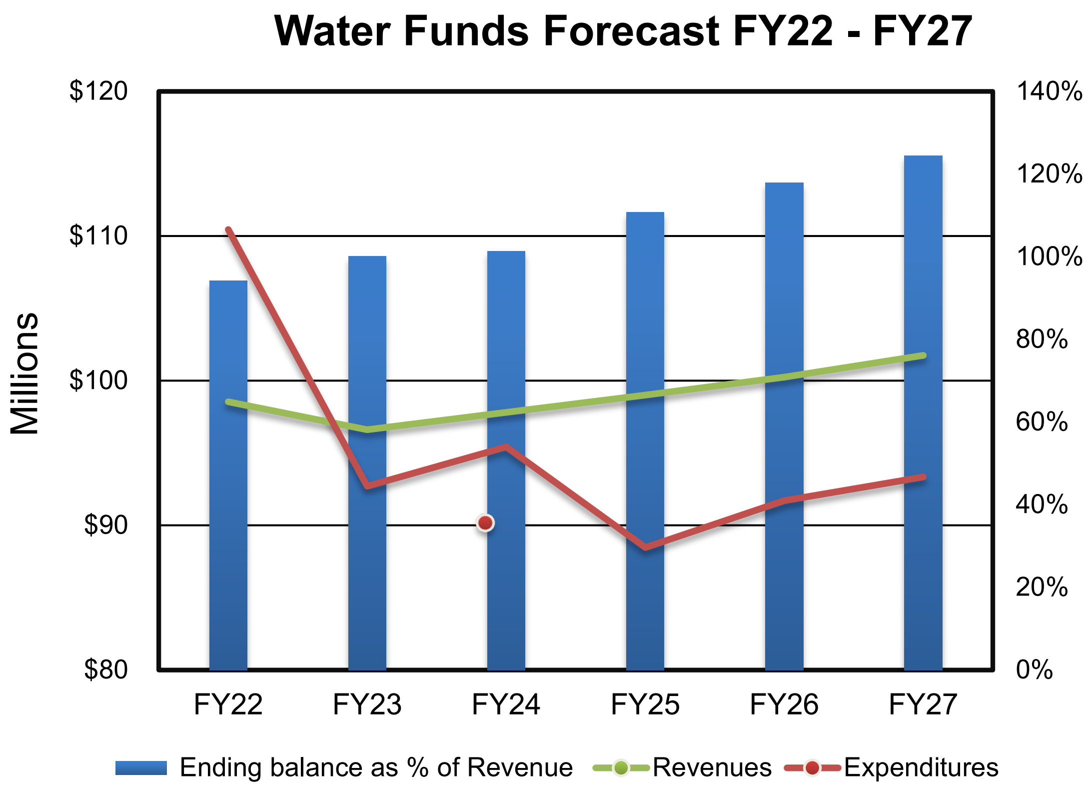
The budgeted FY21 reserve level in the Water System is 98.7% of fund revenues, which is above the target reserve level of 26.7%. As a self-supporting enterprise, the Water System maintains $43.8M of budgeted reserves for cash flows and emergencies and $48.3M to fund future capital needs.

**Six-Year Forecast**

Key Assumptions

The forecast assumes water sales revenues will increase 1.2% annually, with FY23 wholesale revenues decreasing 18.2%, primarily due to the anticipated reduction in volume purchased by the City of Clearwater. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The purchase of water from Tampa Bay Water is projected to increase by 1.5% each year of the forecast period, based on the rate study completed in May of 2019. FY23 shows a drop in this purchase, due to reduced volume needed by the City of Clearwater. The Capital Improvements and Equipment forecast reflects the construction and purchase needs as estimated by staff.

To balance revenues with projected expenditures, the forecast includes rate increases through FY23 of 1.0% per year for both retail and wholesale water, as adopted by the Board in FY19. Stantec, independent consultants, computed that rate increases for FY24 through FY27 are needed at 1.0% 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. There is also a 0.2% annual anticipated increase in water sales revenue for customer growth.




