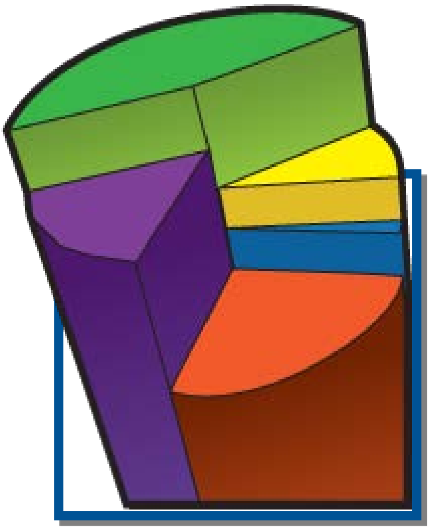
Budget Forecast
FY19 – FY24



Pinellas County, Florida
Office of Management & Budget

Pinellas County

Introduction

Pinellas County

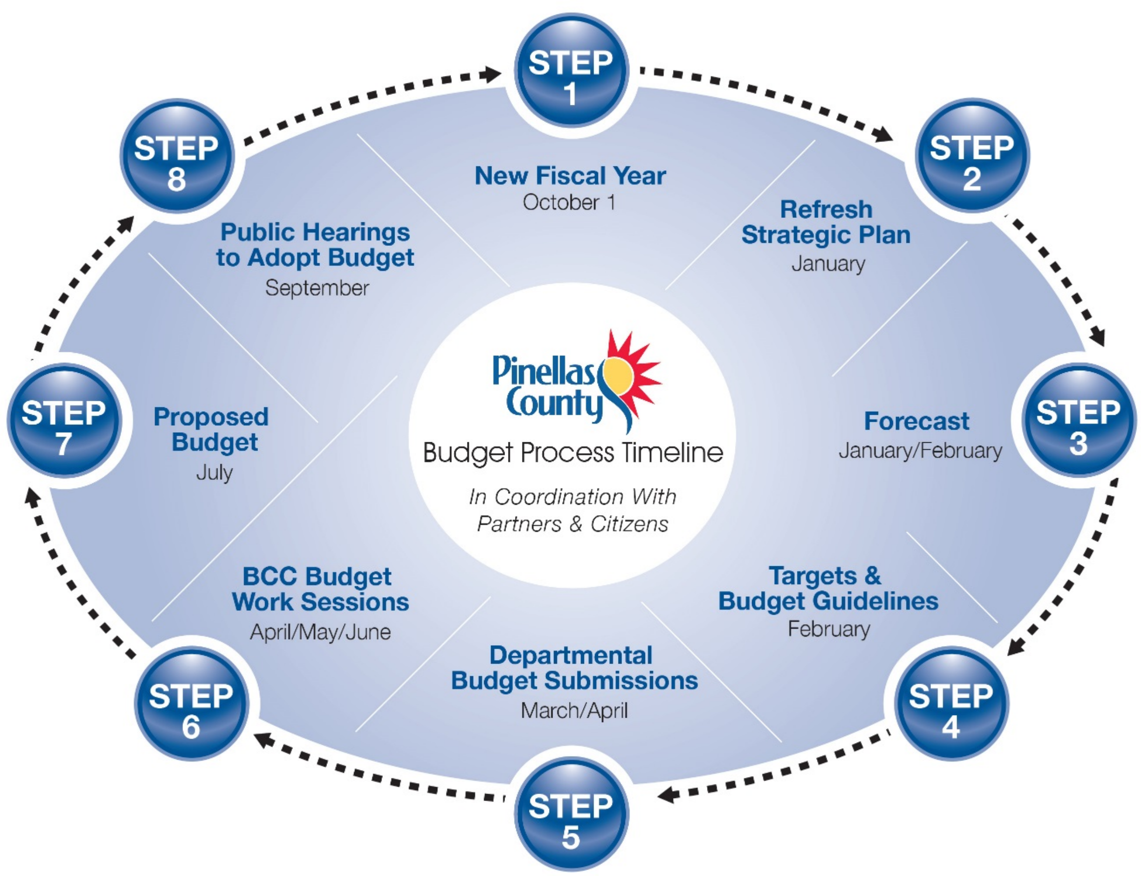
INTRODUCTION

The *Introduction* section of the Budget Forecast: FY19 – FY24 discusses how the Forecast dovetails with the annual budget process, how the Forecast is developed, and how the Forecast can be used as a planning tool to enhance decision-making. It includes the following sections:

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

Forecasting and the Annual Budget Process

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 FY19 budget process.



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

Development of Budget Guidelines

The budget guidelines are developed by County Administration based on the results of the Forecast and policy direction from the Board. If the results of the Forecast for a given fund indicate a shortfall, the budget guidelines would most likely include some kind of corrective action. If a surplus is expected, the guidelines would most likely accommodate proposals for new or enhanced programs or reductions in revenue sources. The budget guidelines are communicated to the County's departments and agencies for use during their budget development. At this time, all instructions and resources for preparing budget requests are also distributed.

Updating the Forecast

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

Developing the Forecast

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

Developing Projections

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

The process for developing the Forecast includes replacing the projections for FY17 with actual revenue and expenditure information following the close out of the fiscal year as of September 30, 2017. At the same time, the current FY18 revenues and expenditures are projected on a preliminary basis by analyzing the actual revenues and expenditures to date and projecting the remaining months left in the fiscal year. These projections are further refined later in the process as departments provide their projections. The coming FY19 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 FY24 are forecast using various projection methods such as trend analysis, linear regression, and moving averages.

Forecast Assumptions

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

Forecast Results

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

Purpose of the Forecast

Developing a multi-year forecast provides decision-makers with at least two key benefits: (1) assessing the long-term financial sustainability of the County's funds and (2) understanding the impact of today's decisions on the future.

Long-Term Fiscal Sustainability

One of the key purposes of developing a multi-year fund forecast is to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure fiscal sustainability. Forecasting over a six-year horizon can serve as a window into the future to diagnose 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 to certain programs or other uses.

Enhanced Decision-Making

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

Using This Document

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

Pinellas
County

Executive Summary

Pinellas County

EXECUTIVE SUMMARY

Introduction

This is the ninth year that the Budget Forecast has been formalized into a stand-alone document. The first step in the annual budget process is to update the Budget Forecast in order to develop the budget guidelines for the FY19 budget process. Developing a multi-year forecast provides decision-makers with at least two key benefits: (1) assessing the long-term financial sustainability of the County's funds and (2) understanding the impact of today's decisions on the future.

Economic Overview

The national economy appears to be on track for a sustainable recovery and is anticipated to grow by 1.9% to 2.5% annually during the forecast period. The State's economy continues to improve as population growth, tourism, and the housing market all continue to post strong results. As the national economy continues to improve, Pinellas County is poised to take advantage of the broader recovery. One of the biggest and most visible industries in the County is tourism, which continues to set revenue collection records. For FY19, the property tax base is expected to show positive growth again following five years of decline from FY09 to FY13.

General Fund Forecast

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

Tourist Development Council Fund Forecast

The forecast shows the Tourist Development Council Fund is balanced through FY24 based on the assumption that expenditures would be adjusted to reflect any revenue increases or decreases that may occur. Tourist Development Tax revenue is estimated to grow by 15.9% in FY18 compared to FY17. Revenue is projected to increase by another 4.0% in FY19 and 3.5% annually from FY20 – FY24.

Expenditures are projected to increase by 85.0% in FY18 as the CVB begins payment on the capital projects approved by the BCC in FY17 ($19.2M), along with increased spending on beach renourishment projects, increased personnel costs, and additional spending on advertising the destination.

With the addition of the capital program expenditures, expenses are expected to exceed revenue in FY19 and the planned use of capital fund balance will balance the fund. 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 can be used by the BCC to fund projects that will benefit the economy of Pinellas County and comply with allowable use of TDT.

Transportation Trust Fund Forecast

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. The fund balance is used each year to offset the variance.

Capital Projects Fund Forecast

In FY19, expenditures exceed revenues due to project schedules. Beginning in FY20 and continuing through the remainder of the forecast, revenues are shown to exceed expenditures. The recent approval of Penny IV occurred after the FY18 budget was approved and therefore the Penny IV projects have not yet been approved for appropriation. Expenditures in FY20 – FY24 reflect only those projects that are not Penny funded such as Advanced Traffic Management Systems and Coastal Management projects.

The County has adopted a “portfolio” approach to Capital Improvement Projects. All departments are required to view their projects in a systemic and holistic manner. Projects will be prioritized that can provide the County with multiple benefits; for example, that will improve drainage, reduce stormwater/wastewater overflows, and provide infrastructure to support economic development. County staff and administration are working on a process improvement for prioritizing projects and managing projects to enhance output, reporting, and decision support.

Emergency Medical Services Fund Forecast

The current millage of 0.9158 with the use of reserves is projected to support the current service delivery system but does not allow the fund to remain above the Board-adopted reserve target of 25.0% through FY24. The fund reserve is projected to end FY18 at 24.5% and decrease to 20.4% by FY24.

Airport Fund Forecast

The forecast for the Airport Revenue and Operating Fund shows that the fund is balanced throughout the forecast period. This presumes the timing of capital projects may need to be adjusted to reflect the timing and amounts of any grant revenues, changing priorities, or capacity issues. Other adjustments to operating expenses may be required to match operating revenues.

Water Funds Forecast

The forecast for the Water System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY24. The Water Funds are structurally balanced through the forecast period.

Sewer Funds Forecast

The forecast for the Sewer System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves, sustain the targeted debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. Throughout the forecast period, expenditures will exceed revenues, using fund balance to complete major capital projects. The Sewer Funds are not structurally balanced through the forecast period.

Solid Waste Funds Forecast

The forecast for the Solid Waste Funds shows that the funds are balanced through the forecast period. Solid Waste tipping fee revenues are expected to grow slightly, due to increased solid waste volume during the forecasted six-year period.

Surface Water Special Assessment Funds Forecast

The forecast for the Surface Water Special Assessment Fund indicates the fund is not balanced throughout the first four years of the forecast period.

From FY19 to FY23, revenues will not be enough to cover new resources and inflationary increases for ongoing expenditures; therefore, accumulated fund balance will be used to offset the variance. In FY17, new additional resources were allocated with the intention to achieve the approved level of service for operations and maintenance of pipes. That resulted in higher than initially anticipated operating expenditures starting in FY18. It is expected, however, that by FY23 Surface Water program expenditures will decrease as the ten-year level of service for pipe lining and replacement program is achieved.

Pinellas
County

Economic Overview

Pinellas County

ECONOMIC OVERVIEW

The *Economic Overview* section of the Budget Forecast: FY19 – FY24 provides important context for the various forecasts in this document and includes the following sections:

- Overall Economic Outlook
    - Tax cuts, Government Shutdown, and bull markets
    - Economic growth continues to be slow, but steady
    - Tourism continues to shine bright in Florida
    - Population growth

- Employment & Wages
    - Unemployment is low…but apprehension still exists
    - Jobs, jobs, and more jobs

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

- Summary

Overall Economic Outlook

Tax cuts, Government Shutdown, and bull markets

It's been a memorable first twelve months of the Trump Administration. The Republican controlled House and Senate passed, and the president signed, major changes to the nation's tax code. The corporate tax rate was cut from 35% to 21% and the standard deduction for both individuals and married couples nearly doubled. However, limitations were placed on the deductibility of state and local taxes (aka SALT). This popular deduction in high tax states such as California, New York, and New Jersey will be limited to $10,000 beginning in 2018. It is hoped that the tax bill, which is projected to add $1.5T to the federal debt over the next decade, will encourage companies to add jobs and capital investment in the United States, thus growing the economy. There are fears that the new corporate tax rates will not increase employment or wages and only encourage business to increase stock dividends to investors.

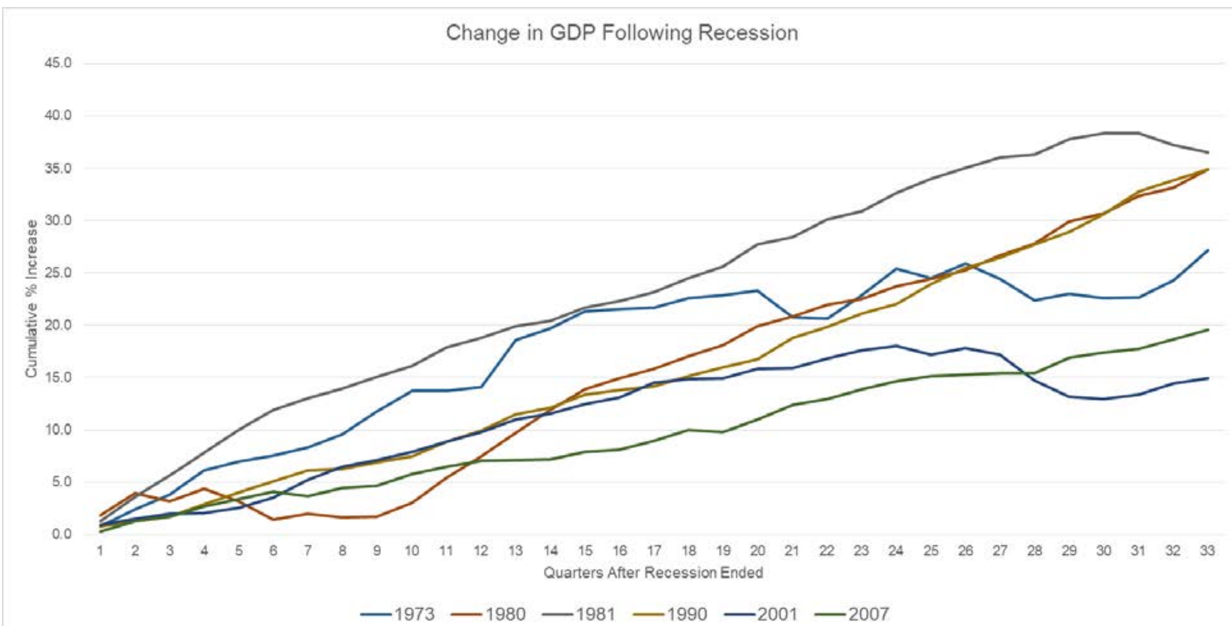
As we have seen many times over the last several years, the Federal Government is once again facing a possible shutdown due to a lack of a federal budget. As of the writing of this document, the president, House, and Senate have just hours to pass and sign a spending bill that will keep non-essential government operations open and operating, including The National Park Service that may be forced to close to the millions of visitors who enjoy going to one of the 59 parks within the system, including the Grand Canyon, Yellowstone, and Everglades National Parks. Some of the issues holding up an agreement are the expiration of the Children's Health Insurance Program (CHIP) and competing proposals for addressing immigration, especially the approximately 800,000 young adults and children who were brought to the U.S. as minors known as "Dreamers". This program, known as the Deferred Action for Childhood Arrivals (DACA), was established in 2012 by the Obama Administration and ended in 2017 by the Trump Administration. While a shutdown would not impact the military and other services deemed to be essential, about 850,000 federal workers may be furloughed. There have been 18 previous government shutdowns since the FY77 budget year, lasting from as little as one day

(1982, 1984, 1986, 1987) to 21 days (1995-1996). It is estimated that a government shutdown could reduce growth in the economy by 0.1 percentage point per week

On Wall Street, the stock market continues its long bull run. The current run is almost nine years old, with the Dow Jones Industrial Average gaining almost 300% since March 2009. In the last year, the Dow has gained more than 30% since Inauguration Day, while the S&P 500 has gained more than 20%. The tech heavy NASDAQ has increased by more than 30% in the last year.

Economic growth continues to be slow, but steady

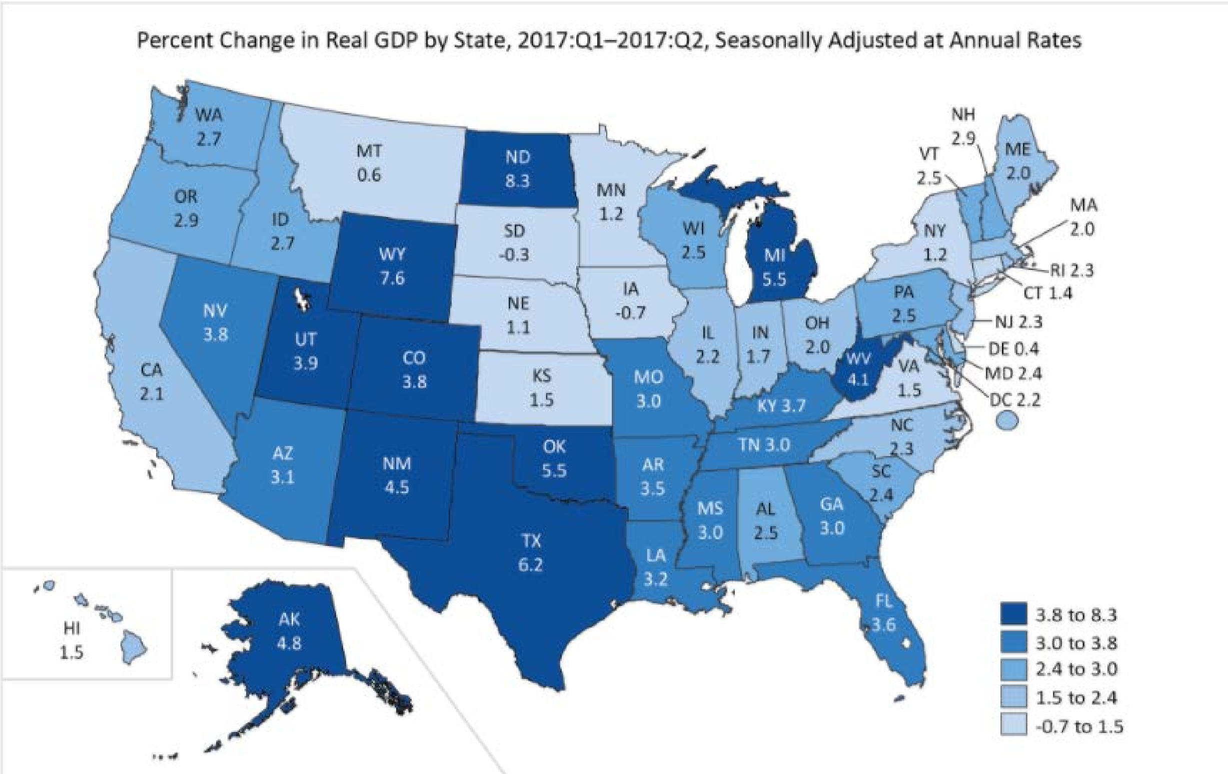
Nationally, the economy has yet to experience the level of growth normally expected following a recession. More than eight years post-recession, the economy has grown only 19.6% from the depths of the economic contraction, compared to an average of 36.2% following recessions from 1948 to 2001.



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

Inflation also impacts the outlook for consumer spending, which makes up almost 70.0% of the Gross Domestic Product (GDP). The Consumer Price Index (CPI), the generally accepted measure of overall inflation, rose by an annual average of 2.1% in 2017. Short-term projections for the CPI are a 2.2% - 2.5% annual increase through 2024. The Federal Reserve, at their December meeting, raised the U.S. Federal Funds rate from 1.00% to 1.25%, the fourth increase in twelve months. Indications are that the Fed will continue to monitor inflation, job growth, and other economic indicators as future rate increases are considered.

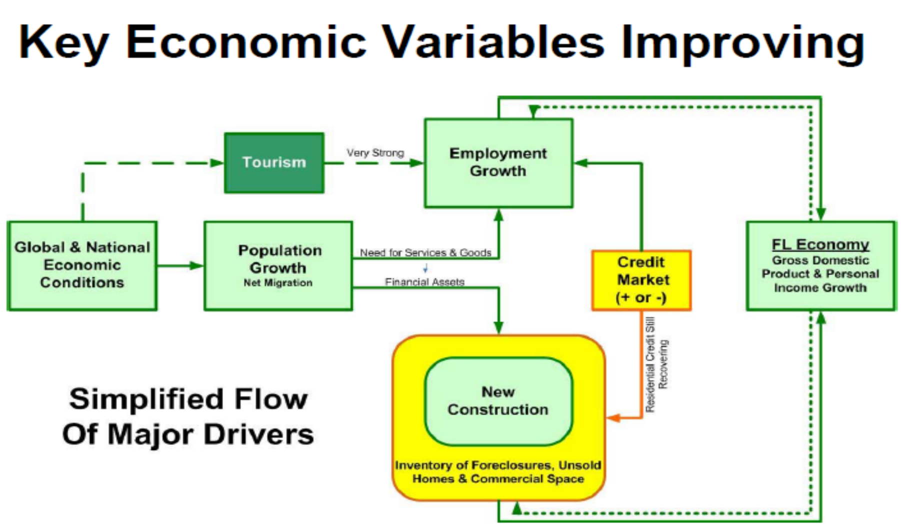
Economic performance at the state level has been mixed. During the second quarter of 2017, individual states experienced dramatically different rates of growth. North Dakota grew by 8.3%, while Iowa's growth was -0.7%. Florida had the 13th best growth rate nationally at 3.6%, better than the national increase of 2.8% and the second best performance in the Southeast Region of the United States, behind Kentucky's 3.7% increase.



Source: U.S. Bureau of Economic Analysis

In terms of size, Florida's economy is the fourth largest in the United States, representing 5.0% of the total economic output of the country at $964.9B.

Locally, the Tampa-St. Petersburg-Clearwater metro area ranks as the 24th largest economy in the United States, an increase of two spots from 2015. During 2016, the local economy grew by 6.0% to $142.6B, ranking behind only Miami-Fort Lauderdale in Florida by size.

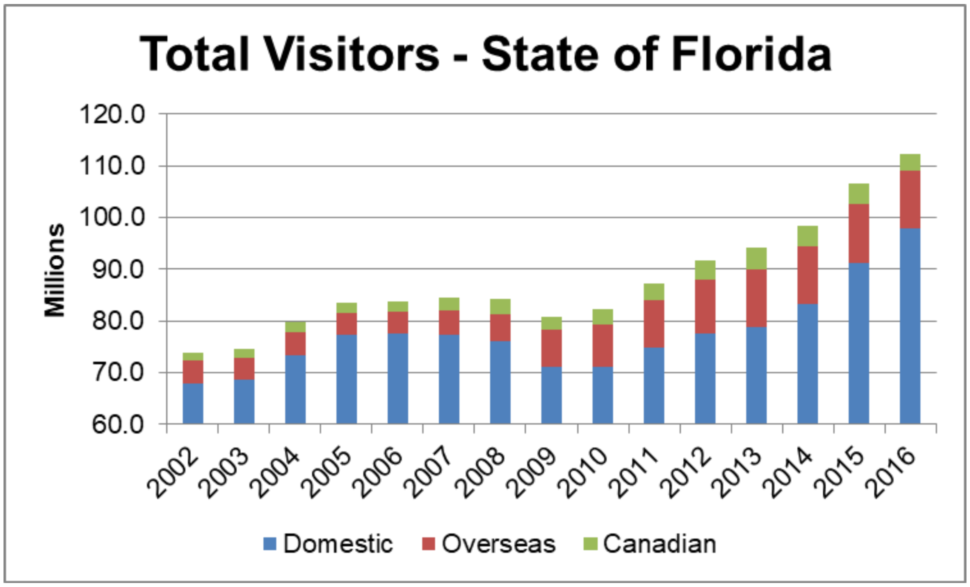


Source: Florida Legislature Office of Economic and Demographic Research

ECONOMIC OVERVIEW

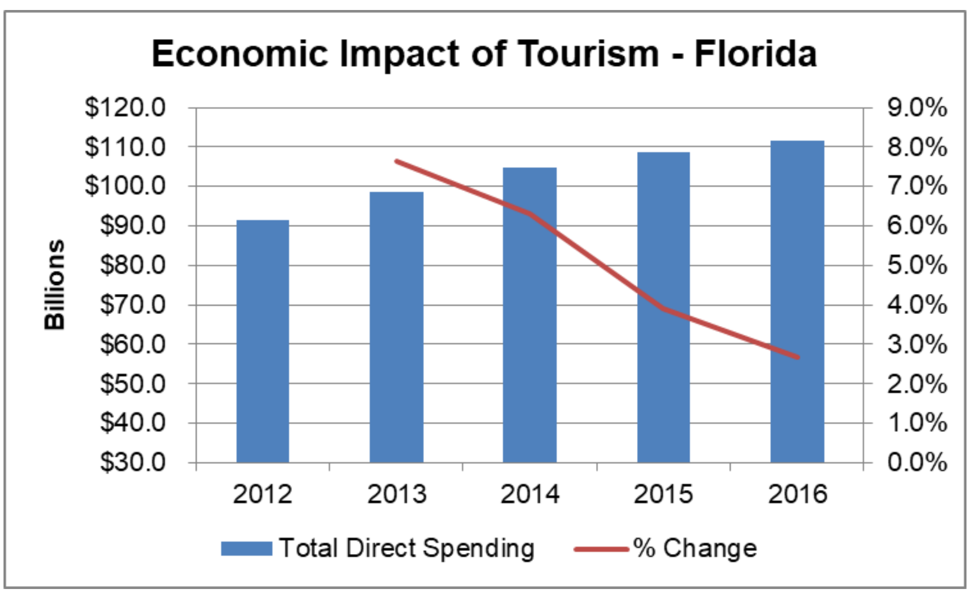
Tourism continues to shine bright in Florida

The economic impact of tourism in Florida is wide-reaching, and is a major driver of the overall economy. Following five years of slow to negative growth in visitors due to the Great Recession, the Deepwater Horizon oil spill in the Gulf of Mexico, and other factors, tourists have come back in droves. Since 2009, total visitors have increased 39.1% to 112.4M people in 2016.



Source: Visit Florida

With the increase in visitors comes their disposable income. In 2016, direct spending in Florida by tourist was $111.7B, supporting the local economies by employing more than 1.0M residents and contributing more than $5.0B in tax revenue.



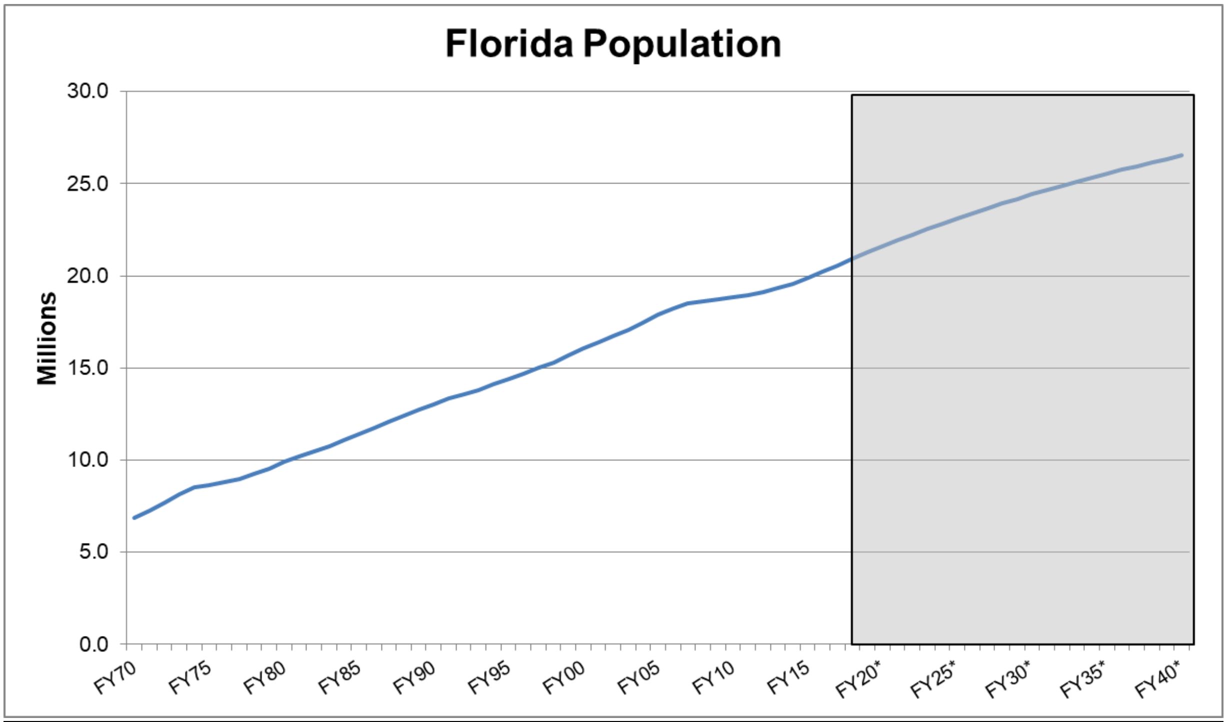
Source: Visit Florida

ECONOMIC OVERVIEW

Population growth

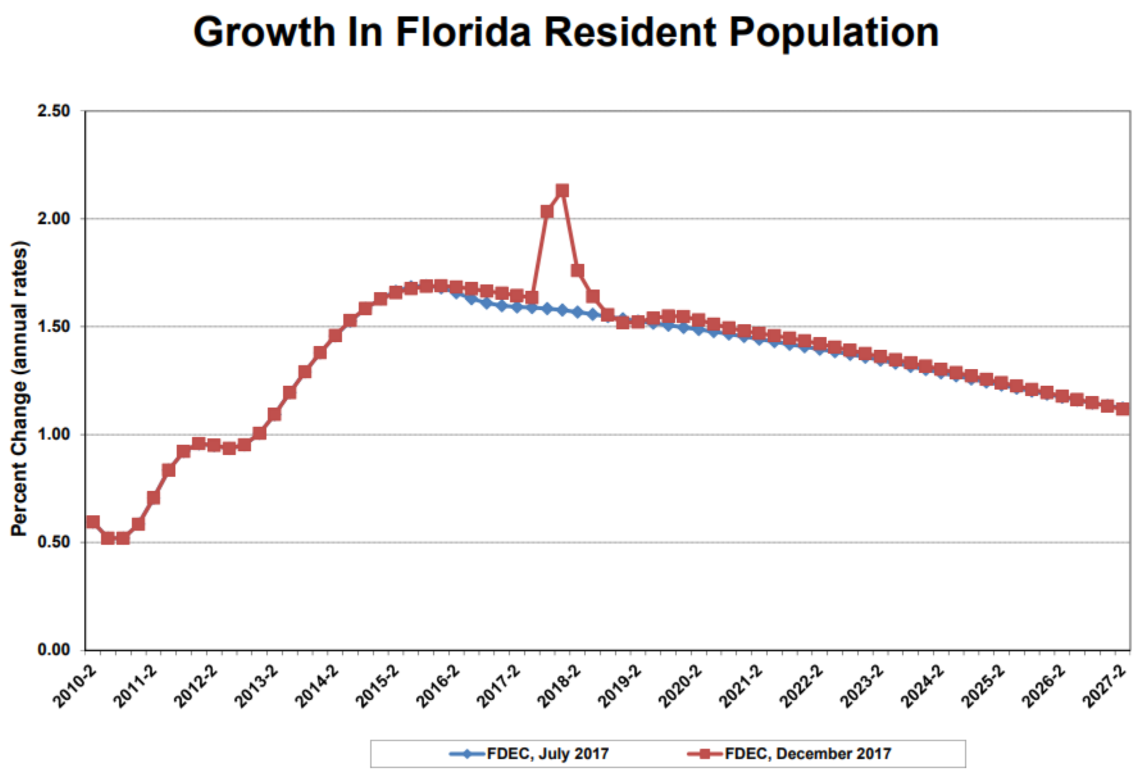
Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth, and impacting the amount of new construction activity.

Between 2017 and 2030, Florida's population is projected to grow by an average of 1.15%, or 268,058 annually, compared to a national average annual growth rate of 0.75%. After recently passing New York, Florida is now the third most populous state in the United States.



Source: Florida Demographic Estimating Conference, December 5, 2017 (shaded area indicates projections)

By FY40, Florida's population is expected to grow by more than 5.6M people from current level. 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 have 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.



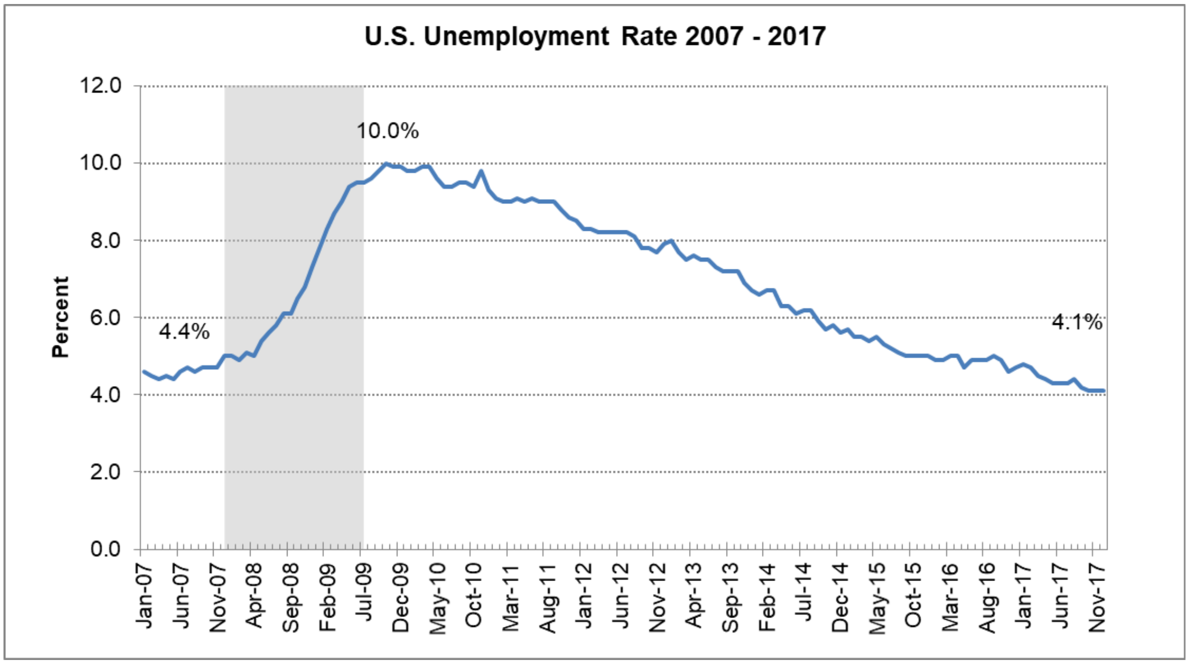
Source: Florida Demographic Estimating Conference, December 5, 2017

Employment & Wages

<u>Unemployment is low…but apprehension still exists</u>

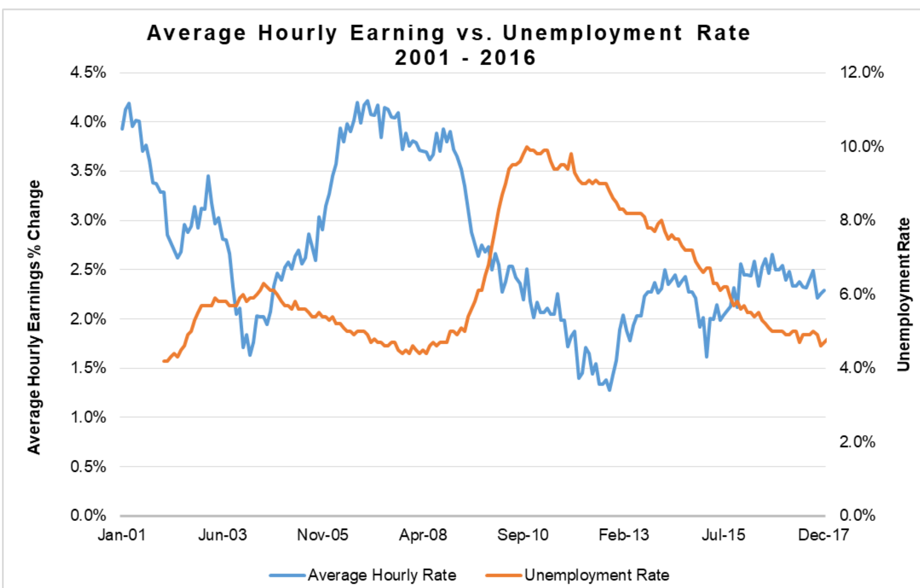
American businesses continued to hire workers in 2017. For 87 consecutive months, the Bureau of Labor Statistics has reported increases in non-farm payrolls, averaging 196,000 workers added per month since October 2010. In the last eight years, more than 17.6M jobs have been added. However, accounting for the 8.6M jobs lost during the height of the Great Recession in 2008 and 2009, the net jobs increase is only 8.9M, an average of 75,000 per month for the last ten years.

The national unemployment rate, which measures the percentage of those age 16 and older actively looking for employment, continued the nearly consistent drop since October 2009 (10.0%), falling to 4.1% in December 2017.



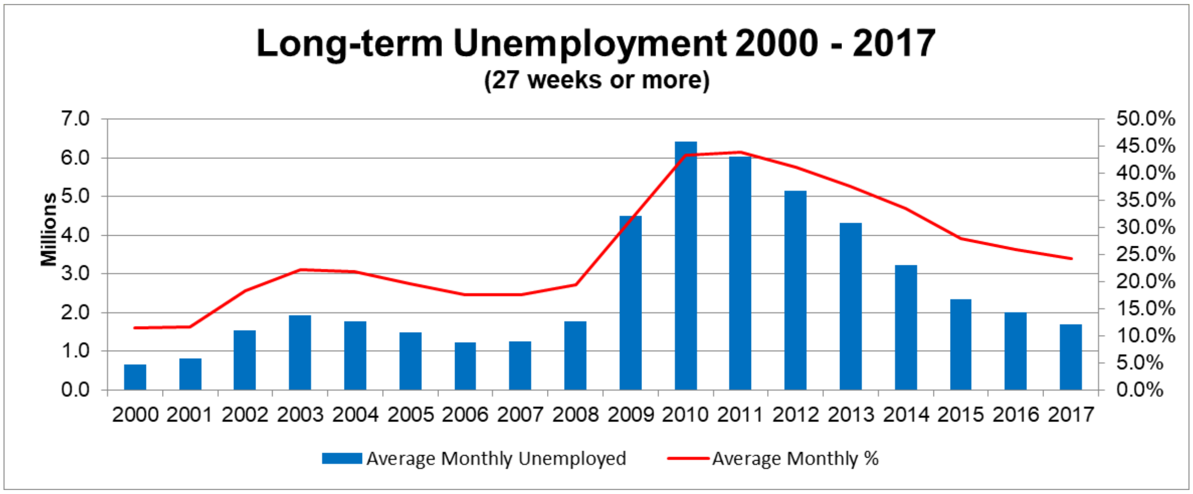
Source: U.S. Bureau of Labor Statistics/Federal Reserve Bank of St. Louis (shaded area indicates recession)

This is at a level considered as 'full employment' by most economists. At this level, finding qualified employees becomes more difficult for businesses, increasing the cost of employment. The chart below shows the relationship between the unemployment rate and the change in the average hourly earnings.



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

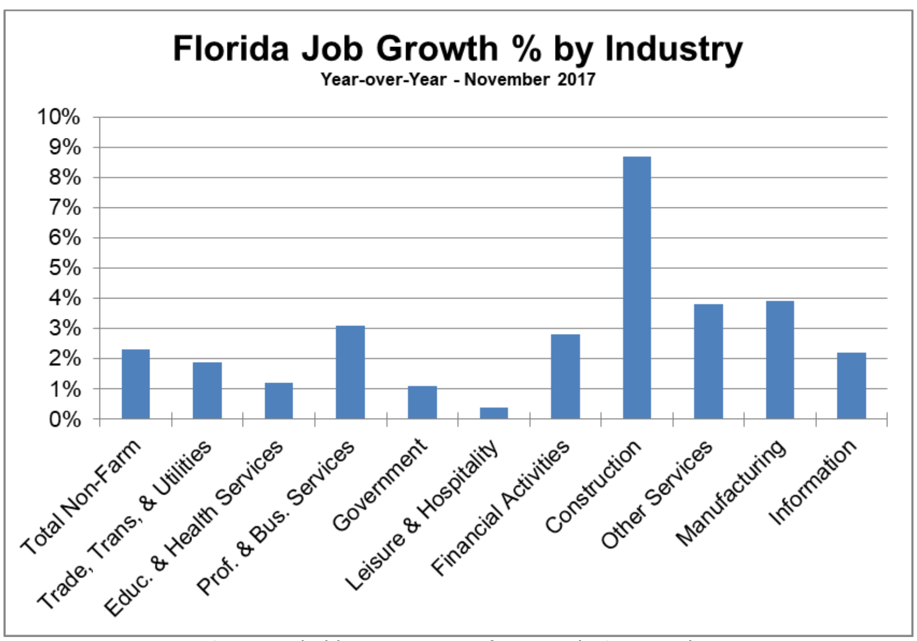
However, these numbers do not paint what many believe is the true employment picture. Long-term unemployment, which is unemployment lasting 27 weeks or longer, continues to plague the labor market. Following the recession of 1981-1982, long-term unemployment topped out at 26.0% seven months after the recession ended. Following the recession of 2001, long-term unemployment topped out at 15.9% one year out. The Great Recession of 2008 has had lingering effects, as long-term unemployment remains above the historical levels seen prior to the recession. As the chart below shows, a monthly average of more than 1.6M people were still unemployed after 27 weeks in 2017.



Source: U.S. Bureau of Labor Statistics

<u>Jobs, jobs, and more jobs</u>

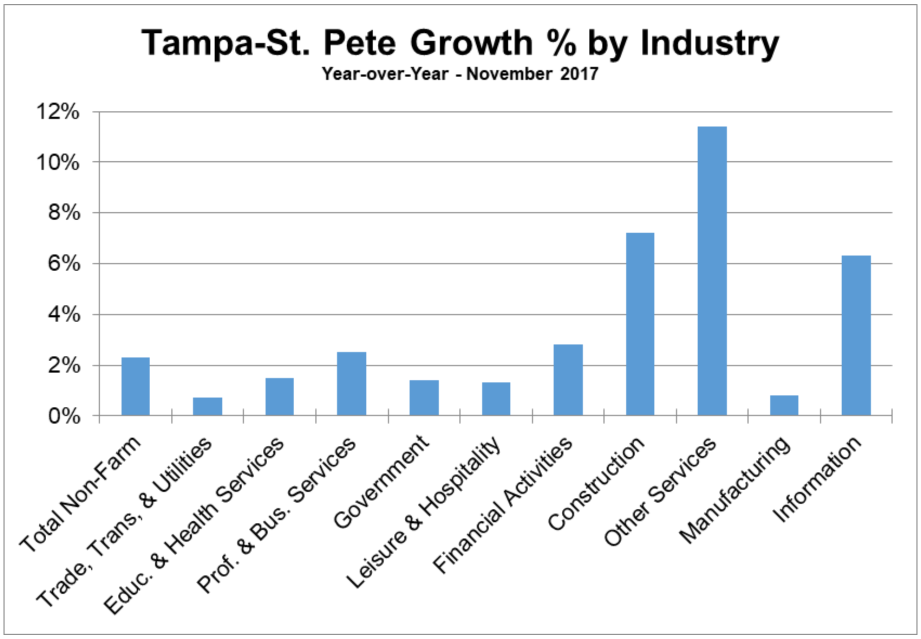
In Florida, the unemployment rate is now less than one-third of the peak during the Great Recession. After reaching a peak of 11.2% in January 2010, the most recent (November 2017) report shows Florida's unemployment rate at 3.6%. Construction added 41,800 jobs since November 2016, an increase of 8.7%. Manufacturing added 14,100 jobs, a 3.9% increase. Statewide, these two industries pay an average annual wage of $47,342 and $57,824, respectively, per year. However, these industries are also both sensitive to changing economic conditions and are susceptible to shocks to the greater economy.



Source: Florida Department of Economic Opportunity

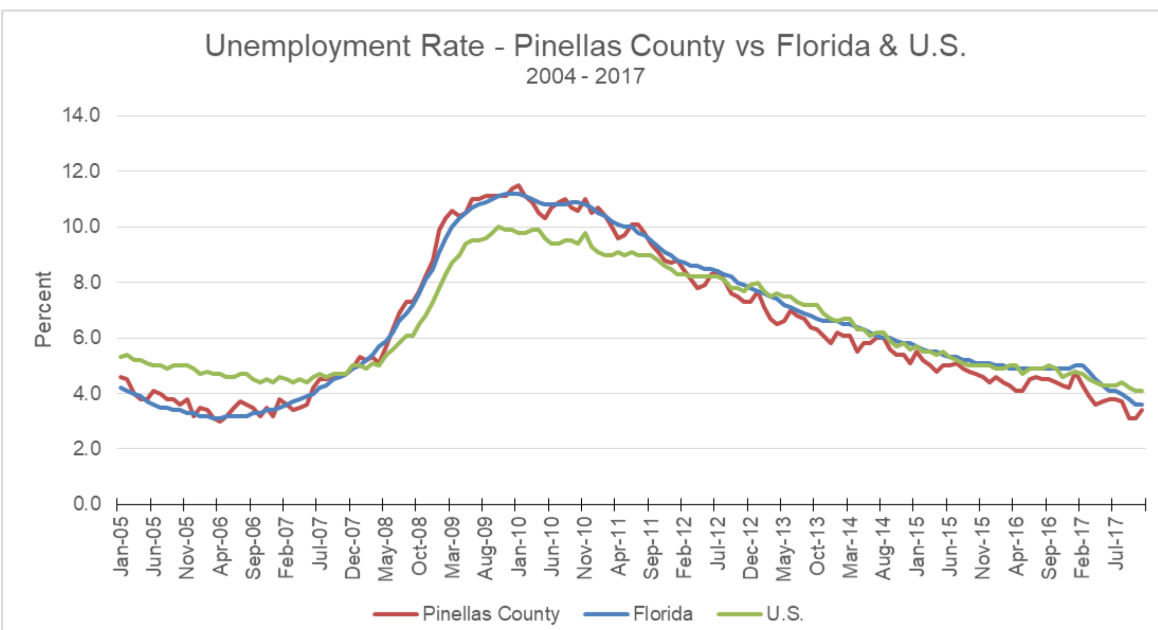
ECONOMIC OVERVIEW

Job growth in the Tampa-St. Petersburg metro area has yielded 39,656 new jobs in 2017 through November. Construction jobs saw a year-over-year increase of 7.2%, adding 5,300 jobs in 2017, while 1,600 Information jobs were added, a 6.3% increase. These jobs pay an average of $47,111 and $62,275 annually.



Source: Florida Department of Economic Opportunity

Pinellas County has seen a similarly impressive recovery as measured by the unemployment rate. After topping out at 11.2% in January 2010, the county has experienced an almost consistent decrease in the unemployment rate, with a November rate of 3.4%.



Source: U.S. Bureau of Labor Statistics

ECONOMIC OVERVIEW

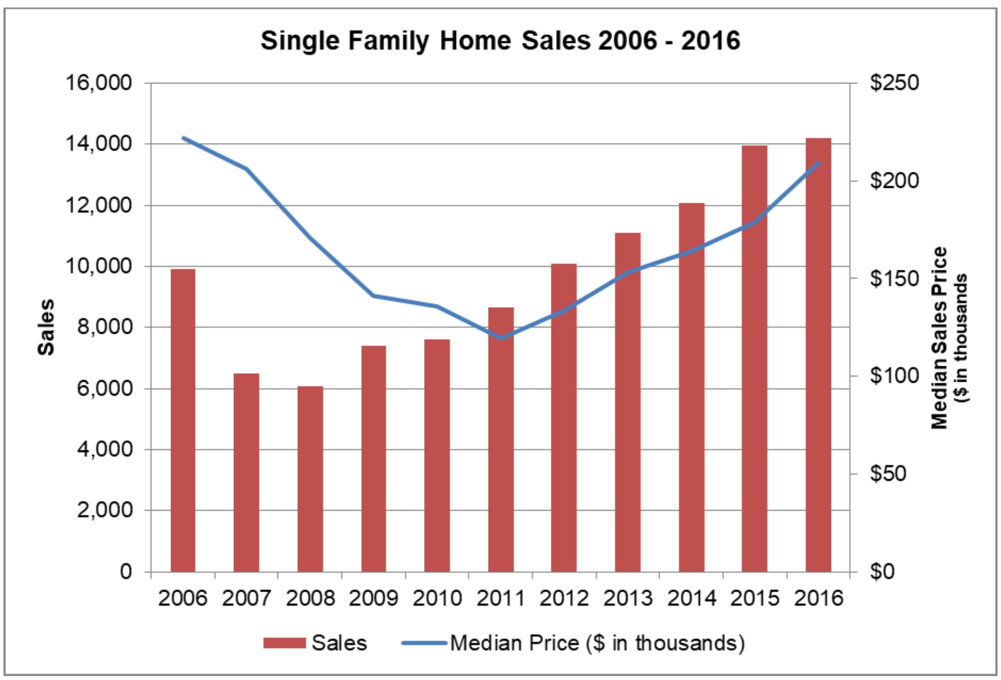
Housing Trends

Home Sales Volume and Median Prices

Florida's housing market showed signs of leveling off in 2016, as sales increased just 0.9% from the previous year. Through the third quarter of 2017, sales were also up 0.9% from the same period in 2016.

Sale prices, on the other hand, continue to increase at a solid pace. In 2016, median sales prices increased by 11.3% to $218,100, the sixth consecutive year of increase. Through the third quarter of 2017, median sales price is 8.9% higher than 2016.

In Pinellas County, sales of single family homes have increased for the last eight years, with 2016 up 1.8% to 14,207 units. Through October, sales volume is down compared to 2016 by 1.8%. Median sales price has increased the last five years, with 2016 increasing 17.1% to $209,400. This trend is continuing in 2017, with median price increasing 12.7% to $233,500 through October.