**Key Results**

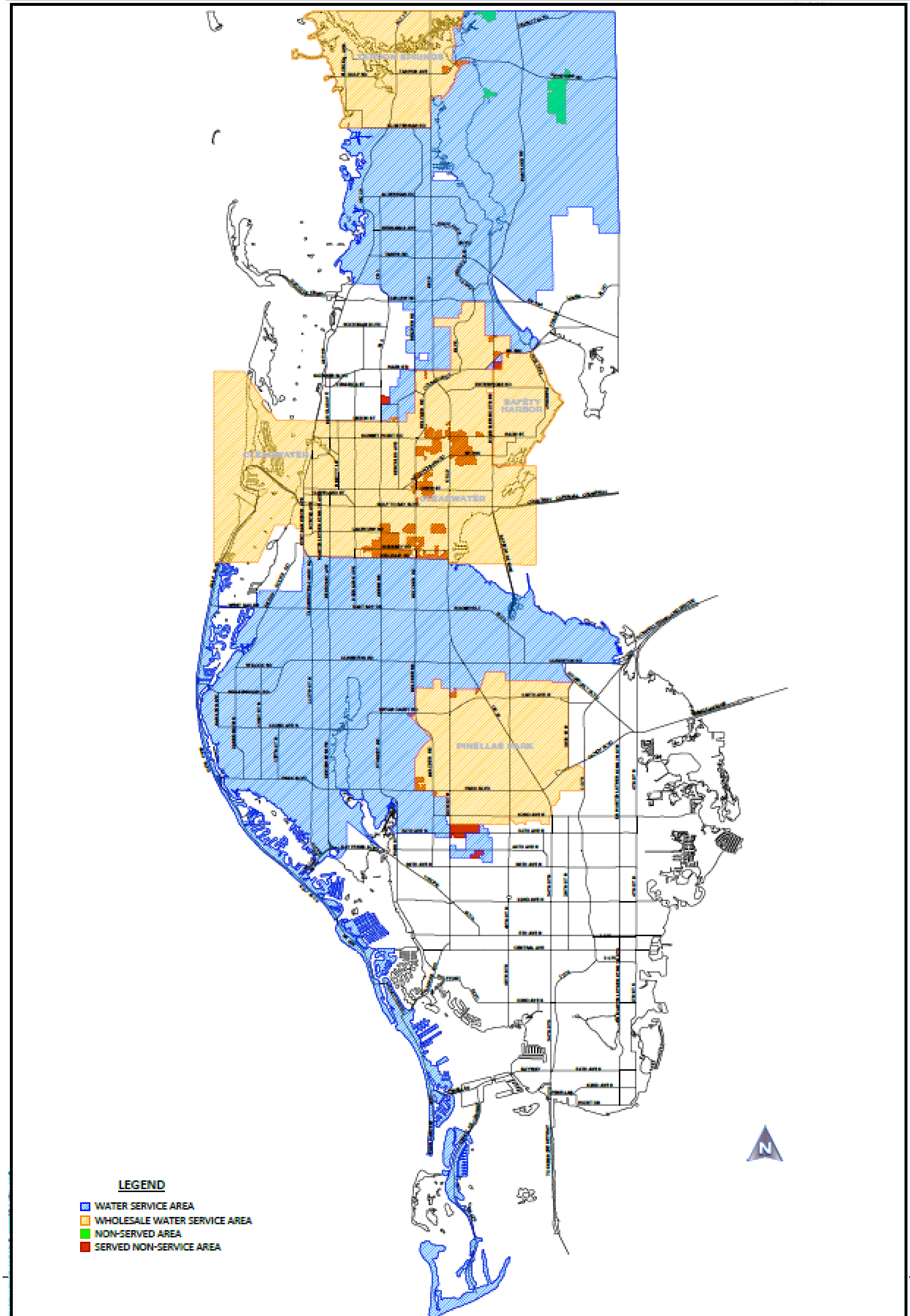
The forecast for the Water System Funds shows that the approved and projected rate increases will provide sufficient revenues to maintain reserves and fund capital replacement needs. The Water Funds are structurally balanced.

**Potential Risks**

There are several factors that can alter the six-year forecast of the Water System. Any future economic decline could reduce water demand, which would impact revenues more than expenses. Operating costs (including the purchase of water from Tampa Bay Water) could increase more than projected. Any disruptions to the governance of Tampa Bay Water could impact the purchased water cost. 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 FY19, the Water System is balanced over the forecast period. Recurring revenues and reserve balances will be sufficient to cover projected expenditures and maintain sufficient reserves each year during the forecast period.