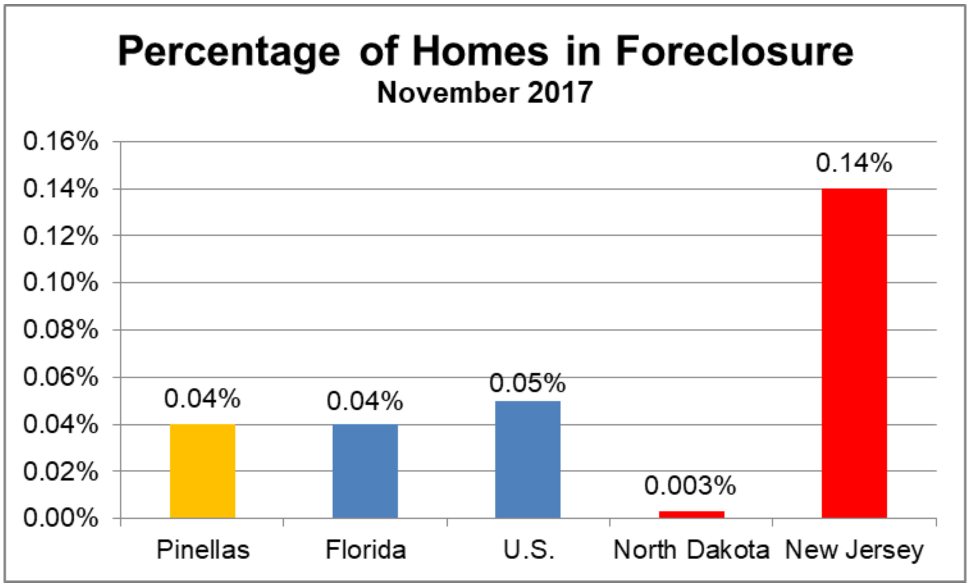
Source: www.FloridaRealtors.org

Foreclosures

The foreclosures situation in Florida has drastically improved in the last year. According to RealtyTrac, Florida had the fifth-highest foreclosure rate in the U.S. in December 2016, with 1 in 936 homes in foreclosure. In November 2017, that rate has fallen to 1 in 2,361 homes, a drop of more than 50%. As a comparison, the foreclosure rate in New Jersey (highest rate) was 1 in 734 homes during the same month, while North Dakota (lowest rate) had 1 in 29,519 homes in foreclosure. Within Florida, Baker (1 in 640), Okaloosa (1 in 838), and Wakulla (1 in 913) counties lead the state in foreclosure rates. Pinellas County's foreclosure rate matches the state's average, with 1 in 2,253 homes in foreclosure, a vast improvement from December 2016 when the rate in Pinellas County was 1 in 1,508 homes.

ECONOMIC OVERVIEW

As property values continue to increase from the depths of the Great Recession, home foreclosures have fallen in Florida. In December 2016, 0.11% of all homes in Florida were in some state of foreclosure, compared to 0.06% nationally. In November 2017, Florida has reduced this rate to 0.04%. This improvement has played a role in the stabilization of housing prices and property values as the supply of available homes has fallen and the market has shifted from a 'buyers' market to a 'sellers' market.



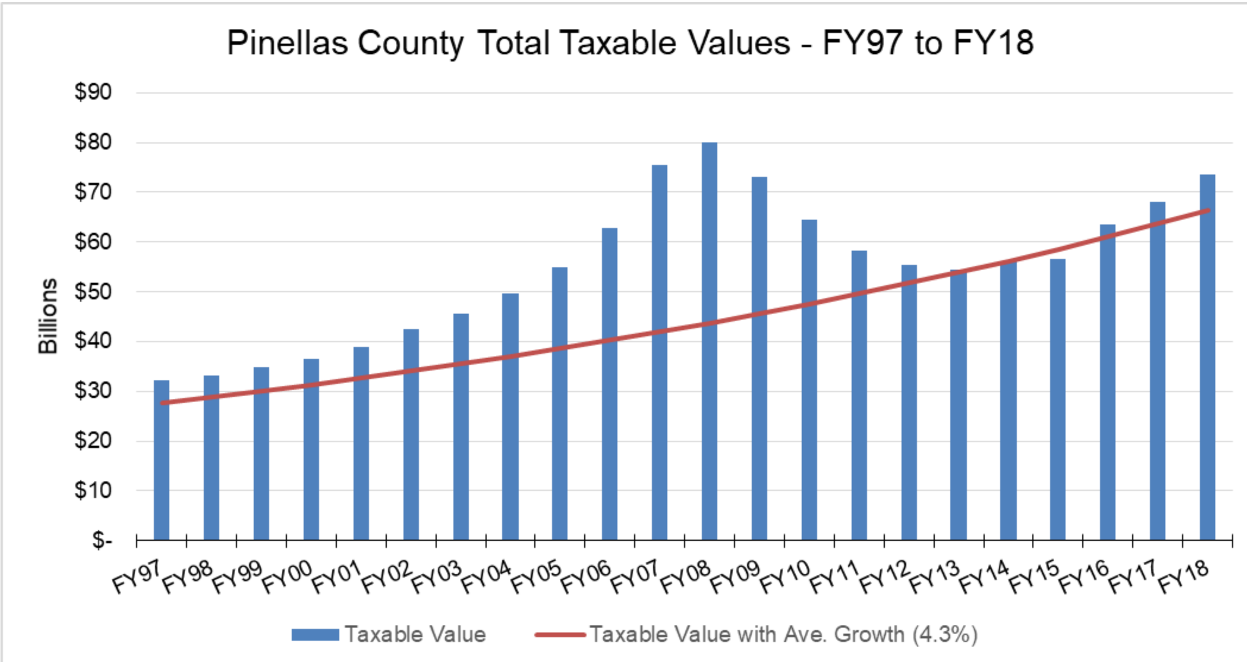
Source: RealtyTrac.com

In Pinellas County, foreclosures have fallen dramatically from the highs of 2008 – 2010, when there were an average of over 1,100 foreclosures per month. In FY17, foreclosures totaled 2,151, an 85.8% decrease from the more than 15,000 foreclosures in FY09.

<u>Taxable Values</u>

The taxable value of properties in Pinellas County has increased five 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%, which was then 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 4.8% annually from FY83 to FY18. 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 6, 2017, FY18 property values increased 7.9% from FY17 to $73.5B.

ECONOMIC OVERVIEW



Source: Pinellas County Property Appraiser/Office of Management & Budget

Summary

- The Republican controlled House and Senate passed major changes to the tax code, but have so far been unable to get enough votes together to pass a long-term spending bill, risking a government shutdown.
- Wall Street continues on its historic run, with the Dow Jones Industrial Average closing above 26,000 for the first time.
- The U.S. economy continues the consistent, but unspectacular, growth it's experienced since the end of the Great Recession. Projections are for more of the same over the next few years.
- Florida's economy ranked 13th best with a 3.6% increase during the 2nd quarter of 2017, outperforming the national increase of 2.8%.
- Florida continues to bring visitors in from all around the world, with 2016 topping 112.4M people and more than $111.7B in direct spending by those visitors.
- Unemployment has fallen for most of the last eight years from a high nationally of 10.0% in October 2009 to the current level of 4.1%. More than 17.6M jobs have been added since the fourth quarter of 2010, averaging 196,000 per month.
- The trend is matched in Florida as the state's unemployment rate has fallen from the highs of 11.4% in late 2009/early 2010 to the current level of 3.6%. Through November, the state has added more than 301,000 jobs in 2017.
- Pinellas County has done slightly better, with unemployment dropping from 11.5% in January 2010 to 3.4% in November 2017. The Tampa-St. Petersburg metro area added more than 39,600 jobs in 2017.
- Florida's housing markets have seen increased sales volume for the last seven years (2010 - 2016). Median sales price has increased each year since 2012. Through the third quarter of 2017, median sales price is more than $235,000, an increase of 7.9% over 2016.

ECONOMIC OVERVIEW

- Pinellas County has seen increases in single family home sales the last eight years (2009 – 2016), with 2016 up 1.8% to 14,207 units. Median sales prices have increased each year since 2012, with 2017 up 11.5% to $235,500 through October.
- Foreclosures have dropped statewide, with 1 in 2.361 homes in some stage of the foreclosure process. Florida's foreclosure rate is down from 0.11% of all homes in 2016 to 0.04% in November 2017.
- Pinellas County's foreclosure matches the state's rate at 0.04%, slightly below the national rate of 0.05%.
- Taxable values in Pinellas County have risen the last five years following the dramatic decreases the previous five years. Taxable values increased 7.9% in FY18 to $73.5B.

Pinellas County

Key Assumptions

Pinellas County

KEY ASSUMPTIONS

The *Key Assumptions* section of the Budget Forecast: FY19 – FY24 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
- Revenue Assumptions
    - Overview
    - Key Assumptions
    - Supporting Information
- Expenditure Assumptions
    - Overview
    - Key Assumptions
    - Supporting Information
- Other Forecast Considerations

Assumptions and Forecasting

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

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

In establishing revenue and expenditure assumptions, we reviewed data and forecasts from a variety of economists, government agencies, industry associations, and other sources. In particular, we referenced the State of Florida's Revenue Estimating Conferences frequently. The State utilizes a professional, nonpartisan consensus process involving the Legislature, the Governor's Office, and the State's 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.

Revenue Assumptions

Property Taxes Overview – General Fund and EMS Fund

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

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

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

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

Key Assumptions

After five years of decline, countywide taxable values increased the last five years, with an increase of 7.9% in FY18. The countywide taxable value is the basis for determining the ad valorem tax revenue in the General Fund and Emergency Medical Services Fund. For the purposes of this forecast, the FY19 through FY24 percentage change in taxable value for the Emergency Medical Service Fund is assumed to be the same as the countywide taxable value change

Change in Countywide Property Tax Revenue					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
6.0%	5.5%	4.5%	4.0%	3.5%	3.5%

.

Supporting Information

The overall increase of 7.9% in countywide taxable values for FY18 reflected differing changes in the major components of the tax base. Within these categories, changes in individual properties may vary significantly due to many factors, including location (for example, beach vs. inland) or use (for example, hotel vs. retail).

In the future, the growth in property tax revenues will be constrained by the revenue caps put in place by the Legislature in 2007, which is discussed 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, Orange and Hillsborough counties have large undeveloped areas that are available for major residential, commercial, and industrial expansions. On the other hand, redevelopment efforts, particularly in the core urban areas, will have a positive impact on the tax base, but this will be limited by the established Tax Increment Financing (TIF) districts which capture the increased County General Fund property tax revenue.

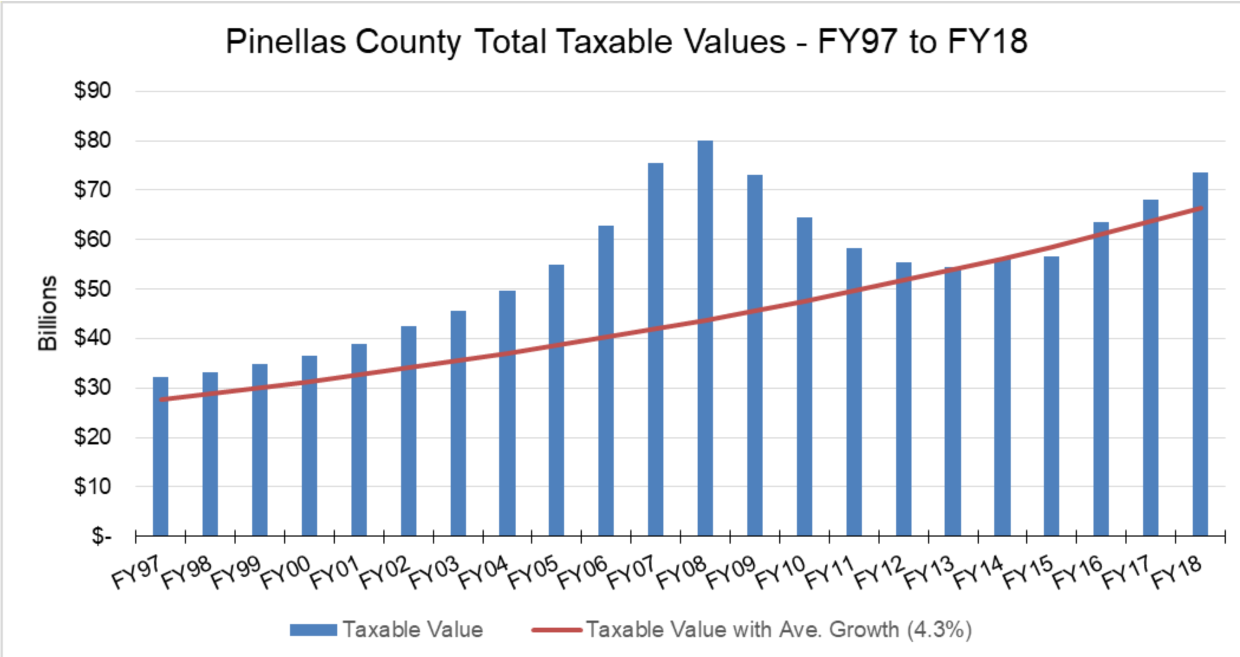
Impact of Foreclosures

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

However, although foreclosures do not affect the percentage of property taxes collected during the fiscal year, they tend to depress market values of surrounding properties, and this has a negative impact on the tax base. In Pinellas County, the number of foreclosure filings has decreased 85.8% from a peak of 15,164 in FY09 to 2,151 in FY17. As inventories of residential properties for sale have continued to decrease and prices have continued to rise, it appears that the foreclosed properties are being absorbed without a significant adverse effect.

Taxable values

The taxable values for FY18 were certified by the Property Appraiser on July 1, 2017. The countywide value increased by 7.9% compared to the FY17 values, the fifth consecutive year of tax base growth. The preceding five years of tax base decline were unprecedented; prior to this the tax base only decreased once since World War II, a small 0.6% dip in FY93. From FY84 to FY08, taxable values increased an average of 6.9% per year.



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. This limits the annual growth in a property's taxable value to the growth in the Consumer Price Index (CPI) or 3.0%, whichever is lower.

Save Our Homes Cap for Fiscal Year Based on Change in Consumer Price Index*									
FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
0.1%	2.7%	1.5%	3.0%	1.7%	1.5%	0.8%	0.7%	2.1%	2.1%

*There is a two-year lag in the CPI adjustment. For example, the FY19 factor is the CPI change percentage for calendar year 2017.

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

The factor used is the annual change in the CPI as of December each year. The limit for FY19 is based on the December 2017 change of 2.1% which was issued by the U.S. Bureau of Labor Statistics on January 17, 2018.

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

Property Tax Revenue Caps

The revenue caps approved by the Legislature in 2007 require that beginning with FY09, the maximum millage rate that can be approved by a simple majority vote of the Board of County Commissioners equals the prior year's maximum rolled-back rate adjusted for the change in per capita Florida personal income. A two-thirds vote of the Board may approve up to 110.0% of this maximum. Any higher millage rate requires a unanimous vote of the Board, or a referendum. The County has some flexibility for countywide increases in the short term because we did not levy the maximum millage from FY09 through FY18. Over time, this flexibility will diminish as the tax base grows.

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

Fund Variances

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

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

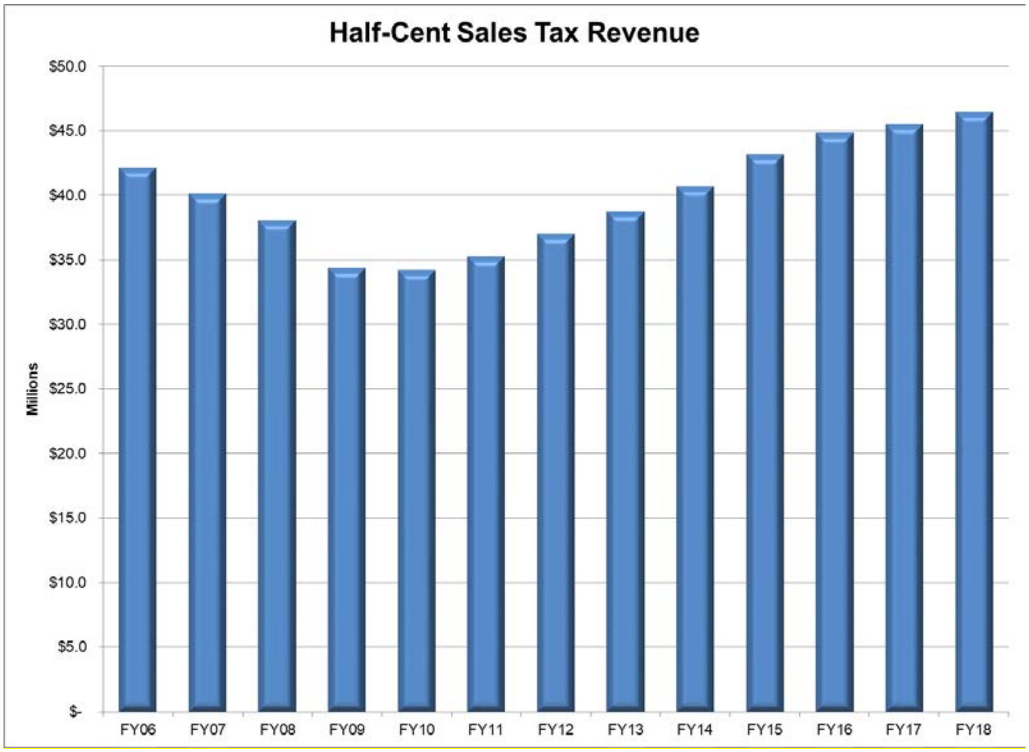
Sales tax revenues are highly elastic, increasing and falling with the health of the overall economy. In addition to food and medicine, certain other purchases are exempted from sales tax by legislation. The County receives two types of sales taxes: the Half-Cent Sales Tax and the Infrastructure Sales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

Half-Cent Sales Tax

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

Sales tax revenue grew by 5.1% in FY14, 5.9% in FY15, 3.9% in FY16, and 1.5% in FY17. This was the seventh year of growth following four years of decline beginning in FY06.

KEY ASSUMPTIONS



Source: Office of Management and Budget; FY18 reflects estimated revenue

Infrastructure Sales Tax (Penny for Pinellas)

The Penny for Pinellas is a 1.0% sales tax which is dedicated to capital improvement projects in Pinellas County, such as facilities, storm water improvements, preservation land purchases, roads, bridges, public safety, and parks. Without this funding, it is estimated that property owners would have to pay another 1.4 mills on their county property taxes to support these projects. With a 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.

Key Assumptions

For the State Shared Half-Cent Sales Tax, a 4.0% growth rate is assumed for FY19 and 3.5% in FY20 and FY21, reflecting the continuing economic recovery. In the near-term, our projection is lower than the State General Revenue Estimating Conference, which anticipates statewide FY19 growth of 4.5% and FY20 growth of 4.3%, but the growth rate moves in tandem.

Change in Half-Cent Sales Tax Revenue					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
4.0%	3.5%	3.5%	2.5%	2.5%	2.5%

The revenue assumptions for the overall Penny sales tax are consistent with the Half-Cent sales tax. However, the growth rate in the Capital Projects Fund for the Penny sales tax is slightly lower than the Half-Cent growth rate. This is because the Courts & Jail allocation is a fixed amount that does not grow over time, resulting in a slightly smaller growth rate for the County's overall share of Penny revenue.

KEY ASSUMPTIONS

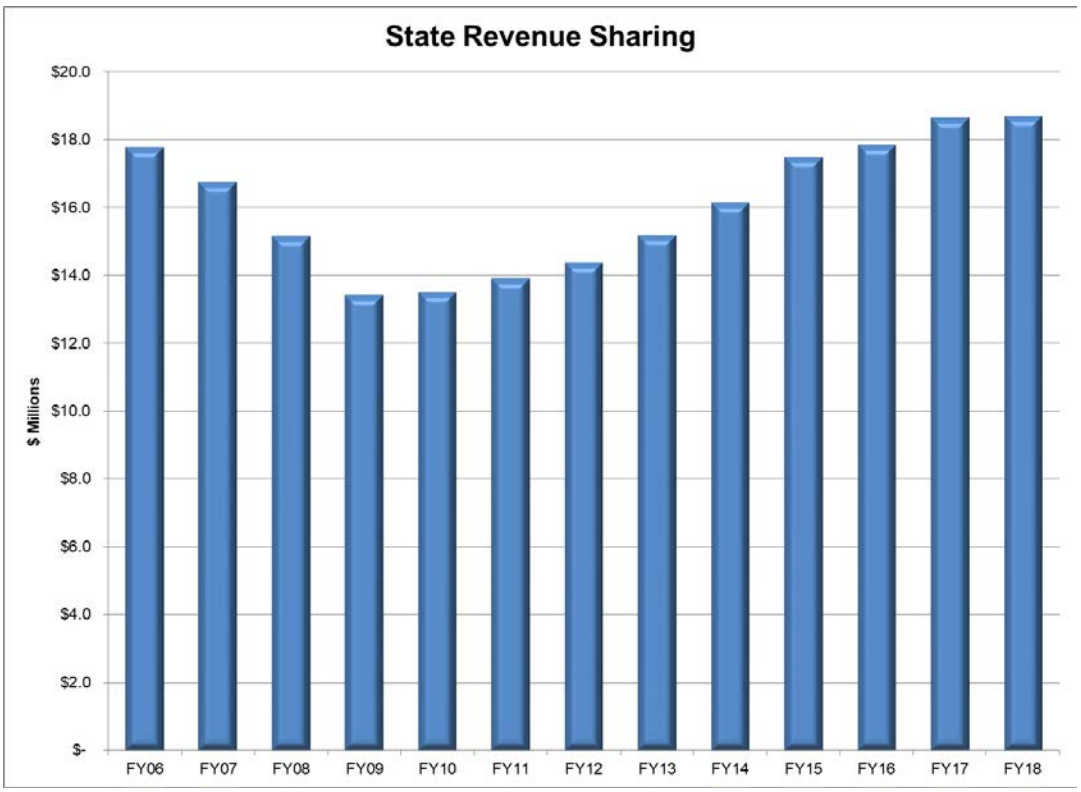
Supporting Information

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

State Revenue Sharing Overview - General Fund

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

Similar to the Half-Cent Sales Tax, Revenue Sharing revenue demonstrated an eighth consecutive year of growth in FY17. Prior to FY10, this source had declined since FY06.



Source: Office of Management and Budget Note: FY18 reflects estimated revenue

Key Assumptions

For the underlying sources that support State Revenue Sharing, the forecast assumes a return to the pattern of moderate growth in this revenue source that predated the economy's boom and bust cycles, resulting in an annual increase of 4.0% in FY19 and 3.5% in FY20 and FY21.

Change in State Revenue Sharing Revenue					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
4.0%	3.5%	3.5%	2.5%	2.5%	2.5%

Supporting Information

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

Communications Services Tax Overview – General Fund

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

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

Key Assumptions

The forecast projection reflects no growth in this revenue source.

Change in Communications Services Tax Revenue					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Supporting Information

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

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

Interest Earnings Overview – All Funds

The County earns interest on fund balances. These funds are invested by the Clerk of the Circuit Court in accordance with the Board of County Commissioners' approved Investment Policy. All investment activity is conducted in accordance with Section 218.415, Florida Statutes, and Section 2-144 of the Pinellas County Code. The primary objective of the policy is the safety of County funds. The secondary objective is the provision of sufficient liquidity. The tertiary objective, subordinate to safety and liquidity, is to maximize the return on the investment portfolio while avoiding unreasonable investment risk.

Key Assumptions

The forecast reflects the short-term outlook for improving earnings and the recent increases in short-term Federal Funds interest rates by the Federal Reserve.

Rate of Interest Earned on Fund Balances					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
1.6%	2.2%	2.5%	2.5%	2.5%	2.5%

Other Revenue – All Funds

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

Change in Other Revenue (non-specific)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

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 are able to collect for rentals.

Change in Tourist Development Tax Revenue					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
4.0%	3.5%	3.5%	3.5%	3.5%	3.5%

Gas Taxes - Transportation Trust Fund

The County receives several types of gas tax, including State Shared Gas Taxes and Local Option Gas Taxes. These revenues are dedicated for transportation-related expenditures and are deposited in the Transportation Trust Fund. The State Transportation Revenue Estimating Conference forecasts annual average revenue growth of 1.3%, but this is based on the forecast of total gallons of motor fuel pumped annually in Florida and not fuel prices. The County’s gas taxes are also based on gallons consumed. An improving economy and lower gas prices are positive signs, but Pinellas County’s built out condition and future mandated vehicle fuel efficiency standards lead us to assume continuing slow growth in these revenues. Although the County has the potential to levy an additional 1 to 5 cents in Local Option Gas taxes, there are no tax rate increases built into the forecast.

Change in Gas Tax Revenues					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY23**
1.3%	1.3%	1.4%	1.3%	1.2%	1.1%

Ambulance User Fee Revenue – EMS Fund

Ambulance user fee revenues are primarily driven by patient demand (transport volume). The average increase in transport volume from FY15 to FY17 was 6.9%. The average increase over 10 years was 4.3%, ranging from 1.4% (FY10) to 8.7% (FY16). Revenues are estimated to increase by 4.5% during the forecast period. This is slightly less than the average increases in transport volume, reflecting changes in health care reform that may impact payments from Medicare, Medicaid, and various other payors. Medicare and Medicaid continue to be the largest payor source, comprising 63.0% of revenue collected.

Change in Ambulance User Fee Revenue					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Airport Revenues

Airfield/Flight Line revenue is based on the current level of carriers and projected passenger numbers. Passenger level has grown as the airport's main tenant, Allegiant Airlines, has added new cities to their offering for the past few years. As of February 2017, Allegiant serves more than 50 cities from PIE. Passenger level is projected to increase to 2.3M in FY19. This growth will result in airfield / flight line revenue increases ranging from 2.5% to 5.5% over the forecast period.

Change in Airfield/Flight Lines Revenues					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
3.2%	5.5%	2.5%	3.1%	3.5%	3.1%

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

Change in Airport Rents/Leases/Concessions Revenues					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
2.0%	2.0%	5.0%	5.0%	3.0%	3.0%

KEY ASSUMPTIONS

Water and Sewer Rates

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

Water Funds Revenue

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

Change in Water Service Charges Revenue - Retail					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
2.3%	0.2%	0.2%	0.2%	0.2%	0.2%

Change in Water Service Charges Revenue – Wholesale					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Sewer Funds Revenue

Change in Sewer Service Charges Revenue - Retail					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
-1.9%	0.2%	0.2%	0.2%	0.2%	0.2%

Change in Sewer Service Charges Revenue – Wholesale					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
1.2%	0.2%	0.2%	0.2%	0.2%	0.2%

KEY ASSUMPTIONS

Solid Waste Funds Revenue

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

Change in Solid Waste Tipping Fee Revenues					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Change in Solid Waste Electrical Capacity Revenues					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
6.4%	6.4%	6.4%	6.4%	6.4%	6.4%

Surface Water Fund Revenue

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. These changes, which track the CPI, are subject to approval by the BCC.

Change in Surface Water Assessment Revenues					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
2.2%	2.4%	2.2%	2.5%	2.4%	2.5%

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 FY18 Budget included an average of 3.0% in wage adjustments for most County employees. The Sheriff's budget also included additional funding for salaries.

Key Assumptions
Compensation adjustments are included in the forecast for FY19 through FY24. Moderate wage adjustments will be required to maintain a compensation structure that can attract and retain quality employees. The net adjustments projected include market cost increases as well as pay for performance increases.

Change in Salaries (Net Adjustment)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

KEY ASSUMPTIONS

Supporting Information

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

Personal Services Overview – Employee Benefits – All Funds

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

Florida Retirement System (FRS)

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

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

As with most other pension systems, the financial system crisis in the fall of 2008 had a significant effect on the value of FRS investments. As a result, beginning in 2009 the FRS system has had an unfunded liability.

The FRS investment portfolio, which is managed by the State Board of Administration, has recovered from this setback with the asset value for the FRS pension plan higher than the previous peak value it had reached in 2007, despite the setback in 2016.

Key Assumptions

As of June 30, 2016, the FRS system was 85.4% funded.

The State Legislature establishes the employer contribution rates for the FRS system. Employees must also contribute to the system as part of a package of Legislative changes enacted in 2011. The 2013 Legislature increased the FRS rates to fully fund the system's actuarial liability over a multi-year period, and the 2014 Legislature made adjustments to maintain this approach. The actuarial report as of June 2016 indicates that rates may need to be adjusted for the State's 2018 fiscal year. The forecast assumes FRS contribution rate increases of 8.0% on salaries in FY19, and 5.0% in FY20 – FY24. There is still a degree of uncertainty in that the Legislature and Governor have demonstrated that they are willing to make major structural changes to the pension system.

The actual contribution rates beginning July 1, 2018 will not be known until the end of the 2018 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					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
8.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Health Insurance

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

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

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

Change in Health Insurance Contributions					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

<u>Supporting Information</u>

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

Because the County is self-insured, it is required to maintain the equivalent of two months of medical claims as a reserve in the Employee Health Benefits Fund. If needed, reserves for Other Post-Employment Benefits are available to cover any deficit.

Implementation of the Affordable Care Act or whatever may replace it is an ongoing process. As this continues, the County may be able to consider new structural options. Detailed analysis would be needed before implementing any significant structural changes.

Personal Services - Combined Impact

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

Change in Personal Services Expenditures (Net Total Salary and Benefit Changes)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
4.2%	4.2%	4.2%	4.5%	4.3%	4.3%

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

Operating Expenses and Capital Outlay Overview - All Funds

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

Fuel

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

Electricity

The County's facilities are generally charged a commercial rate for electricity by Duke Energy.

Medicaid

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

Key Assumptions

The forecast assumes that the cost of services, commodities, grants and aids, and equipment will generally track the CPI increases developed by the State in their consensus Revenue Estimating Conference. 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)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
2.2%	2.4%	2.2%	2.5%	2.4%	2.5%

Fuel - All Funds with Fleet Equipment

FY18 budgeted fuel costs were based on a price of $2.25/gallon for unleaded fuel and $2.45/gallon for diesel. The forecast assumes $2.25/$2.45 per gallon for FY19, with increases matching CPI growth from FY20 through FY24. This is a conservative assumption due to the volatility of the fuel market.

Change in Fuel Costs (per gallon)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
0.0%	2.4%	2.2%	2.5%	2.4%	2.5%

Electricity - General Fund and Utilities Funds

The Real Estate Management and Utilities departments have both taken steps to decrease annual cost increases by implementing measures to reduce energy consumption. Annual increases of 5.0% in electricity costs throughout the forecast period are projected based on the historical averages and information from our suppliers.

Change in Electricity Costs (per kWh)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
7.7%	5.0%	5.0%	5.0%	5.0%	5.0%

Medicaid - General Fund

The County's projected Medicaid costs through FY20 are based on the 2013 legislation, which is based on billings for current Medicaid services.

Projected Medicaid Costs ($ millions)					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
$12.8	$12.2	$12.8	$13.4	$14.0	$14.7

<u>Other Fund-Specific Expenditures</u>

Ambulance Contract Expenditures – EMS Fund

The County contracts with Paramedics Plus for the County's Sunstar ambulance system. Increases to ambulance contract expenditures can fluctuate based on the Consumer Price Index (CPI-U) for Tampa-St. Petersburg-Clearwater with a maximum increase of 4.0% in any given year, plus operational increases due to volume. A 4.5% increase is included in the forecast for FY19, 4.3% in FY20, and 3.0% from FY21 through FY24 to account for annual CPI increases and increases to transport volume.

Change in EMS Ambulance Contract Expenditures					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
4.5%	4.3%	3.0%	3.0%	3.0%	3.0%

First Responder Expenditures – EMS Fund

The County contracts with the eighteen first responder EMS providers that respond to calls using paramedics and that utilize Advanced Life Support (ALS) or Basic Life Support (BLS) equipment and personnel. First responder contractual expenditures are primarily driven by personnel costs (80.0% to 90.0% of the total budget). Effective October 1, 2014, new contracts were executed with the First Responder agencies. The forecast projects 5.5% growth in FY19 and 3.5% growth in FY20 based on the contracts and estimated budgets. Increases of 3.5% from FY21 through FY24 assume a combination of CPI adjustments and supplemental reimbursements.

Change in EMS First Responder Expenditures					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
5.5%	3.5%	3.5%	3.5%	3.5%	3.5%

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.

Change in Cost of Water Purchased from Tampa Bay Water					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
1.7%	1.7%	1.7%	1.7%	1.7%	1.7%

Chemicals - Water and Sewer Funds

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

Change in Cost of Chemicals for Water and Sewer Operations					
FY19	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

Other Forecast Considerations

<u>Climate Change</u>

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

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

Other Funds

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

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

The Air Quality Fund accounts for fees collected by the State and returned to the County to fund vehicular air pollution programs. The Emergency Communications E911 System Fund accounts for fees on wireless and land based communication lines which are collected to help support the emergency communications system. Both funds can have an impact on the General Fund, which provides resources for the costs that are not supported by these designated revenues.

The Fleet Management Fund is an internal service fund that provides for the operation and maintenance of the County's vehicles. Variations in fuel costs impact the expenditures in the County's operating funds. The Fleet Management Fund also purchases replacement vehicles. To avoid large fluctuations in the operating budgets, departments are charged replacement fees over the anticipated life of the vehicle. This provides the resources to purchase a replacement when a vehicle reaches the end of its useful life based on annual evaluations of the condition of the equipment.

The Business Technology Services (BTS) Fund is an internal service fund that provides integrated information and communications technology for the County's departments and agencies. In FY17, 78.7% of these costs are charged to the General Fund. BTS maintains existing systems and also implements new solutions as technology evolves. Besides the financial impact, the planned upgrades and replacements managed by BTS also are critical to the efficient operation of the entire organization.

KEY ASSUMPTIONS

Potential for Recession

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

Population Trends

There is a limited amount of undeveloped land in Pinellas County. We will see relatively fewer new residents in the future compared to other counties with more opportunities for expansion. Because the distribution formulas for both shared sales taxes and revenue sharing are partially based on population, Pinellas will represent a declining percentage of the state total and, therefore, the percentage of these revenues will also decline. For example, in the 2000 Census Pinellas represented 5.8% of the State's 16.0M residents. By the 2010 Census, Pinellas' population remained virtually the same, while the State population grew to more than 20.0M. As a result, Pinellas represented 4.7% of the State's population in 2016. Current State demographic projections are that this percentage will decrease to 4.1% by 2025, resulting in reductions in Pinellas' share of grants and other revenues that are allocated by population-driven formulas.

Pinellas County

Fund Reviews

and

Forecast Pro-Formas

Pinellas County

FUND REVIEWS & FORECAST PRO-FORMAS

The *Fund Reviews & Forecast Pro-Formas* section of the Budget Forecast: FY19 – FY24 includes six-year forecasts for 10 of the County's major funds:

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

Sections in Each Fund Forecast

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

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

GENERAL FUND

Description

The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to, Sheriff's law enforcement, detention, and corrections; human services; emergency management and communications; parks and 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 9.2% of the total (net of reserves).

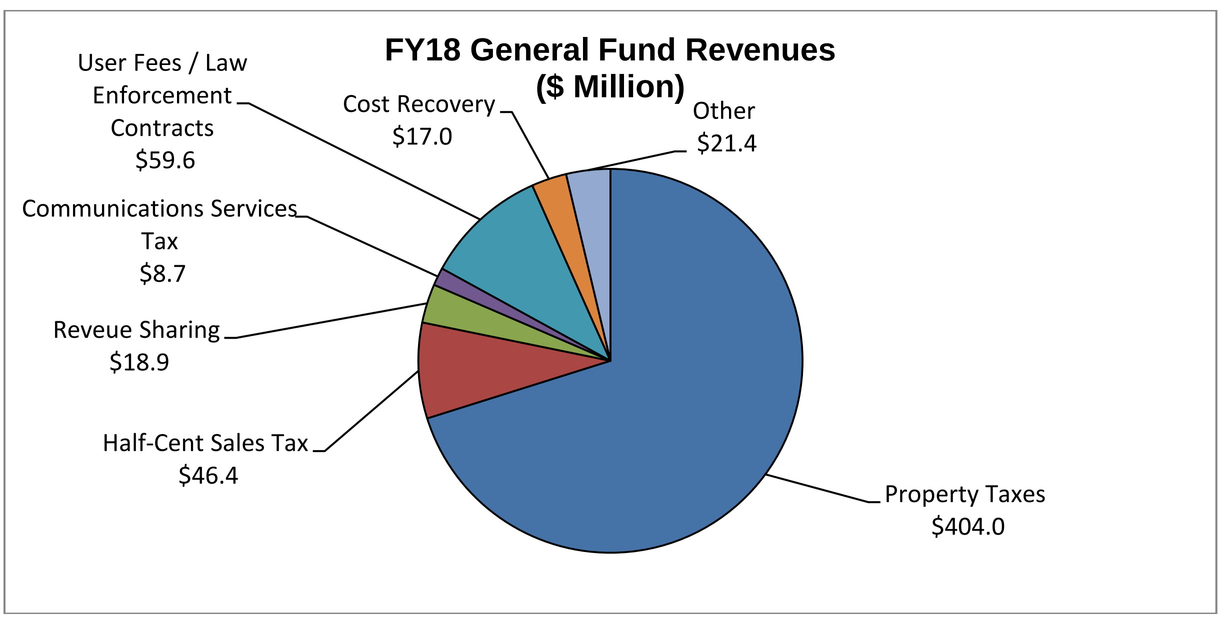
Summary

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

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

Revenues

The budgeted revenues in the General Fund for FY18 total $576.0M. Property Taxes are the single largest source of General Fund revenues, accounting for more than two-thirds of the total. The four primary funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise 83.0% of the revenue. The remaining 17.0% is derived from a variety of resources, including user fees, grants, contracts for services, interest, and cost recovery from other County funds.

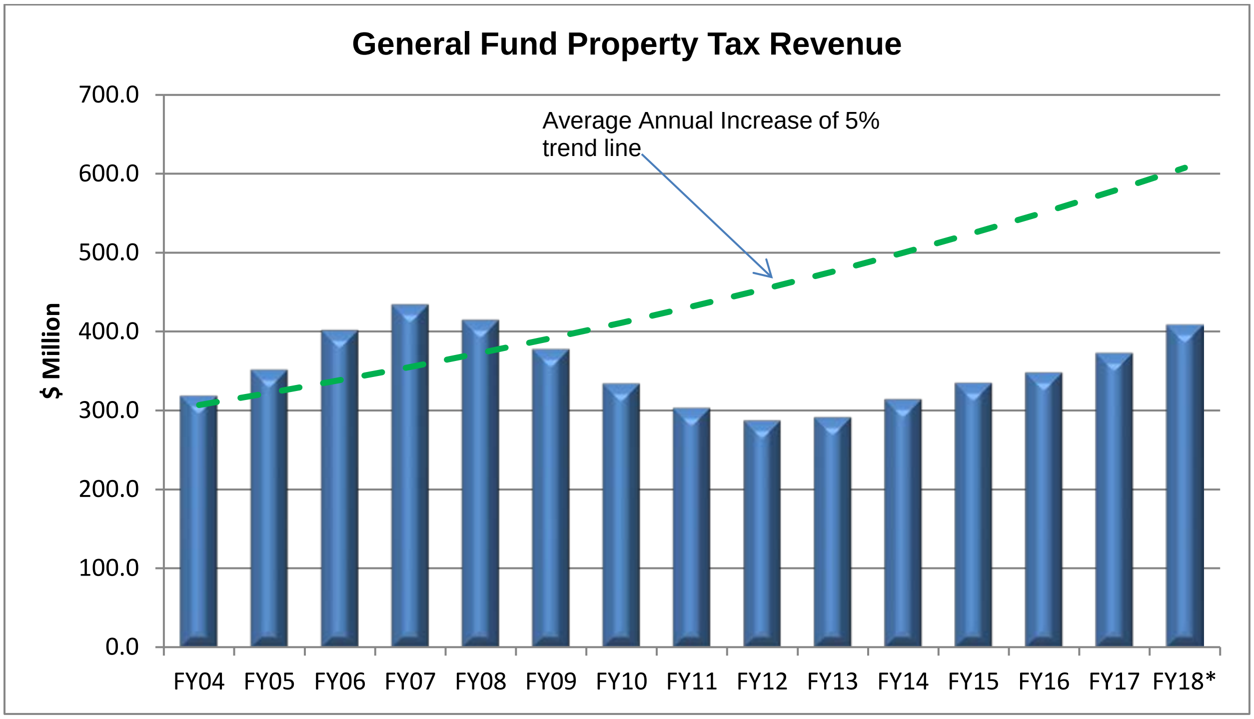


GENERAL FUND

Property Taxes

For the fourth consecutive year, the taxable value of property increased for FY18 (based on the values as of December 31, 2016). The combined General Fund property taxes for countywide and MSTU are budgeted to generate $404.0M in FY18.

From FY04 through FY12, property values experienced the most extreme "boom and "bust" cycle in more than fifty years. The chart below presents the actual property tax revenues from FY04 through the FY18 Budget. It features a dotted line showing what the historical average 5.0% annual growth in property tax values would have produced based on the amount collected in FY04. Despite the better than average pace of the last two years, the total property tax revenue for FY18 will still be less than FY08, and is $25.4M, or 5.9%, less than the FY07 peak revenue.



*FY18 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 diversifies their total revenue portfolio.

Sales Taxes

The second largest General Fund revenue source is the State Shared Half-Cent Sales Tax, which is 8.1% of total General Fund revenues. Sales Tax collections have shown strong growth in the last three years, reaching an all-time high in FY17. This tax is budgeted to generate $46.4M in FY18.

State Revenue Sharing

The third major General Fund source, State Revenue Sharing, is 3.3% of total General Fund revenues. This funding source is also primarily based on the State's sales tax revenue and has shown similar strong growth over the past several years. This source is budgeted to generate $18.9M in FY18.

Communications Services Taxes

The fourth major revenue in the General Fund is the Communications Services Tax (CST). The CST is budgeted to generate $8.7M in FY18, down from a peak of $13.2M in FY07. The County's CST rate is 5.22%, which is the maximum allowed under current State law. Pinellas County's revenue reflects the statewide trend for this source, which has experienced continued erosion due to shifts in consumer spending away from services that are subject to this tax.

Other Revenues

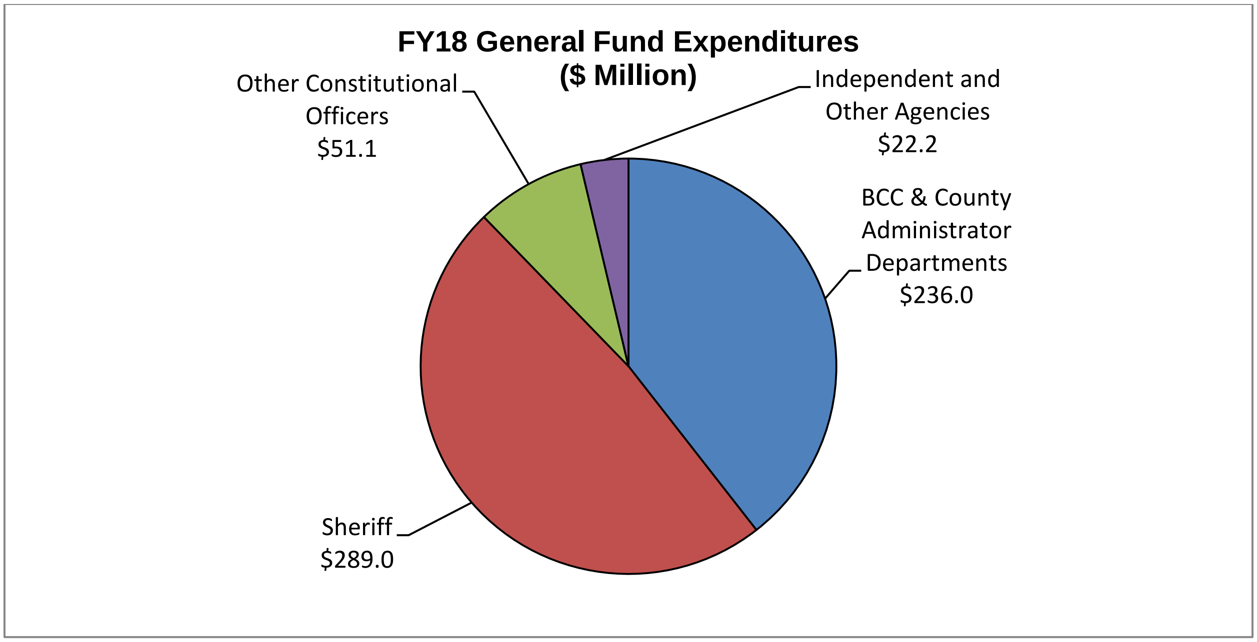
Lesser revenue sources include user fees, Sheriff's Law Enforcement contracts, cost recovery from other funds, interest earnings, and various other sources including federal and state grants. In general, these revenues are expected to continue moderate growth in FY18 and future years.

Expenditures

The General Fund includes the primary governmental functions of the County that are not completely supported by dedicated resources. These activities include, but are not limited to: Sheriff's law enforcement, detention, and corrections; statutorily required support of the Court system, including 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 FY18 total $598.3M and can be summarized in four groups: the Board of County Commissioners, the Sheriff, other Constitutional Officers, and Independent Agencies.

GENERAL FUND



Board of County Commissioners

This grouping of departments includes the departments under the County Administrator as well as the County Attorney's Office and the Board of County Commissioners (BCC). They are $236.0M or 39.5% of total FY18 General Fund expenditures.

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

Sheriff

The Sheriff is an independently elected Constitutional Officer. The Sheriff's budget is $289.0M or 48.3% of total FY18 General Fund expenditures. Detention and Corrections programs are 39.5% of the Sheriff's budget. The Sheriff also provides Law Enforcement services to both the unincorporated area (MSTU) and by contract to 13 municipalities; law enforcement expenditures are 51.8% of the Sheriff's budget. The remaining 8.7% of the budget provides support to the Court system. The Sheriff's adopted budget is often supplemented during the year by grants from federal and state agencies such as the U.S. Department of Justice and the Florida Department of Law Enforcement. The FY18 budget includes an appropriation of $2.3M for anticipated grant awards.

Other Constitutional Officers

These agencies, which are headed by independently elected officials, comprise $51.1M or 8.5% of total FY18 General Fund expenditures. In most cases, the General Fund only reflects part of the total agency budgets.

The Tax Collector and Property Appraiser's budgets are determined by statutory formulas and are approved by the State Department of Revenue. The General Fund provides 88.0% of the Tax Collector and 83.3% of the Property Appraiser total budgets. The remainder is supported by other funds and by revenue sources that are specific to certain functions. An example of the latter is the processing of driver's licenses, which receives some state support but not enough to cover the Tax Collector's cost of providing the service.

The Clerk of the Circuit Court has two separate budgets for activities, in support of the Board of County Commissioners and in support of the Court system. The latter is fee supported and is not included in the County's budget; it is funded and approved by the State. The Board-related functions comprise 35% of the Clerk's total budget.

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

Independent and Other Agencies

These agencies are $22.2M, or 3.7%, of total FY18 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, 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 are funded by the State.

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

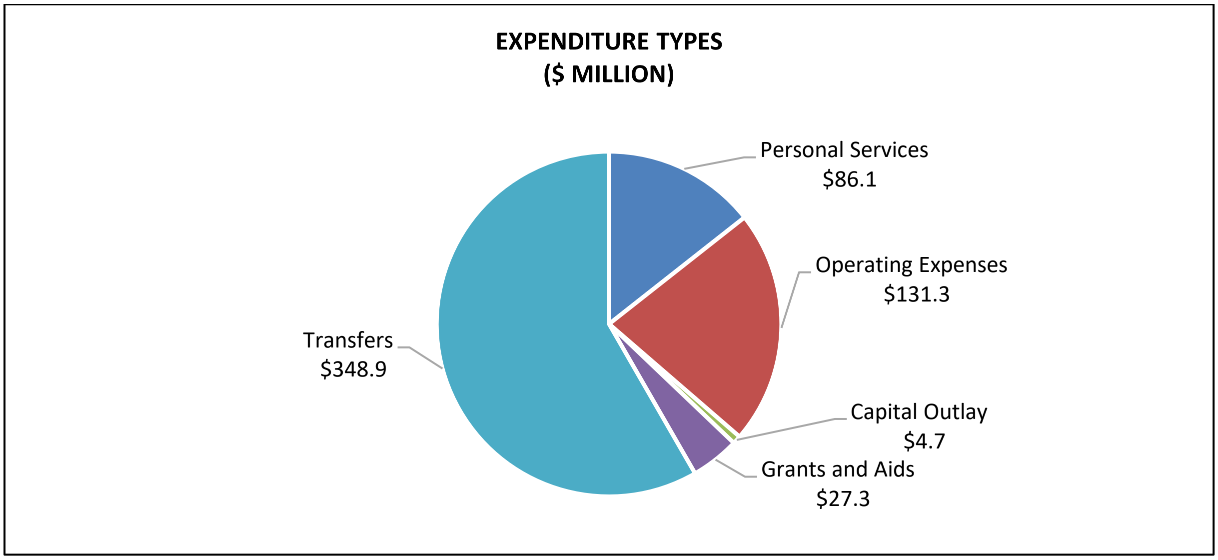
Two other agencies receive General Fund support. The Office of Human Rights provides County citizens protection from employment and housing discrimination and also acts as the County's internal affirmative action agency. The Human Resources department manages the Unified Personnel System (UPS) which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

GENERAL FUND

Types of Expenditures

In addition to the breakout of organizational responsibilities, another way of looking at General Fund requirements is to consider the types of expenditure required for those organizations to carry out their responsibilities. Personal Services, Operating Expenses, and Capital Outlay in the General Fund are similar to those in other County funds. Operating Expenses include charges for Business Technology Services (BTS) support provided to General Fund agencies. These charges ($25.6M in FY18) represent 63.6% of the total BTS budget.

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



Grants and Aids

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

Grants and Aids also include Tax Increment Financing (TIF) payments to cities for community redevelopment areas (CRAs). The County is required by interlocal agreements to contribute funds annually based on formulas that reflect the amount of growth in taxable values compared to a specified base year. Nine cities within the county have established a total of thirteen CRAs. In addition, one CRA has been established in the Lealman unincorporated area of the County. The County is budgeted to contribute a total of $13.4M in TIF payments in FY18.