PINELLAS COUNTY UTILITIES WATER SERVICE AREAS

**WATER FUNDS FORECAST**
**Fund 4031, 4034, & 4036**

| FORECAST ASSUMPTIONS | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Water Sales-Retail | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% |
| Water Sales-Wholesale | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% |
| Interest | 0.2% | 0.1% | 0.1% | 0.2% | 0.3% | 0.4% |
| Other revenues | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **EXPENDITURES** | | | | | | |
| Personal Services | 2.3% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% |
| Operating Expenses | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Purchase of Water | 1.5% | -18.2% | 1.5% | 1.5% | 1.5% | 1.5% |
| Power | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| Chemicals | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| **PROJECTED ECONOMIC CONDITIONS/INDICATORS:** | | | | | | |
| Consumer Price Index, % change | 2.3% | 2.6% | 2.2% | 2.1% | 2.2% | 2.3% |
| FL Per Capita Personal Income Growth | -4.6% | 0.9% | 1.4% | 1.8% | 1.5% | 1.2% |

**WATER FUNDS FORECAST**
**Fund 4031, 4034, & 4036**

| (in $ thousands) | Actuals FY20 | Budget FY21 | Estimated FY21 | FORECAST Estimated FY22 | Estimated FY23 | Estimated FY24 | Estimated FY25 | Estimated FY26 | Estimated FY27 |
|---|---|---|---|---|---|---|---|---|---|
| **BEGINNING FUND BALANCE** | **102,319.3** | **103,261.0** | **110,951.3** | **104,738.4** | **92,924.7** | **96,830.3** | **99,210.0** | **109,861.4** | **118,636.7** |
| **REVENUES*** | | | | | | | | | |
| Water Sales - Retail | 72,496.4 | 72,200.0 | 76,000.0 | 76,896.8 | 77,804.2 | 78,722.3 | 79,651.2 | 80,591.1 | 81,542.1 |
| Water Sales - Wholesale | 15,367.5 | 15,210.5 | 16,011.0 | 16,199.9 | 13,245.5 | 13,401.8 | 13,559.9 | 13,722.6 | 13,887.3 |
| Interest | 1,650.8 | 962.9 | 1,013.6 | 209.5 | 92.9 | 96.8 | 198.4 | 329.6 | 474.5 |
| Other Revenues | 5,159.2 | 4,953.4 | 5,214.1 | 5,334.0 | 5,472.7 | 5,593.1 | 5,710.6 | 5,836.2 | 5,970.4 |
| FEMA Reimbursement - IRMA | 172.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **TOTAL REVENUES** | **94,846.2** | **93,326.7** | **98,238.7** | **98,640.2** | **96,615.3** | **97,814.0** | **99,120.1** | **100,479.5** | **101,874.3** |
| % vs prior year | -0.6% | 3.5% | 3.6% | 0.4% | -2.1% | 1.2% | 1.3% | 1.4% | 1.4% |
| **TOTAL RESOURCES** | **197,165.6** | **196,587.7** | **209,189.9** | **203,378.6** | **189,540.0** | **194,644.3** | **198,330.1** | **210,341.0** | **220,511.1** |
| **EXPENDITURES** | | | | | | | | | |
| Personal Services | 15,008.3 | 17,731.3 | 17,731.3 | 18,144.3 | 18,709.9 | 19,293.5 | 19,895.7 | 20,517.2 | 21,158.4 |
| Operating Expenses | 6,103.3 | 6,391.8 | 6,391.8 | 6,538.8 | 6,708.8 | 6,856.4 | 7,000.4 | 7,154.4 | 7,318.9 |
| Purchase of Water | 41,218.3 | 43,500.0 | 43,500.0 | 44,152.5 | 36,100.2 | 36,641.7 | 37,191.4 | 37,749.2 | 38,315.5 |
| Power | 871.5 | 900.9 | 900.9 | 921.6 | 945.6 | 966.4 | 986.7 | 1,008.4 | 1,031.6 |
| Chemicals | 831.8 | 793.0 | 793.0 | 811.2 | 832.3 | 850.6 | 868.5 | 887.6 | 908.0 |
| Cost Allocation | 8,420.1 | 8,700.5 | 8,700.5 | 8,900.6 | 9,132.0 | 9,332.9 | 9,528.9 | 9,738.6 | 9,962.6 |
| Debt Service | 154.8 | 150.0 | 150.0 | 153.5 | 157.4 | 160.9 | 164.3 | 167.9 | 171.8 |
| Capital Equipment | 1,795.9 | 300.9 | 300.9 | 956.0 | 956.0 | 956.0 | 956.0 | 956.0 | 956.0 |
| Capital Improvements | 11,810.4 | 25,983.2 | 25,983.2 | 29,875.5 | 19,167.5 | 20,375.8 | 11,876.8 | 13,525.0 | 13,525.0 |
| **TOTAL EXPENDITURES** | **86,214.3** | **104,451.6** | **104,451.6** | **110,453.9** | **92,709.7** | **95,434.3** | **88,468.6** | **91,704.2** | **93,347.8** |
| % vs prior year | 1.5% | -1.2% | 21.2% | 5.7% | -16.1% | 2.9% | -7.3% | 3.7% | 1.8% |
| **TOTAL ENDING FUND BALANCE** | **110,951.3** | **92,136.2** | **104,738.4** | **92,924.7** | **96,830.3** | **99,210.0** | **109,861.4** | **118,636.7** | **127,163.3** |
| Ending balance as % of Revenue | 117.0% | 98.7% | 106.6% | 94.2% | 100.2% | 101.4% | 110.8% | 118.1% | 124.8% |
| **TOTAL REQUIREMENTS**** | **197,165.6** | **196,587.7** | **209,189.9** | **203,378.6** | **189,540.0** | **194,644.3** | **198,330.1** | **210,341.0** | **220,511.1** |
| **REVENUE minus EXPENDITURES** (NOT cumulative) | 8,631.9 | (11,124.8) | (6,212.9) | (11,813.7) | 3,905.6 | 2,379.7 | 10,651.5 | 8,775.3 | 8,526.6 |