Debt Service

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

Transfers

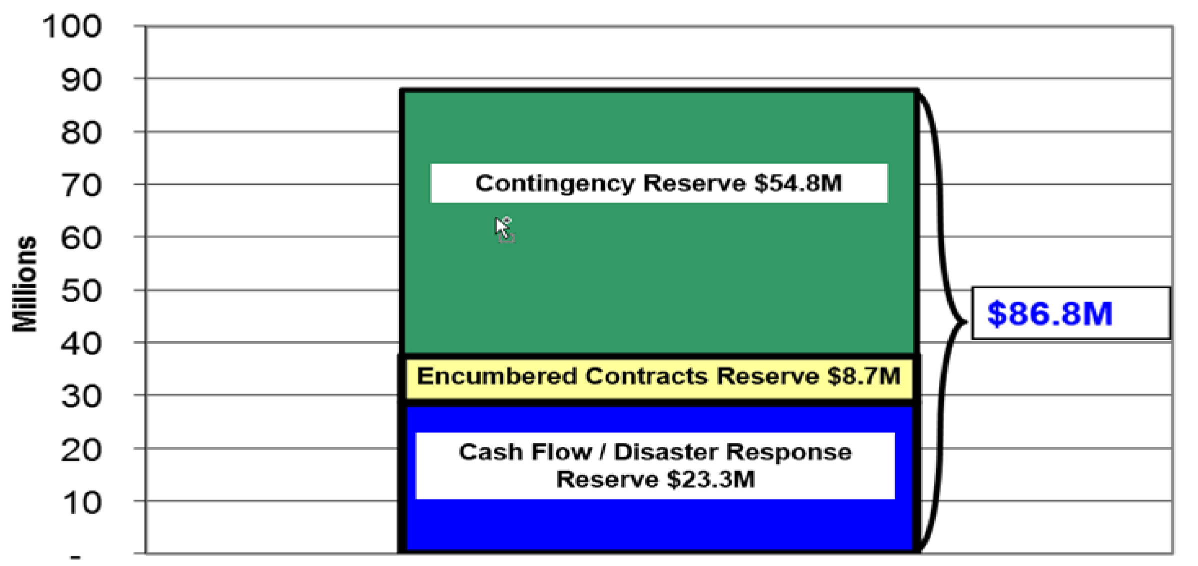
Transfers between funds include ongoing and non-recurring items. For example, an ongoing transfer to the Employee Health Benefits Fund is budgeted to address future liabilities for Other Post-Employment Benefits (OPEB). Also included in this category are the transfers to the Constitutional Officers which represents 98.2% of the $348.9M budget. Funds may also be transferred to support specific projects such as the Centralized Chiller Plant.

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. Having an adequate reserve also demonstrates stability to the financial markets. As Pinellas has the lowest general revenue debt of any major Florida county, this stability enhances our ability to raise capital through bonding at a lower cost if required in the future.

The FY18 General Fund adopted budget included reserves of $86.8M, or 15.1% of total revenues, which is consistent with the BCC policy target of 15%. 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 $54.8M in FY18, is an amount equal to 8.0% of resources to be used for unanticipated revenue shortfalls or expenditures. For example, fuel costs and electricity rate increases have been highly volatile and often exceed normal inflation. Another example is the need for accrued leave payouts due to unanticipated retirements.

Encumbered Contracts Reserve
During the year, at any given time there are purchase orders and service contracts that have been approved and are subject to payment as work is completed or goods delivered. The $8.7M in the Encumbered Contracts Reserve for FY18 represents the average amount that was encumbered at month's end for the 12-month period ending May 2017.

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 about 70.1% 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, is not available at the beginning of a disaster, and often is not received for many months or years. For FY18, the budget for this reserve account is $23.3M.

Six-Year Forecast

Key Assumptions – Revenues

For the purposes of the forecast, it is assumed that the General Fund millage rates for both countywide and MSTU purposes will remain the same as the rates for FY18. The FY18 countywide millage rate is 5.2755 mills, and the MSTU rate is 2.0857 mills.

As explained in the Key Assumptions section of this document, the forecast is that countywide taxable values will increase by 6.0% in FY19, 5.5% in FY20, 4.5% in FY21, 4.0% in FY22, and 3.5% in FY23 and FY24. In the years before the real estate boom, the historical average annual growth was 5.0%.

For the State Shared Half-Cent Sales Tax and State Revenue Sharing, we anticipate 4.0% growth for FY19, 3.5% annual growth for FY20 - FY21, and 2.5% growth for the FY22-FY24 forecast period.

Communications Services Tax revenue has declined over the past several years but is projected to remain level throughout the forecast period.

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

Key Assumptions – Expenditures

The forecast assumes a continuation of current (FY18) 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.

Included in the FY18 Estimate are $5.0M in non-recurring funds for the ongoing projects funded by the BP settlement, as well as $1.2M to stabilize water control facilities at Joe's Creek that were damaged during Hurricane Hermine.

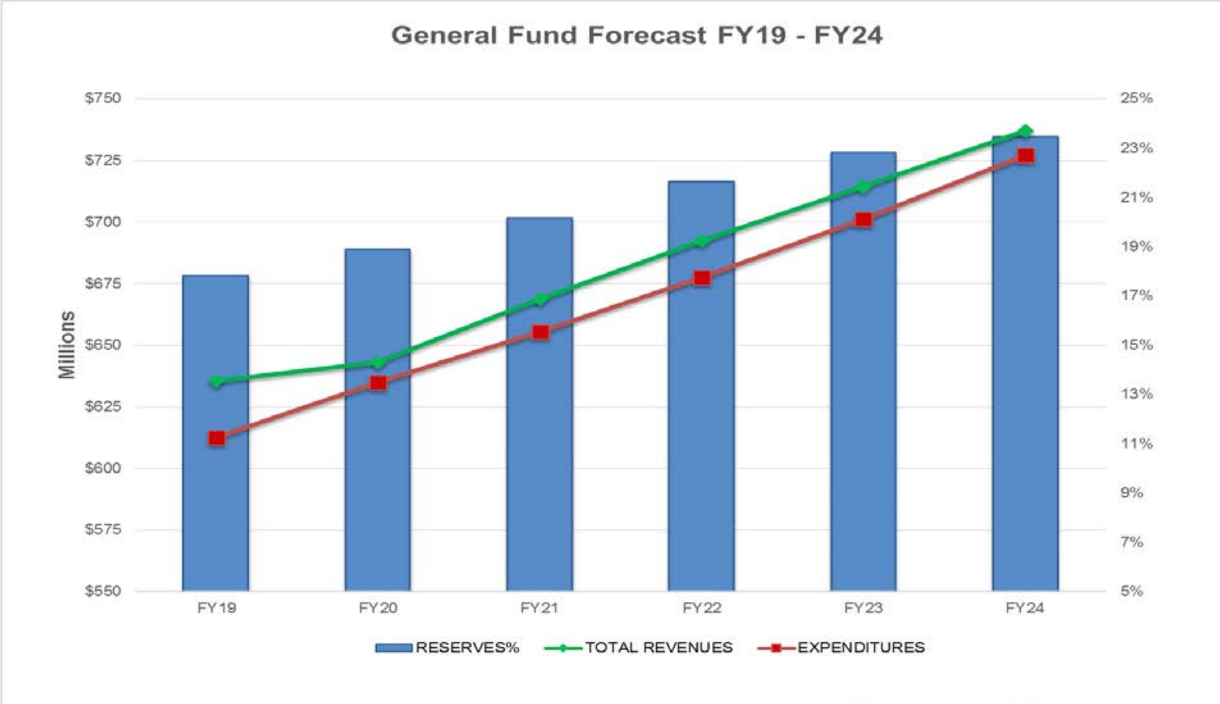
Hurricane Irma expenses totaled $5.7M in FY17 and another $17.9M is estimated to impact the General Fund in FY18. The hurricane-related expenditures were not anticipated and will rely on General Fund reserves to offset the costs until the County receives reimbursement. Additionally to expedite the County's ability to request reimbursement from FEMA, all Public Works expenses related to Hurricane Irma were paid from the General Fund; however, any expenses not reimbursed will be returned to the Transportation Trust Fund or Surface Water Fund. Approximately 87.5% of the hurricane-related expenses are projected to be reimbursed by FEMA and the State. Although the timing of the reimbursement is uncertain, the forecast reflects the reimbursements as FY19 revenue.

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

At the end of each fiscal year, non-recurring funds may be realized as additional fund balance resulting from revenue in excess of expenditures in a given fund. The amount of non-recurring or one-time funds can vary significantly from year to year. As stated in the County's budget policies, non-recurring funds should be applied to increase reserves or for one-time purposes only. They should not be used to fund ongoing programs.

Key Results

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

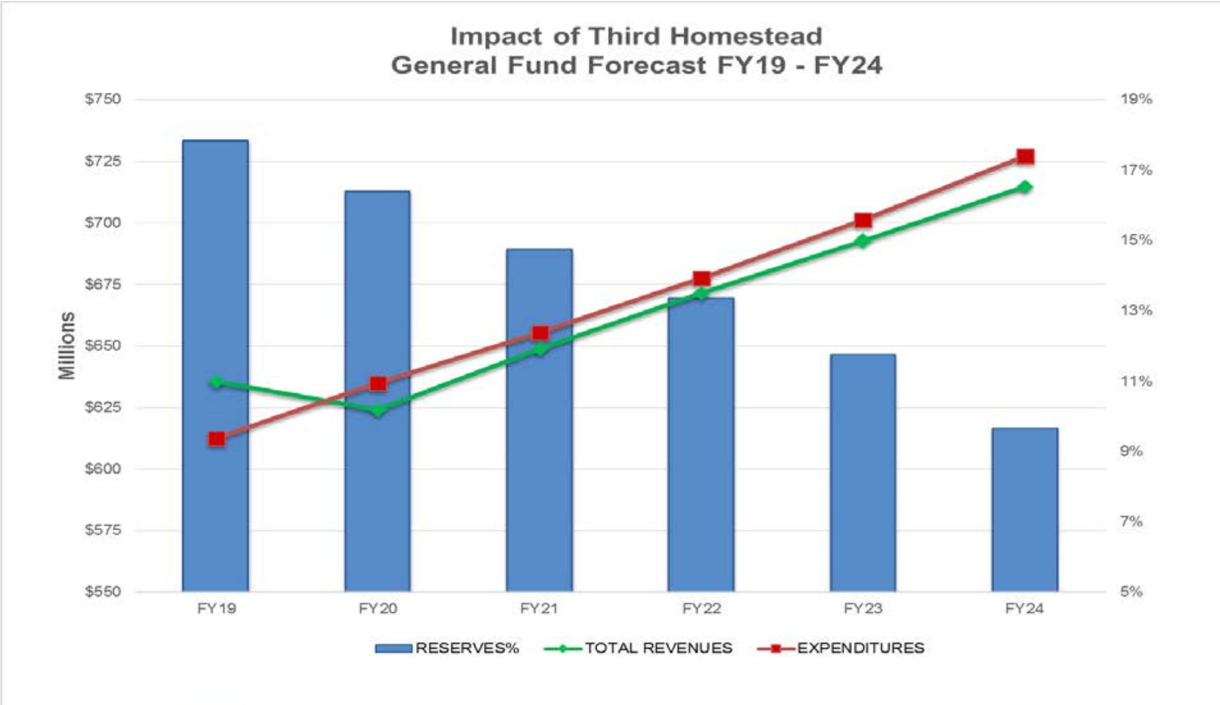


Potential Risks

REVENUE FACTORS

Taxable Values

There are many factors that can alter the six-year forecast of the General Fund. The primary concern, due to this fund's reliance on property taxes for a significant portion of revenue, is the potential impact of an additional homestead exemption to be decided by voter referendum in November 2018. This exemption would provide for an additional $25,000 exemption on property values between $100,000 and $125,000. The impact to the General Fund based on FY16 taxable values is estimated at $17.2M ($15.1M Countywide and $2.1M MSTU). If approved, the impact of the homestead exemption would begin in FY20 and is projected to decrease General Fund revenue by about approximately $19.2M in the first year. The graph below reflects the potential impact of the additional homestead exemption.



Another significant impact to General Fund revenue is the performance of the real estate market. The timing of the valuation of property for tax purposes is important. The FY19 values to be certified on July 1, 2018 will reflect the market conditions through the end of the 2017 calendar year. Therefore, increases or decreases in value after January 1, 2018 will not impact the FY19 tax base.

A change of 1.0% in the FY18 countywide taxable value would result in a $3.7M change in revenue at the FY18 millage rate of 5.2755. Similarly, a change of 0.1 mills in the rate using the FY18 taxable value would result in a $7.0M change in revenue. In the following years, these impacts would be amplified by the other growth factors.

Save Our Homes Impact

Another variable is the homesteaded taxable value increase cap imposed by the Save Our Homes (SOH) amendment, which is based on the annual change (December to December) in the Consumer Price Index. The CPI for December 2017 that represents the cap homesteaded properties for FY19 growth is 2.1%. As the real estate market continues its recovery, Save Our Homes will limit the amount of the increased value that is subject to property taxes. After declining throughout the recession, the amount of value shielded by Save Our Homes increased from $3.5B in FY14 to $7.2B in FY15, and $10.5B in FY16. $12.9B in FY17, and $14.9B in FY18. This equates to $74.9M in General Fund countywide property tax revenue that is not available in the current fiscal year.

Annexations

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

Economic Conditions

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

The Sales Tax is highly sensitive to economic conditions. The 2.5% to 4.0% annual growth in the Sales Tax assumed in the forecast generates about $1.3M to $1.9M in additional revenue each year, which would be impacted by variations from the anticipated economic assumptions.

The forecast assumes that the sources tied to Revenue Sharing will grow at 2.5% to 4.0% per year, the same rate as the growth in Sales Tax. However, there is no Constitutional prohibition against the State changing the formula to reduce or eliminate this revenue source unless the funds have been committed for debt service (which is restricted to 50.0% of the prior year's proceeds). Pinellas has no Revenue Sharing pledged to support debt and the entire allocation is subject to revision by the Legislature.

State Budget Impacts

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.

These formula changes can have serious impacts on the General Fund. A 10.0% cut in the Sales Tax formula would reduce revenues by over $4.6M.

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

Potential for Recession

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

EXPENDITURE FACTORS

Inflation

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

Historically, although inflation was as high as 12.5% in 1981, in the years from 1989 to 2008 the change in the CPI averaged about 3.0%. The true inflation rate will have a significant effect on future requirements. For example, an increase of 1.0% in the CPI, if applied to all FY18 recurring costs, would require an additional $5.9M for expenditures. A change of 1.0% in the salary and benefits assumptions would produce a cost variance of $3.9M and an increase in the inflation rate of 1.0% would result in a $1.8M change in operating expenses in FY18, and would trigger escalating impacts going forward.

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

Florida Retirement System (FRS)

Because salaries and benefits are a significant part (62.2% including transfers to Constitutional Officers) of General Fund expenditures, higher than projected FRS contribution rates or health insurance cost increases could have significant negative impacts. The FRS rates approved for the State's 2018 fiscal year (July 1, 2017 to June 30, 2018) 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 have demonstrated that they are willing to make major structural changes to the pension system.

Health Insurance

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

Unfunded Mandates

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

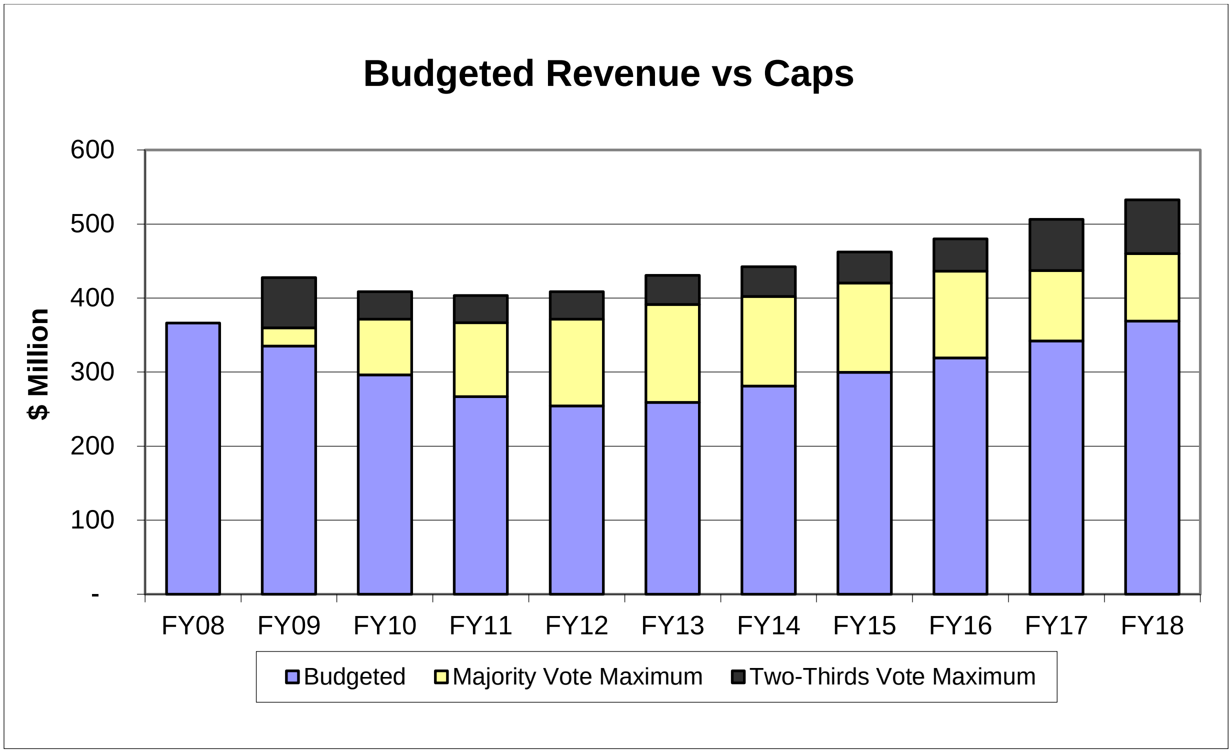
Theoretically, Article VII Section 18 of the Florida Constitution has a prohibition against imposing unfunded mandates on counties and cities. In practice, the Legislature can avoid this prohibition in many ways, through exemptions (such as mandates to enforce criminal laws) or exceptions, including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

Balancing Strategies

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

Expenditure reductions are an option to be considered. The efforts to find efficiencies and streamline operations will continue to be pursued, but as a result of cuts in funding and workforce during the recession, the total FY18 General Fund $685.1M budget is still less than the $741.8M FY07 budget. Significant new reductions would negatively impact levels of service to the public.

Revenue increases are another option. The County is currently collecting less than the maximum allowed majority-vote property tax revenue. In 2007, the Legislature enacted new limitations on property tax revenue increases for local governments. Super-majority (two-thirds) votes of the Board are required if proposed property tax revenue exceeds caps based on the average growth in Florida personal income and new construction. The caps went into effect beginning in FY09, using the FY08 level of property tax revenue as the base. As shown in the chart on the next page, capacity under the cap increased as property tax revenues decreased. There is currently a wide spread of $163.6M in potential revenue between the FY18 millage rate of 5.2755 and the super-majority vote cap limit of 7.6153.



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

GENERAL FUND FORECAST
Fund 0001

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Property Taxes - Countywide	6.0%	5.5%	4.5%	4.0%	3.5%	3.5%
Property Taxes - MSTU	5.0%	5.0%	4.0%	3.5%	3.0%	3.0%
Half Cent Sales Tax	4.0%	3.5%	3.5%	2.5%	2.5%	2.5%
Revenue Sharing	4.0%	3.5%	3.5%	2.5%	2.5%	2.5%
Communications Svc Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Charges for Services	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Transfers from Other Funds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Capital Outlay	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Grants & Aids	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%
Estimated New Construction % of tax base	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

GENERAL FUND FORECAST
Fund 0001

(in $ thousands)	Actual FY17	Budget FY18	Estimated FY18 (FORECAST)	Estimated FY19 (FORECAST)	Estimated FY20 (FORECAST)	Estimated FY21 (FORECAST)	Estimated FY22 (FORECAST)	Estimated FY23 (FORECAST)	Estimated FY24 (FORECAST)
BEGINNING FUND BALANCE	**123.9**	**109.1**	**116.5**	**90.6**	**113.5**	**121.6**	**135.0**	**150.0**	**163.2**
REVENUES									
Property Taxes -Countywide	340.0	368.9	368.9	391.0	412.5	431.1	448.3	464.0	480.3
Property Taxes - MSTU	32.8	35.1	35.1	36.9	38.7	40.2	41.7	42.9	44.2
Half Cent Sales Tax	45.5	46.4	46.4	48.3	49.9	51.7	53.0	54.3	55.7
Revenue Sharing	18.6	18.9	18.9	19.7	20.3	21.1	21.6	22.1	22.7
Communications Svc Tax	9.4	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Grants (fed/state/local)	8.0	9.2	9.2	9.4	9.6	9.8	10.0	10.2	10.4
Interest	1.5	2.3	2.3	1.4	2.5	3.0	3.4	3.7	4.1
Charges for Services	46.5	59.6	59.6	61.1	62.5	63.7	65.2	66.6	68.1
FEMA Reimbursement - Irma	-	-	-	20.7	-	-	-	-	-
FEMA Reimbursement - Hermine		-	-	1.1	-	-	-	-	-
Other revenues	52.6	26.9	26.9	27.6	28.3	29.0	29.8	30.6	31.4
Adjust Property Taxes to 96.0%			4.3	4.5	4.7	5.0	5.2	5.3	5.5
Adjust Major Revenue to 98.0%			4.6	4.7	4.8	5.0	5.1	5.2	5.4
Adjust Other Revenue to 97.0%			0.6	0.6	0.6	0.6	0.6	0.6	0.7
TOTAL REVENUES	**554.9**	**576.0**	**585.4**	**635.5**	**643.2**	**668.9**	**692.5**	**714.4**	**737.0**
% vs prior year		3.8%	5.5%	8.6%	1.2%	4.0%	3.5%	3.2%	3.2%
TOTAL RESOURCES	**678.8**	**685.1**	**701.9**	**726.1**	**756.7**	**790.5**	**827.5**	**864.4**	**900.3**
EXPENDITURES									
Personal Services	74.4	86.1	86.1	89.7	93.5	97.4	101.8	106.2	110.7
Operating Expenses	120.0	129.9	129.9	137.4	141.7	144.8	148.6	152.2	156.0
Capital Outlay	1.9	3.6	3.6	3.7	3.8	3.9	3.9	4.0	4.1
Grants & Aids	21.3	25.4	25.4	26.6	27.9	29.3	28.8	29.5	30.4
Transfers	329.6	341.1	341.1	354.5	367.6	381.3	395.7	410.8	427.6
Debt Service	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Hurricane Irma Expenses	5.7	-	17.9	-	-	-	-	-	-
Hurricane Hermine Expenses			1.2						
BP Settlement Funds*	1.6	5.0	5.0	-	-	-	-	-	-
Expenditure Lapse 3.0% **	-		(6.1)	(6.5)	(6.7)	(6.9)	(7.1)	(7.3)	(7.5)
Non-recurring Transfers to CIP	2.0	1.5	1.5	1.5	1.6			-	-
EXPENDITURES	**562.3**	**598.3**	**611.3**	**612.6**	**635.1**	**655.5**	**677.5**	**701.2**	**727.2**
% vs prior year		6.4%	8.7%	0.2%	3.7%	3.2%	3.4%	3.5%	3.7%
ENDING FUND BALANCE	**116.5**	**86.8**	**90.6**	**113.5**	**121.6**	**135.0**	**150.0**	**163.2**	**173.1**
Ending balance as % of Revenue	21.0%	15.1%	15.5%	17.9%	18.9%	20.2%	21.7%	22.8%	23.5%
TOTAL REQUIREMENTS	**678.8**	**685.1**	**701.9**	**726.1**	**756.7**	**790.5**	**827.5**	**864.4**	**900.3**
REVENUE minus EXPENDITURES (NOT cumulative)	(7.4)	(22.3)	(25.9)	22.9	8.1	13.4	15.0	13.2	9.9

* BP Settlement funds were received in FY15, and projects were approved by the BCC in December 2016. Funding is shown as an expenditure in FY17 and FY18 for ongoing projects.

** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.

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. Section 125.0104, Florida Statutes, was enacted by the State in 1977. The Board of County Commissioners (BCC) enacted an ordinance in 1978 to levy a 2.0% tax to promote tourism in Pinellas County; the tax was approved at a referendum held on October 5, 1978. In 1988, the ordinance was amended to increase the tax by an additional 1.0%, with one-half of this amount earmarked to fund beach re-nourishment projects. In January 1996, an additional 1.0% was levied to provide additional funds for promotional activities, beach re-nourishment, and to service debt on the County's obligation to the City of St. Petersburg's bonds for Tropicana Field. The BCC levied an additional 1.0% in December 2005 to provide funding for promotion and advertising. The sixth percent of TDT was approved by the BCC on August 4, 2015 to provide additional resources to promote the destination and to invest in capital projects to will bring economic benefit to the county. The sixth percent went into effect January 1, 2016.

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 spring training facilities throughout the county.

Summary

The Tourist Development Tax Fund is funded by the Tourist Development Tax revenue that is sensitive to general economic conditions. Tourist Development Tax revenue has been steadily increasing since Spring 2010 and has seen record-setting revenue for the past six years. Tourist Development Tax revenue is estimated to grow by 15.9% in FY18 compared to FY17. Revenue is projected to increase by another 4.0% in FY19 and 3.5% annually from FY20 – FY24.

Expenditures are projected to increase by 85.0% in FY18 as the CVB begins payment on the capital projects approved by the BCC in FY17 ($19.2M), along with increased spending on beach renourishment projects, increased personnel costs, and additional spending on advertising the destination.

With the addition of the capital program expenditures, expenses are expected to exceed revenue in FY19 and the planned use of capital fund balance will balance the fund. 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 can be used by the BCC to fund projects that will benefit the economy of Pinellas County and comply with allowable use of TDT.

TOURIST DEVELOPMENT TAX FUND

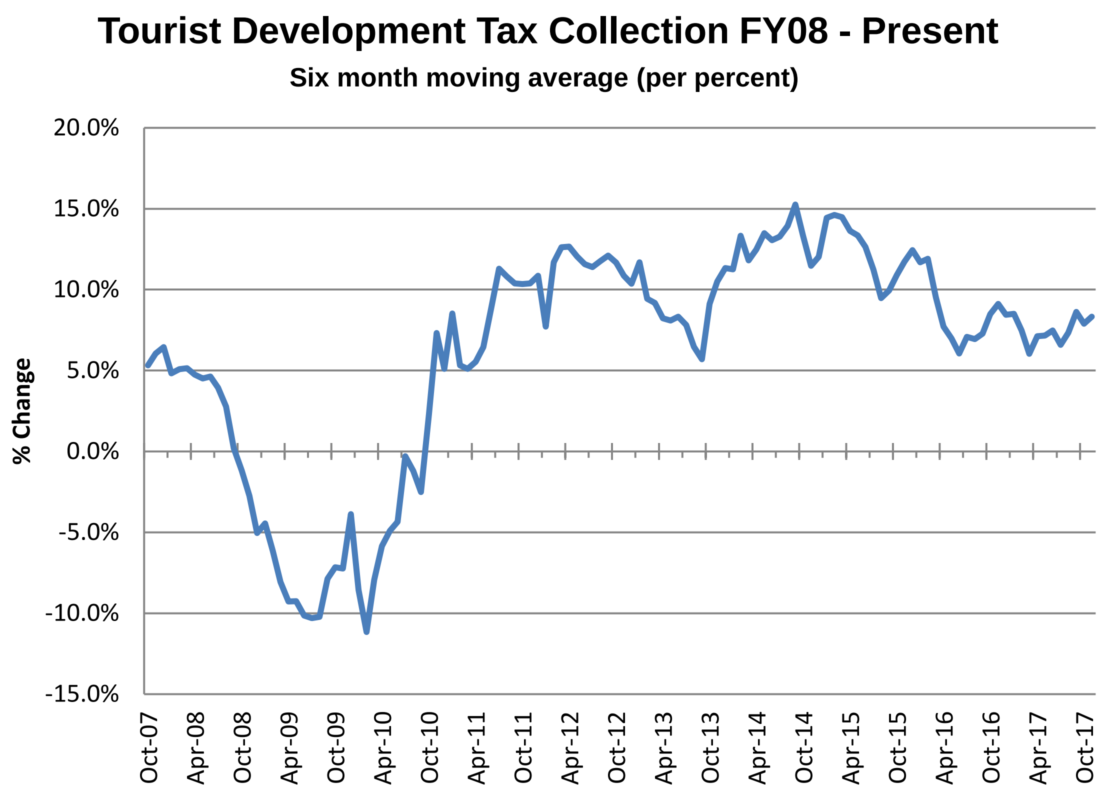
Revenues

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

Tourist Development Taxes

Tourism is a key economic driver of the economy in Pinellas County and contributed direct and indirect visitor expenditures of approximately $9.7B during calendar year 2016, a 5.2% increase from 2015, and $8.2B through the third quarter of 2017, which is 6.9% higher than the same period in 2016 (*source: Research Data Services, Inc. [RDS]*). The Tourist Development Tax is projected to generate $63.5M in FY18.

Tourist Development tax collections are sensitive to both environmental and economic conditions due to the close relationship between disposable income and leisure travel. The chart below shows the 6-month moving average change in tax collections from October 2007 to November 2017. The data shows that collections bottomed out at the beginning of 2010, but have been rapidly increasing as the economy rebounded from the Great Recession. For the past several years, the increase in tax revenue has outpaced the overall economy.



Source: Pinellas County Tax Collector

FY17 actual TDT revenue totaled $54.8M, an increase of 10.7% over FY16. This increase includes a full year of the additional sixth percent that was implemented in January 2016. Excluding the additional percent, TDT revenue increased 7.3% in FY17. In FY18, TDT revenue is projected to increase by 15.9% compared to FY17. Revenue is projected to increase by another

4.0% in FY19, and 3.5% annually from FY20 – FY24. While recent trends may suggest a stronger growth rate, the increases seen over the past few years are not sustainable without adding significant inventory to available rooms throughout the county.

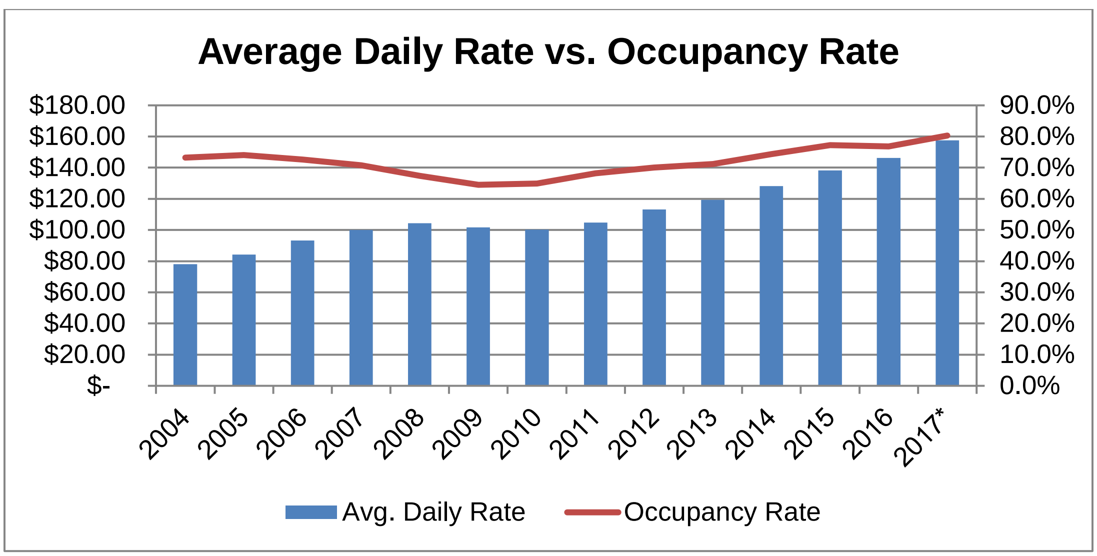
The chart below compares visitor origins with calendar year-to-date figures for 2016 and 2017. Overall overnight visitors increased by 3.7%. Visitors from Latin America continues to show strong improvement with a 15.3% increase year-over-year. The two biggest markets, Midwest and Northeast, were both positive through September, but showed the slowest growth of the eight market categories.

Calendar Year-to-Date 2016 vs. 2017
January - September

Overnight Visitor Origins	2016	2017	% Change
Florida	584,038	615,737	5.4%
Southeast	335,089	353,413	5.5%
Northeast	1,148,323	1,193,679	3.9%
Midwest	1,501,297	1,507,793	0.4%
Canada	248,628	258,919	4.1%
Europe	819,722	853,309	4.1%
Other U.S. Markets	138,103	146,750	6.3%
Latin America	200,900	231,700	15.3%
Total	4,976,100	5,161,300	3.7%

Source: Visit St. Petersburg/Clearwater Dashboard/Visitor Profile (Nov. 2017), Research Data Services, Inc. (RDS)

The next chart reflects the Annual Average Daily Rate (ADR) that hotels have been able to collect and the occupancy rate since 2004. As a result of the BP oil spill, red tide, and the economic downturn, ADR stayed flat from 2007 to 2010 and visitor counts declined to 5.0M in 2009 from a peak of 5.3M in 2007. Since 2010, ADR and visitor counts have strongly rebounded. The ADR for 2017, through September, was $157.63, with an occupancy rate of 80.3%, compared to a YTD average of 80.0% in 2016.



Source: Research Data Services, Inc. (2017 through September)

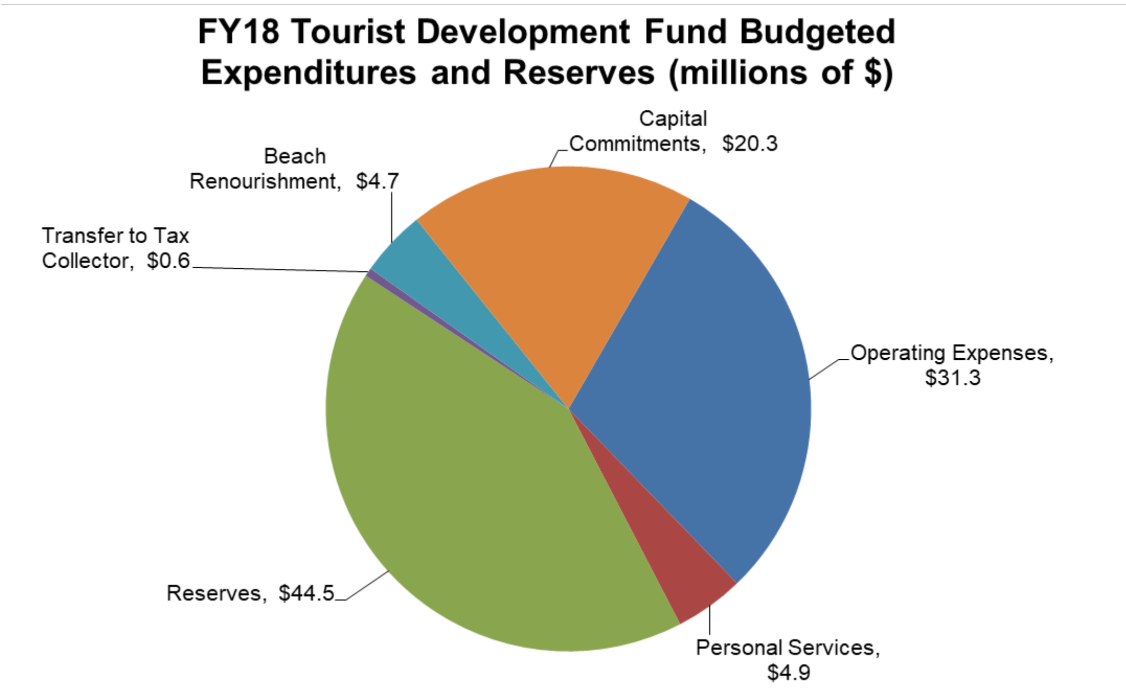
TOURIST DEVELOPMENT TAX FUND

Expenditures

The TDT Fund supports budgeted expenditures and reserves in FY18 totaling $106.4M. The primary expenditures in the fund are $31.3M for operations and promotional activities, $4.9M for personal services, $20.3M for the capital program, $4.7M for beach renourishment, and $44.5M in reserves. Below are listed the seven approved projects that anticipate receiving reimbursement funding in FY18. Two of the projects (Clearwater Philadelphia Phillies Spring Training Facility and Dali Museum) were funded in previous year's budgets, while the remaining five were part of the expanded capital program approved by the BCC in August 2017. The County's commitment to these new projects is anticipated to be completed within three fiscal years (FY18 – FY20). A sixth project, City of Dunedin Toronto Blue Jays Spring Training Facility, has been approved in concept, with final details still being negotiated. It is anticipated in this forecast that the County's funding commitment for this project will begin in FY19.

FY18 Capital Project Program

Project	FY18 Budget
Clearwater Marine Aquarium	$ 13,000,000.00
City of Clearwater - Ruth Eckerd Hall	$ 2,750,000.00
American Craftsman Museum	$ 2,000,000.00
City of Clearwater - Countryside Sports Complex	$ 950,000.00
City of Clearwater - Spring Training	$ 587,650.00
Dali Museum	$ 500,000.00
City of Clearwater - Eddie Moore Softball	$ 495,000.00
Total	$ 20,282,650.00



TOURIST DEVELOPMENT TAX FUND

Operations and Promotional Activities

The discretionary expenditure budget of $36.3M includes the staff, operations, and promotional activities that promote the St. Petersburg/Clearwater destination. Promotional activities are primarily comprised of the advertising contract, with the balance of the funding supporting such programs as sponsorships, publicity, and promotion via technology.

Convention & Visitors Bureau Operations & Promotional Expense

Expenses	FY17 Budget	% of Operations
Personnel	$4,912,020	13.5%
Operating & Capital Outlay	$2,547,100	7.0%
Advertising/Sales	$27,534,330	75.9%
Research	$250,000	0.7%
Shipping	$111,600	0.3%
Travel	$924,380	2.5%
Total	$36,279,440	100.0%

Source: Pinellas County Convention & Visitors Bureau

Transfers

To pay the costs associated with the administration and collection of the Tourist Development Tax revenue, a transfer of $633,100 is projected to be made to the Pinellas County Tax Collector in FY18.

Reserves

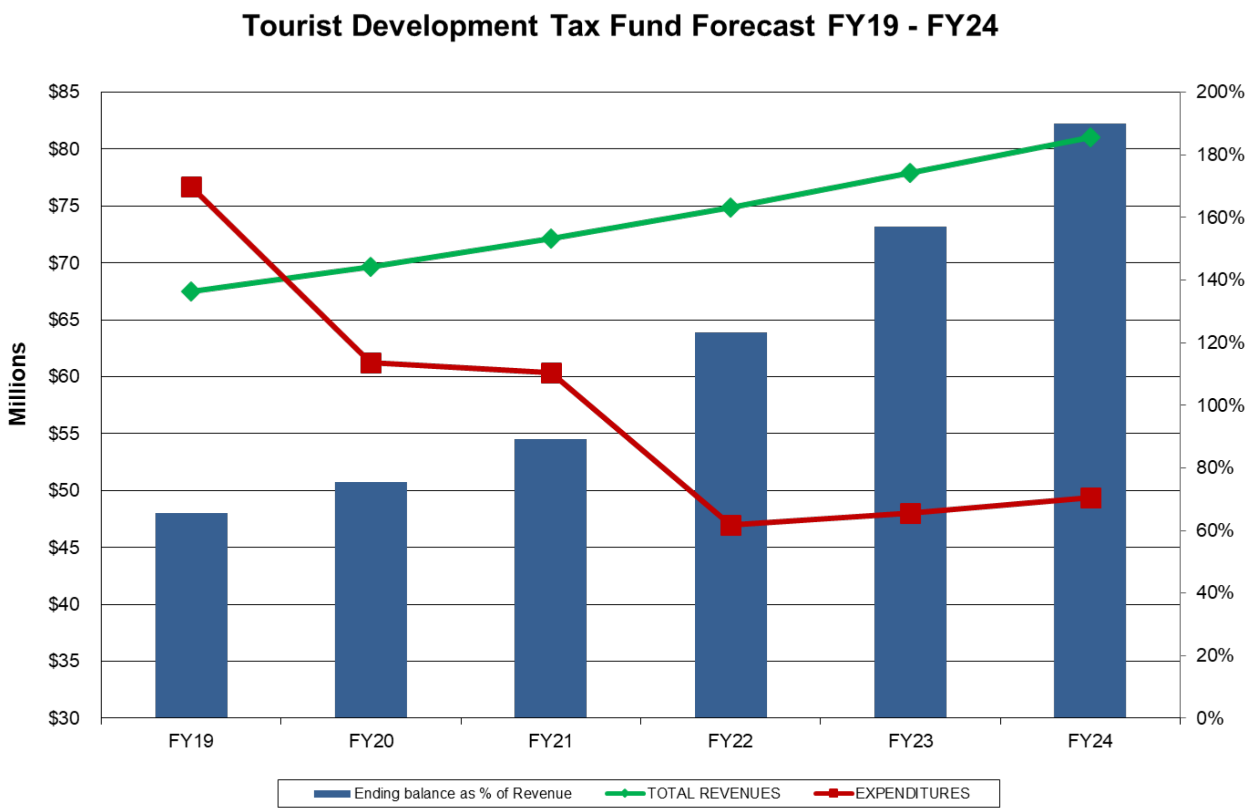
Operating Reserves are budgeted at 21.9% of revenues in FY18, which is above the recommended reserve level of 15.0%. The fund's Operating Reserve will serve as a fiscal shock absorber in the event the TDT revenues decline in response to changes in economic conditions. The TDT Fund also has established Capital Reserves that will be used to help fund capital projects. The FY18 budget appropriates $32.0M in Capital Reserves, which is 55.7% of revenue. In total, the Tourist Development Council Fund has reserves of $44.5M, or 77.6% of revenue.

Six-Year Forecast

Key Assumptions

The revenue forecast for the Tourist Development Tax Fund reflects increasing growth in the economy, with an increase in Tourist Development Tax revenue of 15.9% above FY17 actual in FY18. Revenue is projected to increase by another 4.0% in FY19, and 3.5% annually from FY20 – FY24. On the expenditure side, personal services are projected to increase 4.2% in FY19. In the remaining years of the forecast, personal services are projected to increase 4.2% - 4.5% annually. Promotional activities (advertising) may be increased during the year as revenue is collected and needs are assessed. Capital expenditures, excluding beach renourishment, increases by 69.8% in FY19 due to the expected addition of a commitment to the City of Dunedin for the Spring Training facility. The fund will use current revenue and capital reserves accumulated over the past few years to satisfy any commitments as quickly as possible without compromising the operational needs of the department.

TOURIST DEVELOPMENT TAX FUND



Key Results

There is a planned use of fund balance in FY19 to continue paying on the County's commitment to the capital program recently adopted by the BCC. Other expenditures, such as personal services, advertising, and other operating items, are expected to follow the assumptions within the forecast. This use of capital fund balance is not expected to reduce the operating fund balance below the 15.0% target.

Potential Risks

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

Environmental conditions 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 our reputation or the infrastructure and 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 ADR along with limited increases in hotel rooms could slow growth in the number of overnight tourists in Pinellas County.

Balancing Strategies

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

TOURIST DEVELOPMENT TAX FUND FORECAST
Fund 1040

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Tourist Development Taxes	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Advertising Expense	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Capital Outlay	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

TOURIST DEVELOPMENT TAX FUND FORECAST
Fund 1040

(in $ thousands)	Actual FY17	Budget FY18	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
			FORECAST (@100% Revenue)						
BEGINNING FUND BALANCE	**28,775.7**	**49,007.3**	**51,111.6**	**53,484.7**	**44,209.9**	**52,622.4**	**64,417.5**	**92,326.2**	**122,201.7**
REVENUES									
Tourist Development Taxes @ 95.0%	54,787.3	55,914.1	60,326.0	62,739.0	64,934.9	67,207.6	69,559.9	71,994.5	74,514.3
Interest	272.2	933.9	160.0	855.8	707.4	842.0	1,030.7	1,477.2	1,955.2
Other revenues	713.8	535.1	535.1	535.1	545.8	556.7	567.9	579.2	590.8
Adjust Tax Revenues to 100.0%	-	-	3,175.1	3,302.1	3,417.6	3,537.2	3,661.0	3,789.2	3,921.8
Adjust other Revenues to 100.0%	-	-	36.6	37.3	38.1	38.8	39.6	40.4	41.2
TOTAL REVENUES	**55,773.3**	**57,383.1**	**64,232.7**	**67,469.3**	**69,643.8**	**72,182.4**	**74,859.1**	**77,880.5**	**81,023.3**
% vs prior year		2.9%	15.2%	5.0%	3.2%	3.6%	3.7%	4.0%	4.0%
TOTAL RESOURCES	**84,549.0**	**106,390.4**	**115,344.3**	**120,954.0**	**113,853.6**	**124,804.8**	**139,276.5**	**170,206.7**	**203,225.0**
EXPENDITURES									
Personal Services	3,844.6	4,912.0	4,912.0	5,118.3	5,333.3	5,557.3	5,807.3	6,057.1	6,317.5
Operating Expenses	13,841.8	16,281.3	16,281.3	16,639.5	17,038.8	17,413.7	17,849.0	18,277.4	18,734.3
Advertising Expense	10,240.0	15,064.9	15,064.9	15,396.3	15,765.8	16,112.7	16,515.5	16,911.9	17,334.7
Capital Outlay - Operating	5.0	21.1	21.1	21.9	22.7	23.5	24.3	25.2	26.1
Transfer - Tax Collector[1]	536.0	633.1	633.1	652.1	671.7	691.8	712.6	733.9	756.0
Transfer - Beach Renourishment	3,980.3	4,659.5	4,659.5	5,228.3	5,411.2	5,600.6	5,796.7	5,999.5	6,209.5
Capital Spending Program[2]	-	19,200.0	19,200.0	32,600.0	15,900.0	13,900.0	-	-	-
Capital Outlay - Dali Museum	500.0	500.0	500.0	500.0	500.0	500.0	-	-	-
Capital Outlay - Clearwater Spring Training Facility	489.7	587.7	587.7	587.7	587.7	587.7	244.9	-	-
EXPENDITURES	**33,437.4**	**61,859.6**	**61,859.6**	**76,744.1**	**61,231.3**	**60,387.3**	**46,950.3**	**48,005.0**	**49,378.1**
% vs prior year		85.0%	85.0%	24.1%	-20.2%	-1.4%	-22.3%	2.2%	2.9%
ENDING FUND BALANCE	**51,111.6**	**44,530.8**	**53,484.7**	**44,209.9**	**52,622.4**	**64,417.5**	**92,326.2**	**122,201.7**	**153,846.9**
Ending balance as % of Revenue	91.6%	77.6%	83.3%	65.5%	75.6%	89.2%	123.3%	156.9%	189.9%
TOTAL REQUIREMENTS	**84,549.0**	**106,390.4**	**115,344.3**	**120,954.0**	**113,853.6**	**124,804.8**	**139,276.5**	**170,206.7**	**203,225.0**
REVENUE minus EXPENDITURES (NOT cumulative)	22,335.9	(4,476.5)	2,373.1	(9,274.8)	8,412.5	11,795.1	27,908.7	29,875.5	31,645.2

1) The Transfer for Tax Collector services in FY17 reflects a recovery formula based on actual annual cost. It increases 3.0% per year in the forecast for anticipated increases in future personal services and operating expenses.
2) The City of Dunedin Toronto Blue Jays Spring Training Facility project has been approved in concept, with final details still being negotiated. Projected funding for this project is included in FY19 - FY21.

Pinellas 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 Intelligent Transportation Systems (ITS), traffic control signage and striping, sidewalk repair and construction, and maintenance of ditches, culverts and other drainage facilities. Resources to support these activities are provided from fuel taxes collected and distributed on a shared basis to all Florida Counties by the State of Florida, and local option fuel taxes levied by the County.

Two local option taxes have been imposed by the Board of County Commissioners. The first is a one cent levy (referred to by statute as the Ninth Cent) that began January 2007. It is dedicated to the installation, operation, and maintenance of advanced technological traffic signal and messaging systems (ITS). The other local levy is the Six Cent Local Option Fuel Tax (LOFT) per gallon tax that is shared by interlocal agreement between the County and all municipalities within Pinellas County. The County's share of collections is 60.0% of total receipts, and the municipalities receive portions of the remaining 40.0%.

Summary

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

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues. This is due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. The fund balance is used each year to offset the variance.

Revenues

The FY18 Transportation Trust Fund's budget consists of three primary funding sources: State shared fuel taxes ($10.3M), a six cent per gallon LOFT ($13.7M), and a one cent per gallon fuel tax (the Ninth Cent) earmarked for the ITS ($4.1M). 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.

TRANSPORTATION TRUST FUND

State Shared Fuel Taxes

This resource is comprised of the Constitutional Fuel Tax and the County Fuel Tax, which total three cents per gallon on motor fuel. The taxes are collected statewide and then redistributed to Florida counties by a formula related to population, geographic area, and local collections. The amount of revenue is driven by the gallons of fuel purchased and is, therefore, sensitive to economic activity such as commuting and tourism trips or fluctuations in the price of oil that might change demand for gasoline usage. The move toward more fuel efficient cars also has an effect in offsetting any population growth that might result in more vehicle trips. As a result, state shared fuel taxes, as well as the other fuel taxes, are anticipated to increase only slightly over the forecast period.

Six Cent Local Option Fuel Tax (LOFT)

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

Ninth Cent Fuel Tax

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

Expenditures

The Transportation Trust Fund's budgeted expenditures are $34.4M in FY18 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 FY18 budget for this program is $12.6M.

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 FY18 operating expenses for the ITS program under Transportation Management are $2.0M.

Streets and Bridges

This program provides for maintenance and operation of county streets and bridges with an FY18 expenditure budget of $11.1M. 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 ways, 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 FY18, the budget for this program in the Transportation Trust Fund is $6.9M.

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 FY18 budget for this program in the Transportation Trust Fund is $2.1M.

Transfers

Since the inception of the Ninth Cent fuel tax, a transfer takes place annually from the Transportation Trust Fund to the Capital Projects Fund. This transfer pays for the installation of capital structures needed to implement the ITS such as traffic signal controllers, fiber optics, cameras, and message boards. On average, approximately $1.7M is transferred annually to the Capital Projects Fund to match state and federal grants available for implementing the system on major county and state road corridors.