Transfers between funds are excluded from revenues and expenditures.
*Revenues reflect the combined impact of projected changes in rates and/or levels of consumption.
**Total Requirements do not include OPEB annual expense or OPEB cumulative liability as reflected in GAAP financial statements. These amounts are shown below.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| OPEB annual expense | (147.0) | (147.0) | (147.0) | (150.4) | (155.1) | (159.9) | (164.9) | (170.1) | (175.4) |
| OPEB cumulative (long-term liability) | 22,537.6 | 22,390.6 | 22,390.6 | 22,240.2 | 22,085.1 | 21,925.2 | 21,760.3 | 21,590.2 | 21,414.8 |

# Glossary

# 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.

**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 six-year Capital Improvement 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.

**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, land, or other infrastructure 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** - Elected officials who administer a specific function of County government and are directly accountable to the public for its proper operation. Constitutional Officers are established by the State Constitution and include the Clerk of the Circuit Court and Comptroller, the Property Appraiser, the Sheriff, the Supervisor of Elections, and the Tax Collector.

# GLOSSARY

**COVID-19** - Coronavirus disease 2019 (COVID-19) is caused by a new coronavirus first identified in Wuhan, China, in December 2019. The highly contagious respiratory disease caused by the SARS-CoV-2 virus and spread from person to person through droplets released when an infected person coughs, sneezes, or talks. The most common symptoms include fever, cough and trouble breathing. Muscle pain, chills, headache, sore throat, and a loss of taste or smell may also occur. Symptoms usually appear two to 14 days after exposure to the SARS-CoV-2 virus.

**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 (e.g., 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 (e.g., 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 Chief Judge, the State Attorney, the Public Defender, and five Constitutional Officers: the Clerk of the Circuit Court and Comptroller, 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 proprietary 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 operation is self-sustaining such that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

**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 is the value of the goods and services produced by the nation’s economy less the value of the goods and services used up in production. GDP is also equal to the sum of personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment.

**Gross Domestic Product by state** - the market value of goods and services produced by the labor and property located in a state. GDP by state is the state counterpart of the Nation's GDP, the Bureau of Economic Analysis’ featured and most comprehensive measure of U.S. economic activity.

**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 proprietary 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.

# GLOSSARY

**Metropolitan Statistical Area (MSA)** – MSA is a formal definition of a metropolitan area established by the United States Office of Management and Budget division. MSAs are used to group counties and cities into specific geographical 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).

**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 as sources of income.

**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 Income -** The income received by, or on behalf of, all persons from all sources: from participation as laborers in production; from owning a home or business; from the ownership of financial assets; and from government and business in the form of transfers. It includes income from domestic sources as well as the rest of the world. It does not include realized or unrealized capital gains or losses.

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

**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** – Non-spendable funds that are set aside 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.

**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 defined within Florida Statutes.

**Save Our Homes Amendment (SOH)** – This Constitutional Amendment was approved by Florida voters in 1992, and it took effect on the 1995 tax rolls. SOH limits, or caps the annual increase in assessed value of property that has a homestead exemption. It 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 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 (e.g., 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 an Interfund Transfer.

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

# GLOSSARY