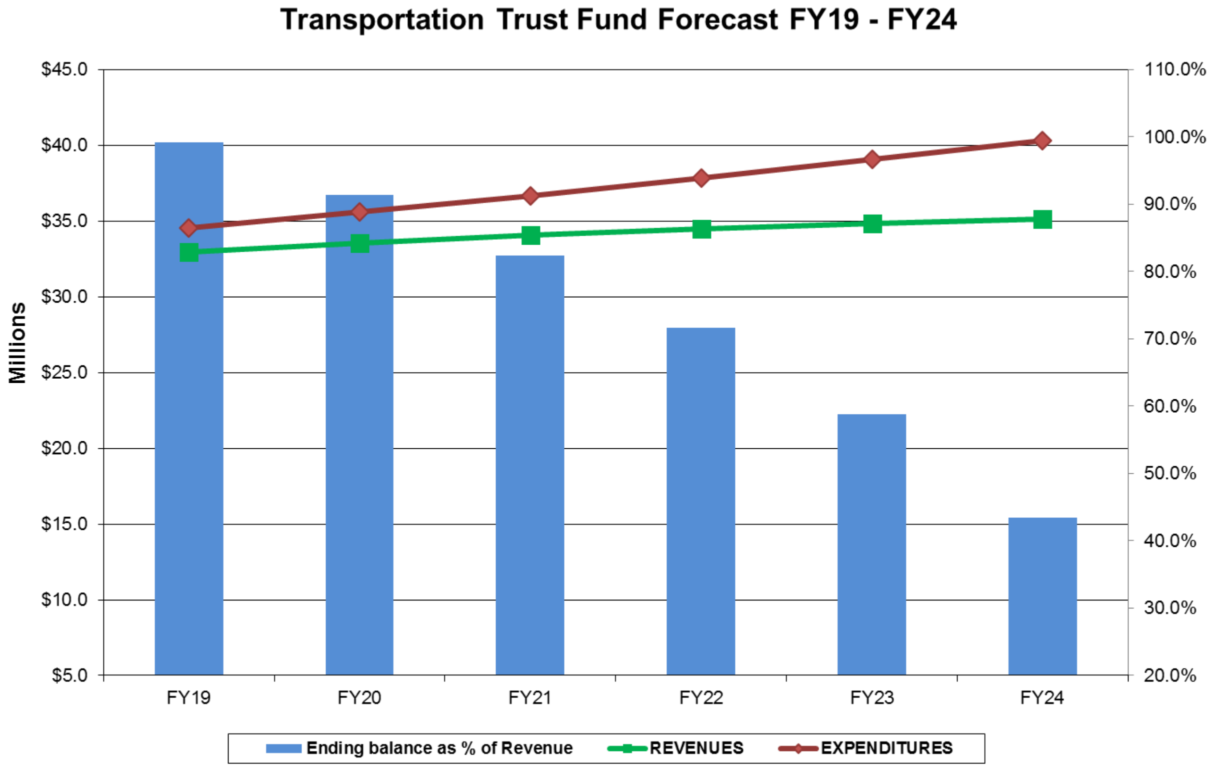
Reserves

The budgeted FY18 reserve level of $29.6M in the Transportation Trust Fund is approximately 96.4% of revenues, which is higher than the 5.0% - 15.0% target reserve level. A major factor contributing to the current reserve level is the shifting of approximately $5.4M annually for surface water activities in the unincorporated areas to the Surface Water Utility Fund which was created in FY14. Additionally, the amount of revenue collected was greater than anticipated and expenditures were less than estimated over the prior fiscal years, which resulted in reserves increasing to a healthy balance. However, as expenditure increases continue to outpace revenue growth, this reserve level will be reduced during the forecast period.

Six-Year Forecast

Key Assumptions

As discussed, the main revenue sources for this fund are state shared fuel taxes and local option fuel taxes. The Six Cent Local Option Fuel Tax levy is authorized until 2027, and the Ninth Cent levy is in effect until 2026. These taxes are based on gallons pumped and not fuel prices. Pinellas County's 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. Additionally, 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. Based on the historical reduction and future slow growth patterns, current fuel tax revenues are not predicted to keep up with projected inflationary expenditure demands on transportation operation and expenditure needs.



Key Results

Transportation Trust Fund expenditures exceed revenues throughout the forecast period causing a gradual erosion of fund balance.

Potential Risks

Impacts on this forecast include macro-economic conditions such as fluctuations in the price of oil that could affect demand for motor fuel.

Changes in the price of commodities such as concrete and asphalt could also affect the expenditure side of this forecast as the Transportation Trust Fund activities utilize large amounts of physical commodities.

An unanticipated increase in fuel conservation efforts, an increase in hybrid and electric vehicles, or mass transit efforts could also affect the outer years of this forecast.

Balancing Strategies

Major strategies to manage the forecasted gap in revenues versus expenditures include a continuation of actions to reduce future costs on the expenditure side and/or 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; however by statute, proceeds would have to be shared with municipalities. Diesel fuel is not subject to this tax. If an interlocal agreement similar to the Six Cent Local Option Tax is assumed, the County's estimated share of one cent of this local option fuel tax would be $2.1M, which is 60.0% of the $3.5M in proceeds that would be generated countywide.

1 cent	2 cents	3 cents	4 cents	5 cents
$2.1M	$4.2M	$6.3M	$8.4M	$10.6M

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 they maintain their current seven cent fuel tax rates. The additional five cents may be used for the construction of new roads, the reconstruction or resurfacing of existing paved roads, the paving of existing graded roads, or other expenditures that are needed to meet immediate local transportation problems or are critical for building comprehensive roadway networks. Routine maintenance of roads is not considered an authorized expenditure. The additional one to five 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¢
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	10¢
Okaloosa	10¢
Okeechobee	12¢
Osceola	12¢
Palm Beach	12¢
Pasco	12¢
Polk	12¢
Putnam	12¢
St. Lucie	12¢
Santa Rosa	12¢
Sarasota	12¢
Suwannee	12¢
Volusia	12¢

Of Florida's 67 counties:

**34, including Pasco, Manatee, and Sarasota, levy more than 7 cents*

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

**13 levy less than 7 cents*

Source: Florida Department of Revenue, 2018 Fuel Tax Rates
(http://www.floridarevenue.com/taxes/Documents/17b05-03_chart.pdf)

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Ninth Cent Fuel Tax	1.3%	1.3%	1.4%	1.3%	1.2%	1.1%
State Shared Fuel Taxes	1.3%	1.3%	1.4%	1.3%	1.2%	1.1%
Local Option Fuel Taxes	1.3%	1.3%	1.4%	1.3%	1.2%	1.1%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Capital Outlay	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Grants & Aids	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

(in $ thousands)	Actual FY17	Budget FY18	FORECAST (@100%) Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
BEGINNING FUND BALANCE	**31,822.5**	**33,327.3**	**35,547.7**	**34,246.5**	**32,685.8**	**30,673.5**	**28,108.0**	**24,719.4**	**20,467.7**
REVENUES									
Ninth Cent Fuel Tax @ 95%	4,153.7	4,109.9	4,109.9	4,163.3	4,217.4	4,276.4	4,332.0	4,384.0	4,432.2
State Shared Fuel Taxes @ 95%	10,682.9	10,298.5	10,298.5	10,432.4	10,568.0	10,716.0	10,855.3	10,985.5	11,106.4
Local Option Fuel Tax @ 95%	13,859.0	13,717.7	13,717.7	13,896.0	14,076.7	14,273.7	14,459.3	14,632.8	14,793.8
Interest	224.7	257.1	257.1	547.9	719.1	766.8	702.7	618.0	511.7
Other revenues	2,390.5	2,302.4	2,302.4	2,348.5	2,395.4	2,443.4	2,492.2	2,542.1	2,592.9
Adjust Fuel Taxes to 100%			1,480.3	1,499.6	1,519.1	1,540.3	1,560.3	1,579.1	1,596.4
Adjust Other Revenue to 98.0%			72.7	74.2	75.6	77.2	78.7	80.3	81.9
TOTAL REVENUES	**31,310.8**	**30,685.6**	**32,238.6**	**32,961.8**	**33,571.3**	**34,093.8**	**34,480.6**	**34,821.8**	**35,115.3**
% vs prior year		0.1%	3.0%	2.2%	1.8%	1.6%	1.1%	1.0%	0.8%
TOTAL RESOURCES	**63,133.3**	**64,013.0**	**67,786.4**	**67,208.3**	**66,257.2**	**64,767.3**	**62,588.6**	**59,541.2**	**55,583.0**
EXPENDITURES									
Personal Services	12,069.6	15,307.3	15,307.3	15,950.2	16,620.1	17,318.1	18,097.5	18,875.6	19,687.3
Operating Expenses *	11,078.7	14,627.1	14,627.1	14,948.9	15,307.6	15,644.4	16,035.5	16,420.4	16,830.9
Capital Outlay	708.8	300.9	300.9	307.5	314.9	321.8	329.9	337.8	346.2
Grants & Aids	33.5	37.5	37.5	38.3	39.3	40.1	41.1	42.1	43.2
Full Cost Allocation	2,096.4	2,474.2	2,474.2	2,513.8	2,569.1	2,633.3	2,699.2	2,766.6	2,835.8
Transfers to Capital Funds	1,598.6	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
Expenditure Lapse 3.0% **			(907.1)	(936.2)	(967.3)	(998.5)	(1,033.9)	(1,069.0)	(1,105.9)
TOTAL EXPENDITURES	**27,585.6**	**34,447.0**	**33,539.9**	**34,522.5**	**35,583.7**	**36,659.3**	**37,869.2**	**39,073.5**	**40,337.4**
% vs prior year	5.2%	31.3%	21.6%	2.9%	3.1%	3.0%	3.3%	3.2%	3.2%
ENDING FUND BALANCE ASSUMING NO ACTION TAKEN TO RESOLVE SHORTFALLS	**35,547.7**	**29,566.0**	**34,246.5**	**32,685.8**	**30,673.5**	**28,108.0**	**24,719.4**	**20,467.7**	**15,245.6**
Ending balance as % of Revenue	113.5%	96.4%	106.2%	99.2%	91.4%	82.4%	71.7%	58.8%	43.4%
TOTAL REQUIREMENTS	**63,133.3**	**64,013.0**	**67,786.4**	**67,208.3**	**66,257.2**	**64,767.3**	**62,588.6**	**59,541.2**	**55,583.0**
REVENUE minus EXPENDITURES (NOT cumulative)	**3,725.2**	**(3,761.3)**	**(1,301.2)**	**(1,560.6)**	**(2,012.4)**	**(2,565.4)**	**(3,388.6)**	**(4,251.7)**	**(5,222.1)**

* Operating Expenses net of Full Cost Allocation

** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay

CAPITAL PROJECTS FUND

Description

The Capital Projects Fund is used for governmental capital projects throughout the County. Such projects include roads, bridges, drainage, beach nourishment, park development, and construction of facilities necessary to provide County services.

Summary

This Fund's primary revenue source is the "Penny for Pinellas" (Penny) one-percent local discretionary sales surtax. The Penny has been approved for ten-year periods since 1990, and was approved again in November, 2017 for the period January 1, 2020 thru December 31, 2029 (Penny IV) by 83% of the voters. As a sales tax, the Penny is sensitive to general economic conditions. Penny tax revenues are predicted to increase gradually during the forecast period, matching general economic growth. Penny revenue is projected to increase by 3.0% in FY19, and by 2.5% annually starting in FY20.

In FY19, expenditures exceed revenues due to project schedules. Beginning in FY20 and continuing through the remainder of the forecast, revenues are shown to exceed expenditures. The recent approval of Penny IV occurred after the FY18 budget was approved and therefore the Penny IV projects have not yet been approved for appropriation. Expenditures in FY20 – FY24 reflect only those projects that are not Penny funded such as Advanced Traffic Management Systems and Coastal Management projects.

The County has adopted a "portfolio" approach to Capital Improvement Projects. All departments are required to view their projects in a systemic and holistic manner. Projects will be prioritized that can provide the County with multiple benefits; for example, that will improve drainage, reduce stormwater/wastewater overflows, and provide infrastructure to support economic development. County staff and administration are working on a process improvement for prioritizing projects and managing projects to enhance output, reporting, and decision support.

Revenues

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

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

Penny for Pinellas (Penny) revenues are proceeds of an additional one-percent Local Government Infrastructure Surtax on Sales, pursuant to Section 212.055(2), Florida Statutes, imposed in Pinellas County. The Penny surtax is collected on the first $5,000 of all purchases excluding groceries and medications. The authorized use of these funds is generally restricted to infrastructure projects only and cannot be used for ongoing operation or maintenance costs. 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.

The Penny became effective February 1, 1990 for an initial period of ten years and has been extended by referendums in 1997, 2007, and 2017 for three additional ten-year periods (until December 31, 2029). In accordance with statutory requirements and interlocal agreements with each municipality in Pinellas County for the Penny ending December 31, 2019, the County receives approximately 52.3% of the total monthly collections generated by this tax, following the deduction of a dedicated amount to fund capital projects for Court & Jail facilities which provide a countywide benefit. Beginning January 1, 2020, the interlocal agreement for Penny IV sets aside 11.3% of net proceeds for countywide investments consisting of Economic Development Capital Projects and Housing (land acquisition) @ 8.3% and Jail and Courts Facilities @ 3.0%. The County's percentage for Penny IV is 51.75%, after the countywide investment distribution.

Grants

The second largest source of revenue in the Capital Projects fund is grants. The FY18 budget includes $27.7M in local, state, and federal grants from agencies like the Southwest Florida Water Management District and the Florida Department of Transportation. Grant revenues are highly variable over the forecast period. The forecast includes grants that have either been awarded or are highly anticipated to be awarded.

Transfers from Other Funds

The Capital Projects Fund also receives several transfers from other funds to cover or contribute to costs for specific capital projects.

In FY18 and forward, the General Fund transfer provides funding for several projects: $650,000 for the Municipal Services Taxing Unit (MSTU) Paving projects, which began in FY14 to address the needs of secondary roads in unincorporated neighborhoods; $1.5M per year through FY20 for the Centralized Chiller Facility project (also referred to as the Downtown District Cooling Project) that was completed in FY15. The project was also funded with a federal grant from the Department of Energy. The FY18 budget also includes British Petroleum (BP) funding of $250,000 for the pedestrian boardwalk replacement at Phillippe Park, and $350,000 for the East Lake Library and parking lot expansion.

The FY18 transfer of $1.7M from the Transportation Trust Fund (proceeds of the 9th cent Local Option Fuel Tax) funds the cost of Intelligent Transportation System/Advanced Transportation Management System (ITS/ATMS) projects.

The FY18 transfer of $4.7M from the Tourist Development Council Fund (approximately half of the net proceeds from one of the six percents of the Tourist Development Tax) provides funding for beach nourishment projects in the Coastal Management program.

The transfer of $1.2M from the Multi-Modal Impact Fee Fund in FY18 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. Effective May 1, 2016, the Transportation Impact Fee (TIF) was replaced by the Multi-Modal Impact Fee (MIF) by Ordinance 16-21. The FY17 TIF transfer was intended to close out the TIF Fund. Subsequent years in the forecast show the transfer from the MIF Fund.

The FY18 transfer of $950,000 from the Airport Fund to the Capital Fund reflects reimbursement of funding for the Airport fiber optic cabling project associated with the Gateway Expressway.

CAPITAL PROJECTS FUND

Expenditures

Expenditures in the Capital Projects Fund consist of capital project expenditures and transfers to other funds for specific capital projects.

Capital Projects

The majority of expenditures in the Capital Projects Fund are for infrastructure projects in the areas of transportation, stormwater, drainage and water quality, parks, environmental preservation, courts, jail, public safety, and other public facilities. Please see the *Capital Improvement Program (CIP)* section of the FY18 Adopted Budget document for expenditure highlights of the One-Year CIP and the Ten-Year CIP.

Transfers

The FY17 Capital Fund budget included transfers to the General Fund and the Business Technology Services (BTS) Fund for two projects: funding of $5.0M for Sheriff's vehicle replacement was transferred to the General Fund; and $950,000 was transferred to the BTS Fund for the Airport fiber optic cabling project associated with the Gateway Expressway. No transfers were budgeted for FY18, and none are currently anticipated for the remaining forecast years.

Six-Year Forecast

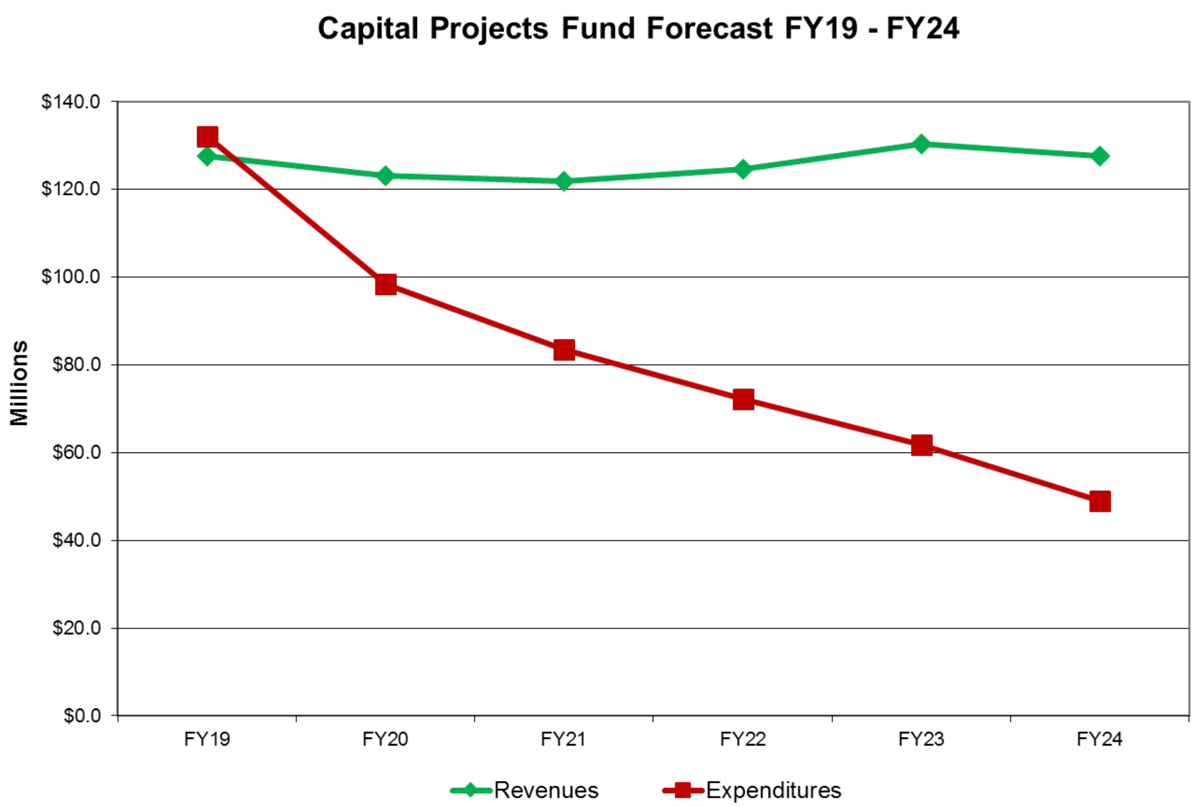
Key Assumptions

The revenue assumptions for the overall Infrastructure Sales Tax (Penny for Pinellas) are consistent with revenue estimates presented to the Board and municipal partners during discussions of the Penny IV interlocal agreement. 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. The growth rate in the Capital Projects Fund for the Penny sales tax is projected at 3.0% in FY19, and 2.5% in FY20 – FY24. The current Penny expires December 31, 2019, and Penny IV begins January 1, 2020 and expires on December 31, 2029.

Key Results

With the current revenue and expenditure estimates, the forecast for the Capital Projects Fund shows that the Fund is balanced through FY24. Each year of the forecast, revenues exceed expenditures due to Penny IV projects not being included until they have been prioritized per the portfolio management process still being crafted and approved for funding. The graph includes revenues and expenditures projected to be received and spent throughout the forecast period.

CAPITAL PROJECTS FUND



Potential Risks

There are many impacts that can alter the six-year forecast of the Penny tax collections. The primary concern is the strength of the local economy due to the sensitivity of collections to economic conditions. If the economy continues improving, collections could be higher than anticipated as consumer activity increases. The reverse would be true if the economy deteriorates. There are inflationary risks for major commodities used in capital project construction such as steel or concrete, as the County experienced in 2005 - 2007 where prices escalated as much as 60% - 80% for these key materials.

Balancing Strategies

The Capital Projects Fund uses accumulated fund balance to balance the fund through FY20 as the current “Penny for Pinellas” Infrastructure Sales Tax ends December 31, 2019. At that time, the Penny IV will begin, and project appropriations will be added to the forecast as they are approved for funding through the County’s new portfolio CIP prioritization process.

CAPITAL PROJECTS FUND FORECAST

Fund 3001

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Infrastructure Sales Tax	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Transfer from TDC Fund	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Interest Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%

CAPITAL PROJECTS FUND FORECAST

Fund 3001

(in $ thousands)	Actual FY17	Budget FY18	FORECAST (@100% Revenue) Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
BEGINNING FUND BALANCE	**151,441.9**	**93,046.2**	**119,912.0**	**34,451.3**	**30,511.2**	**54,935.7**	**93,121.2**	**145,326.8**	**213,879.7**
REVENUES									
Infrastructure Sales Tax (Penny for Pinellas)	94,950.9	93,804.9	98,742.0	101,704.3	104,246.9	106,853.0	109,524.4	112,262.5	115,069.0
Grants	5,387.7	27,686.1	27,686.1	14,361.3	6,383.8	3,905.8	3,675.0	6,585.0	587.5
Ninth Cent Gas Tax (Transfer from Transportation Trust Fund)	1,598.6	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
Transportation Impact Fees (from Special Revenue Fund)	2,756.8	-							
Multi-Modal Impact Fees		1,226.2	1,226.2	1,226.2	1,226.2	1,226.2	1,226.2	1,226.2	1,226.2
Transfer from General Fund	2,650.0	2,750.0	2,750.0	2,150.0	2,230.4	650.0	650.0	650.0	650.0
Transfer from TDC Fund	3,980.3	4,659.5	4,659.5	5,228.3	5,411.2	5,600.6	5,796.7	5,999.5	6,209.5
Transfer from Airport Fund		950.0	950.0						
Compensation for Loss	903.1		-	-	-	-	-	-	-
Interest @ 95%	1,254.9	879.3	925.6	678.8	689.7	700.7	711.9	723.3	734.9
Interest Adjusted to 97%				13.6	13.8	14.0	14.2	14.5	14.7
Other revenues	(176.2)	950.0	950.0	969.0	988.4	1,008.1	1,028.3	1,048.9	1,069.9
TOTAL REVENUES	**113,306.1**	**134,606.0**	**139,589.4**	**128,031.4**	**122,890.3**	**121,658.5**	**124,326.7**	**130,209.8**	**127,261.7**
% vs prior year	-5.4%	3.7%	23.2%	-8.3%	-4.0%	-1.0%	2.2%	4.7%	-2.3%
TOTAL RESOURCES	**264,748.0**	**227,652.2**	**259,501.4**	**162,482.7**	**153,401.5**	**176,594.3**	**217,447.8**	**275,536.7**	**341,141.4**
EXPENDITURES									
Capital Projects	138,886.0	199,097.5	225,050.1	131,971.5	98,465.8	83,473.1	72,121.0	61,657.0	48,989.0
Transfer to General Fund	5,000.0								
Transfer to BTS Fund	950.0								
TOTAL EXPENDITURES	**144,836.0**	**199,097.5**	**225,050.1**	**131,971.5**	**98,465.8**	**83,473.1**	**72,121.0**	**61,657.0**	**48,989.0**
% vs prior year	105.8%	-6.9%	35.6%	-70.5%	-34.0%	-18.0%	-15.7%	-17.0%	-25.9%
ENDING FUND BALANCE	**119,912.0**	**28,554.7**	**34,451.3**	**30,511.2**	**54,935.7**	**93,121.2**	**145,326.8**	**213,879.7**	**292,152.4**
Ending balance as % of Resources	45.3%	12.5%	13.3%	18.8%	35.8%	52.7%	66.8%	77.6%	85.6%
TOTAL REQUIREMENTS	**264,748.0**	**227,652.2**	**259,501.4**	**162,482.7**	**153,401.5**	**176,594.3**	**217,447.8**	**275,536.7**	**341,141.4**
REVENUE minus EXPENDITURES (NOT cumulative)	(31,529.9)	(64,491.5)	(85,460.7)	(3,940.1)	24,424.5	38,185.4	52,205.7	68,552.8	78,272.7
net recurring rev- exp	**(31,529.9)**	**(64,491.5)**	**(85,460.7)**	**(3,940.1)**	**24,424.5**	**38,185.4**	**52,205.7**	**68,552.8**	**78,272.7**

Note: Penny IV projects pending approval.

EMERGENCY MEDICAL SERVICE FUND

Description

The Emergency Medical Service (EMS) Fund is a special revenue fund established by referendum in 1980, which allows up to 1.5 mills to be levied annually on a county-wide basis to finance the operation of a comprehensive 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 Plus, operating in Pinellas County under the trade name “Sunstar”). The EMS System is funded by a combination of property taxes and ambulance user fees. The ambulance user fees support the ambulance contractual expenditures, and property taxes support the first responder expenditures.

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

Summary

The EMS Fund is sensitive to property values as it is funded by ad valorem (property) tax revenue collected from property owners countywide and ambulance user fee revenues. While the millage rate remained flat at 0.5832 from FY08 through FY11, and property values dropped, annual property tax revenue fell from $42.6M to $30.6M. Increasing deficits were covered with fund balance until accumulated reserves dropped to 25.0% in FY11. The BCC adopted a policy to reduce the target level for reserves from 33.0% to 25.0% in December 2011. With property values still falling, the millage rate was increased to 0.8506 in FY12 and to 0.9158 in FY13. Revenue increased enough to meet expenses and maintain the EMS Fund’s reserve above the 25.0% target. Since FY13, the millage rate has remained at 0.9158. Property values rose from FY15 through FY18, and with continued economic recovery, property tax revenue is projected to increase 6.0% in FY19.

The current millage of 0.9158 with the use of reserves is projected to support the current service delivery system but does not allow the fund to remain above the Board-adopted reserve target of 25.0% through FY24. The fund reserve is projected at 24.5% in FY18 and decreases to 20.4% by FY24. From FY18 to FY24, the fund balance is projected to increase by $879,400. As the reserve (fund balance as a percentage of expenditures) decreases to 20.4%, the level of expenditures increases $28.9M by FY24. The potential for maintaining the 25.0% reserve without a future millage rate increase will be affected by: the ambulance service contract; changes in property values; potential changes to Medicare/Medicaid reimbursements; and adjustments in future service agreements with the first responders.

First responder contracts are currently funded based on actual first responder costs as defined in Board Resolution 09-38. Projected expenses for FY19 reflect the current negotiated agreements with the 18 providers. For FY19, this forecast projects first responder expense growth at 5.5%, which reflects funding increased system enhancements. The forecast projects adjustments for first responder agreements at 3.5% per year beginning in FY20 and going through FY24. The County negotiated a new ambulance service contract with Paramedics Plus for a 5-year term beginning FY16. Over the past two years, progress in containing costs, combined with better than anticipated growth in revenue, improved the outlook for the EMS Fund. Long term sustainability will require continued growth in revenue and diligent management of system costs.

Revenues

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

Ambulance User Fees

The ambulance service user fees provide funding for the ambulance program, which includes the ambulance provider contractual expenditures, ambulance billing costs, and ambulance program support costs. Ambulance user fee revenues are based on transport volume and transport charges. The average retail rate charge is $731 per transport in FY18. 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 transports for emergencies, non-emergencies, 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 $57.2M in FY18, and increase 4.5% per year through the forecast period. The BCC has the authority to increase ambulance user fees as necessary. In addition, Resolution 89-208 provides for an automatic increase in user fee rates by the percentage increase in the medical consumer price index for the previous year until the prudent reserve level is reached (25.0%). Retail rates increased by 2.1% in FY15, 0% in FY16, 8.7% in FY17 and 3.5% in FY18, 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. Consistent with average receipts for the past five years, membership revenue is projected to generate $207,400 per year through the forecast period.

Property Taxes

Property taxes are used to fund the First Responder Program. Property tax revenues decreased significantly from FY08 to FY11 due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market, and the 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. This resulted in ad valorem revenues recovering to $42.2M. For FY13, a millage rate of 0.9158 was approved in order to balance the budget and maintain a beginning balance/reserve of 25.0% (level set by County Ordinance, approved by the BCC on December 20, 2011). The millage cap for this ad valorem levy is 1.5000 mills.

Expenditures

EMERGENCY MEDICAL SERVICE FUND

The Emergency Medical Service Fund supports budgeted expenditures totaling $123.1M in FY18. The primary expenditures in the fund are $56.0M for payments to the ambulance contractor, which includes $2.0M for medical supplies used by the first responder units, and $50.2M for contractual payments and capital reimbursement to the first responders. Program support expenditures total $14.7M for contract management, training, quality assurance, capital purchases, and billing of ambulance claims. Other expenditures include $1.8M for transfers to the Property Appraiser and Tax Collector and $298,000 in the Trust Fund Grant.

Ambulance Contractor Payments

In FY16, the County negotiated a new 5-year service contract with Paramedics Plus to continue operating the Sunstar ambulance system. FY18 expense, including medical supplies for first responder units, is budgeted at $56.0M. The forecast includes an expenditure increase of 4.5% in FY19 and FY20, then 3.0% per year from FY21 through FY24 based on projected annual increases in the CPI and transport volume, along with the potential for renegotiating the ambulance contract.

First Responder Contractual Payments

The County contracts with 18 first responder EMS providers that respond to calls with paramedics using Advanced Life Support (ALS) equipment. FY18 expense is budgeted at $49.4M for operations and $812,500 for capital outlay. The County also has an agreement with Eckerd College for basic life support water rescue. First responder funding levels increased for the second consecutive year in the FY18 budget, with the addition of partial funding of five (5) priority additions totaling $1.3M. These additions will receive the balance of their funding in FY19 and then be fully funded as a recurring expense through the forecast period. The additions included support for ALS Engine 49 in Clearwater; Rescue Truck 40 in Largo; Squad 39 in Largo; ALS Engine 19 in Lealman; and ALS Engine 16 in St. Petersburg.

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

EMS Program Support Costs

The County incurs additional costs in support of the EMS program ($14.7M). Costs include the Medical Director's contract, Continuing Medical Education training expenses for all County Paramedics and Emergency Medical Technicians (EMTs), the purchase and maintenance of communication and Electrocardiogram (EKG) equipment, capital outlay, and contract administration.

Transfers

The EMS Fund makes transfers to the Property Appraiser and Tax Collector to cover the costs for assessment and collection of ad valorem revenues. FY18 costs for this function are $1.8M. Commissions for the Property Appraiser and Tax Collector are pursuant to Florida Statutes.

Reserves

Pinellas County Ordinance 88-12, which was amended with Resolution 89-208, authorized the establishment of a prudent reserve equal to one-third of the annual budget for this fund. On December 20, 2011, the Board approved changing the prudent reserve amount to 25.0%. One reason for a high reserve level is to have response capacity for disasters. Equipment and vehicles may need to be replaced quickly in an event such as a hurricane. The reserve can also provide enough working capital for a potential transition, if contract requirements are not met by the service provider. In addition, this reserve level will provide cash flow in the event of interruptions to ambulance collections due to a disaster or a Medicare and/or Medicaid audit. With high monthly contractor payments, it is critical that cash flow needs are met. In FY17, actual revenue exceeded expenses by $2.5M, and the fund ended the year with a fund balance of 30.2% as compared to total expenditures. On a forecast basis, with assumed collection of ad valorem revenue at 96.0% and ambulance revenues at 100.0%, the estimated reserve level is projected at 24.5% for the end of FY18. Based on current assumptions for FY18 through FY24, revenues are not expected to exceed expenses until FY22. The ending fund balance is projected to increase from $30.1M in FY18 to $31.0M by FY24. As the level of expenditures increases each year, the fund balance as a percent of expenditures (reserve) decreases from 24.5% to 17.9% in FY22, before rebuilding to 20.4% at the end of the forecast period.

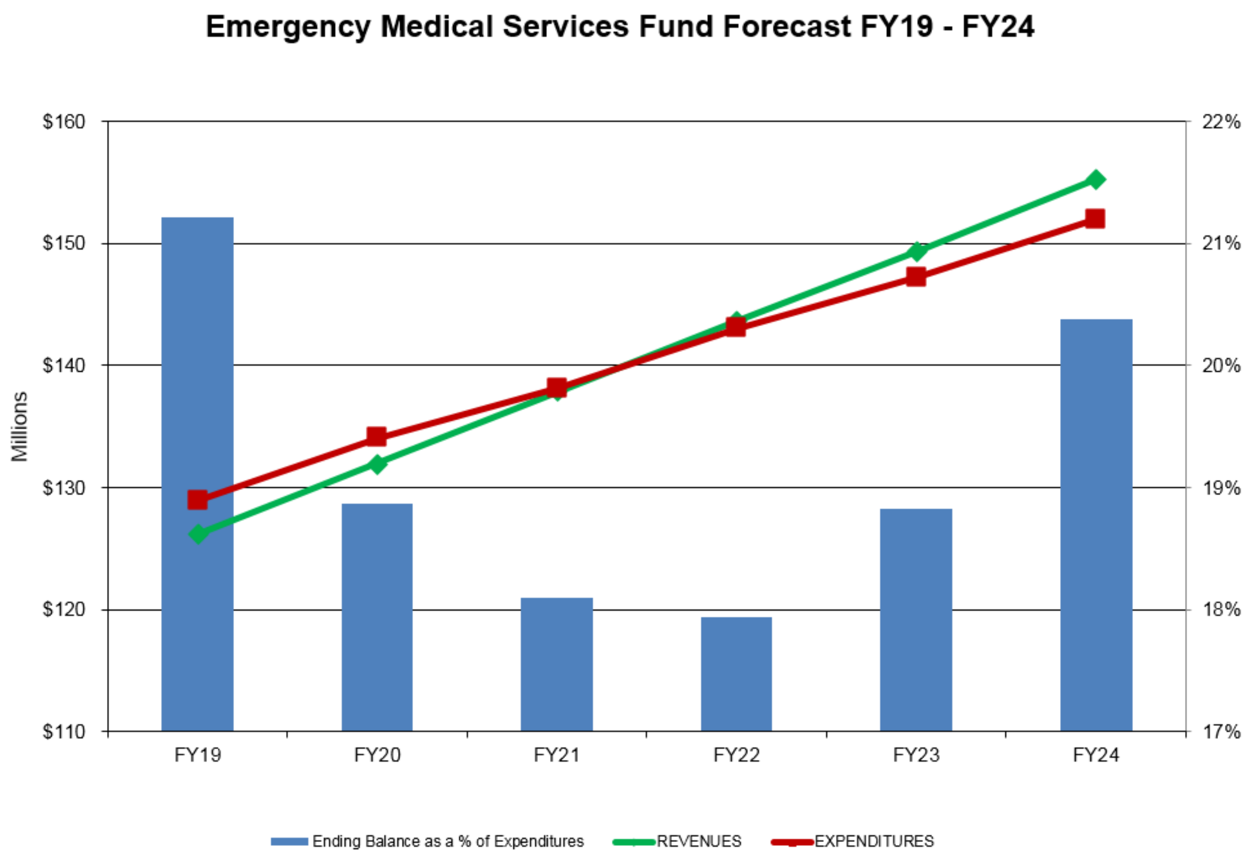
Six-Year Forecast

Key Assumptions

The EMS countywide millage is assumed to remain at the adopted FY18 rate of 0.9158 mills through the forecast period. Ad valorem tax revenue is projected to grow 6.0% in FY19, 5.5% in FY20, 4.5% in FY21 and 4.0% in FY22 through FY24. Throughout the six-year forecast ambulance user fee revenues are estimated to increase by 4.5% annually.

Contractual payments for ambulance service are projected to increase by 4.5% for FY19 and FY20 then 3.0% through the remaining forecast period. Factors include increased transport volume, increases in the CPI and the potential to renegotiate the contract in FY20. The County will work with the provider to manage expenses while still maintaining quality service.

The current first responder service agreements are in place through FY19 and provide for three (3) additional one (1) year contract extensions beginning in FY20. The annual increase is projected at 3.0% plus up to an additional 1.0% for qualified expenses. FY19 has a projected increase of 5.5% due to the additional funding of units that were agreed upon during the budget process for FY18. The remainder of the forecast period assumes an annual increase of 3.5% throughout the forecast period.



Key Results

In the chart above for the EMS Fund, the forecast shows expenditures exceeding revenues in FY19, FY20, and FY21. Revenues begin to balance with expenditures in FY22 and then exceed expenditures through the remainder of the forecast period. Based on current assumptions, the reserve remains below the target of 25.0% throughout the forecast period. It continues to decrease to 17.9% in FY22, and then begins to recover in FY23 and increase to a level of 20.4% by FY24.

Potential Risks

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

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

Another factor that can alter the six-year forecast of the fund is the potential impact of an additional homestead exemption which will be decided by voter referendum in November 2018. This exemption would provide for an additional $25,000 exemption on property values between $100,000 and $125,000. The impact to the EMS Fund based on FY16 taxable values is estimated at $2.6M. If approved, the impact of the homestead exemption would begin in FY20.

Balancing Strategies

A number of options are available to manage the projected gap between revenues and expenditures from FY19 through FY21. These options include increasing ambulance service fees, increasing the EMS millage rate, containing and reducing system costs, and managing the ambulance and first responder contracts. Through this time period, the fund will be balanced with the use of reserves. Beyond FY21, the fund becomes balanced with revenues increasing enough to meet expenditures and begin rebuilding the reserves.

EMERGENCY MEDICAL SERVICES FUND FORECAST
Fund 1006

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Ad Valorem Revenue	6.0%	5.5%	4.5%	4.0%	3.5%	3.5%
Ambulance Service Fees	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
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%
Cty Off Fees (TC & PA)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Operating Expenses-First Resp Med Supplies	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Capital Outlay	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Ambulance Contract	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%
Grants & Aids (First Responder Agmts)	5.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Regional Consumer Price Index, % change	2.7%	2.9%	2.7%	3.0%	2.9%	3.0%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

EMERGENCY MEDICAL SERVICES FUND FORECAST
Fund 1006

(in $ thousands)	Actual FY17	Budget FY18	FORECAST (@ 96% Ad Valorem Revenue and @100% Ambulance Revenue) Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
BEGINNING FUND BALANCE	**30,997.1**	**32,938.0**	**33,452.1**	**30,098.3**	**27,351.6**	**25,288.0**	**25,000.8**	**25,649.1**	**27,719.9**
REVENUES									
Ad Valorem Revenue	56,560.1	59,993.2	59,993.2	63,592.8	67,090.4	70,109.5	72,913.9	75,465.9	78,107.2
Ambulance Service Fees	55,359.5	54,329.8	54,329.8	56,774.7	59,329.5	61,999.4	64,789.3	67,704.8	70,751.6
Ambulance Annual Members Fees	223.8	207.4	207.4	207.4	207.4	207.4	207.4	207.4	207.4
Grant Revenue (EMS Trust Fund)	35.4	298.0	298.0	298.0	298.0	298.0	298.0	298.0	298.0
Cty Off Fees (TC & PA)	379.7	464.6	464.6	469.2	473.9	478.6	483.4	488.3	493.2
Interest	394.7	427.1	330.8	481.6	601.7	632.2	625.0	641.2	693.0
Refund of prior yrs exp	369.6	-	568.8	100.0	100.0	100.0	100.0	100.0	100.0
FEMA Reimbursement (Hurricane Irma)	-	-	-	544.9	-	-	-	-	-
Other revenues	40.9	-	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Adjust Tax Revenues to 96%	-	-	631.5	669.4	706.2	738.0	767.5	794.4	822.2
Adjust Ambulance Revenues to 100%	-	-	2,870.4	2,999.1	3,133.5	3,274.0	3,420.9	3,574.3	3,734.7
TOTAL REVENUES	**113,363.6**	**115,720.1**	**119,719.5**	**126,162.0**	**131,965.7**	**137,862.1**	**143,630.4**	**149,299.3**	**155,232.1**
% vs prior year		15.9%	5.6%	5.4%	4.6%	4.5%	4.2%	3.9%	4.0%
TOTAL RESOURCES	**144,360.7**	**148,658.1**	**153,171.6**	**156,260.3**	**159,317.3**	**163,150.0**	**168,631.2**	**174,948.4**	**182,952.0**
EXPENDITURES									
Personal Services	3,760.5	4,401.0	4,401.0	4,585.8	4,778.4	4,979.1	5,203.2	5,426.9	5,660.3
Operating Expenses	5,921.8	8,373.2	8,373.2	8,557.5	8,762.8	8,955.6	9,179.5	9,399.8	9,634.8
Operating Expenses - Ambulance Contract (First Responder Medical Supplies)**	757.5	1,969.0	1,969.0	2,028.1	2,088.9	2,151.6	2,216.1	2,282.6	2,351.1
Capital Outlay *	874.2	1,961.9	1,961.9	1,581.2	1,619.2	1,654.8	1,696.2	1,736.9	1,780.3
Ambulance Contract	51,634.5	54,031.0	54,031.0	56,462.4	59,003.2	60,773.3	62,596.5	64,474.4	66,408.6
EMS Trust Fund Grant Expenditures	35.4	298.0	298.0	298.0	298.0	298.0	298.0	298.0	298.0
Storm Related Expense (Hurricane Irma)	622.7	-	-	-	-	-	-	-	-
Grants & Aids (First Responder Agmts)	44,554.0	49,427.8	49,427.8	52,588.9	54,429.6	56,334.6	58,306.3	60,347.0	62,459.2
Grants & Aids (First Responder Capital)***	1,113.0	812.5	812.5	900.0	1,037.5	900.0	1,300.0	1,000.0	1,040.0
Trfrs to PA & TC	1,635.0	1,798.9	1,798.9	1,906.9	2,011.7	2,102.3	2,186.4	2,262.9	2,342.1
TOTAL EXPENDITURES	**110,908.5**	**123,073.3**	**123,073.3**	**128,908.7**	**134,029.3**	**138,149.2**	**142,982.1**	**147,228.5**	**151,974.3**
% vs prior year		20.3%	11.0%	4.7%	4.0%	3.1%	3.5%	3.0%	3.2%
ENDING FUND BALANCE	**33,452.1**	**25,584.8**	**30,098.3**	**27,351.6**	**25,288.0**	**25,000.8**	**25,649.1**	**27,719.9**	**30,977.7**
Ending balance as % of Expenditures	30.2%	20.8%	24.5%	21.2%	18.9%	18.1%	17.9%	18.8%	20.4%
TOTAL REQUIREMENTS	**144,360.7**	**148,658.1**	**153,171.6**	**156,260.3**	**159,317.3**	**163,150.0**	**168,631.2**	**174,948.4**	**182,952.0**
REVENUE minus EXPENDITURES (NOT cumulative)	2,455.0	(7,353.2)	(3,353.8)	(2,746.8)	(2,063.6)	(287.1)	648.3	2,070.8	3,257.8

* Capital outlay for County EMS is inflated at the countywide assumption rate.
** Expenditures for First Responder Medical Supplies are reflecting lower in FY17 due to a cost reclassification.
*** FY17 First Responder Capital includes a one-time allocation of $500,000 for the Water Rescue program. FY18 - FY24 Capital expenditures align with planned purchases that have been submitted by agencies.

AIRPORT FUND

Description

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

The Airport Revenue and Operating Fund is used to account for the self-supporting operations of the Airport. Of the Airport's 2,000 acres, approximately half are dedicated to the airfield, terminal building, and car parking. The remaining acreage includes the 129-acre future planned development site (formerly the Airco Golf course), a 200-acre Airport Business Center, and leased industrial, commercial, and governmental operations. All of the Airport property is designated as a Foreign Trade Zone. All activities necessary for airport operations and capital are included in this fund.

The Airport realized an 11.9% increase in airline passengers in 2017 by serving a record 2,055,269 passengers in the calendar year. Allegiant Airlines continues to be the Airport's largest airline, representing 97.9% of passengers served. Allegiant now flies non-stop to over 50 destinations. Other commercial airlines operating are Sun Country Airlines, Beau Rivage Charter, and Sunwing Airlines.

Summary

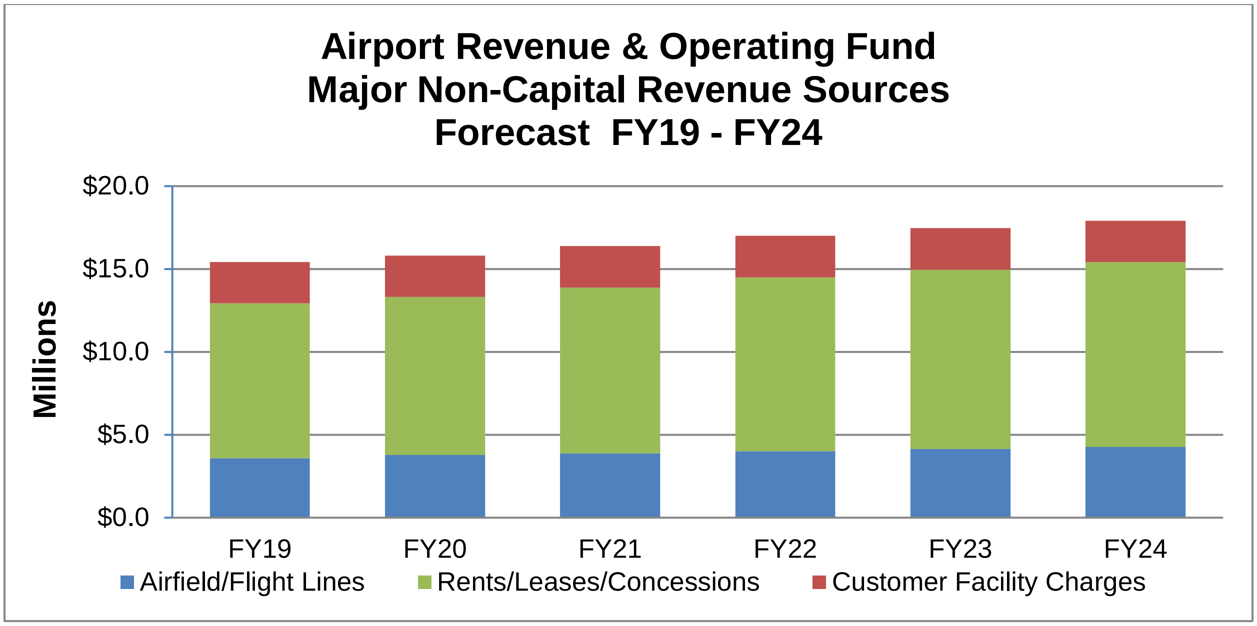
The Airport Revenue and Operating Fund is an enterprise fund that accounts for all revenues and expenditures at the Airport. This includes management of passenger and cargo airline operations, military, and general aviation, along with commercial and industrial airport property. The Airport is entirely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

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

The forecast for the Airport Revenue and Operating Fund shows that the fund is balanced throughout the forecast period. This presumes the timing of capital projects may need to be adjusted to reflect the timing and amounts of any grant revenues, changing priorities, or capacity issues. Other adjustments to operating expenses may be required to match operating revenues.

Revenues

Excluding capital contributions and grants, the three major funding sources supporting the Airport Revenue and Operating Fund during the forecast period are Rentals, Leases, and Concessions, Airfield and Flight Line Fees, and Customer Facility Charges. Rentals, Leases, and Concessions include all direct and indirect revenue related to passenger airlines. In addition, it includes long-term ground lease income. Airfield and Flight Line revenue include U.S. Coast Guard fees, airline landing and fuel flowage fees, and general aviation rent/fees. The Customer Facility Charge (CFC) is a user fee approved by the Board of County Commissioners (BCC) 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.



Rentals/Leases/Concessions

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

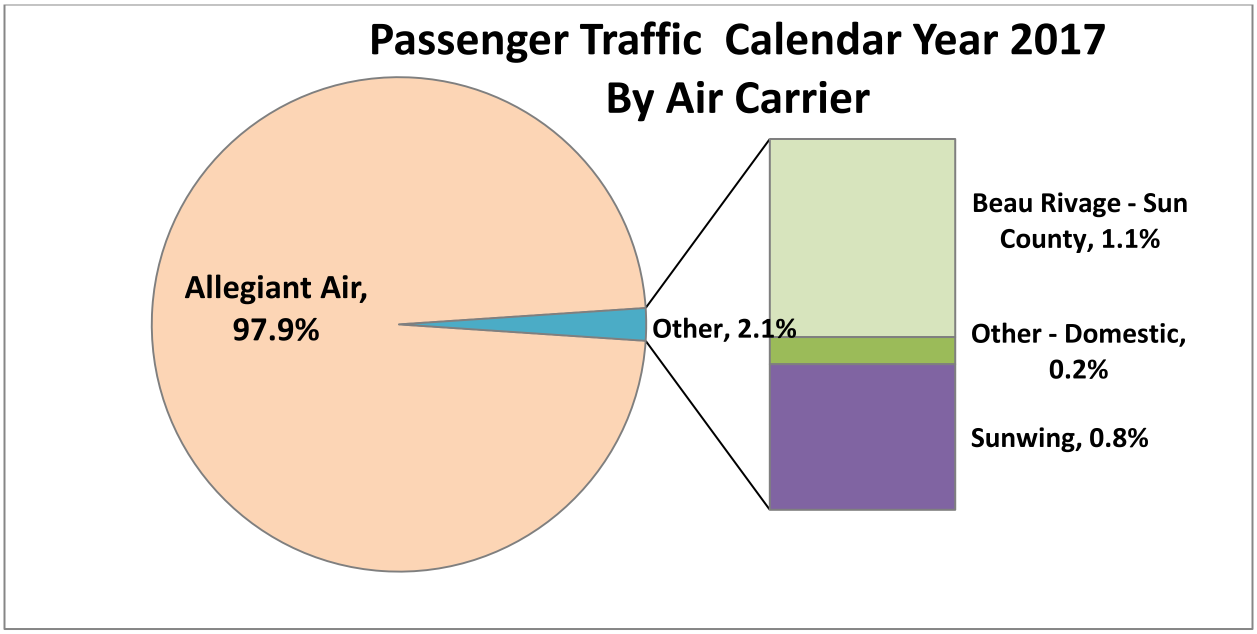
Also included in this revenue source are concessions operating at the airport terminal, such as the paid parking, car rentals, gift shop, and restaurant. Concession revenue sources are expected to be negatively impacted over the forecast period due to the construction of the State's Gateway Expressway project and the Airport's landside parking improvements project, especially parking concession revenue. However, the revenue combination of rentals, leases, and concessions is expected to increase by an average of 3.3% per year over the forecast period.

AIRPORT FUND

Airfield/Flight Line

Airfield revenue includes U.S. Coast Guard fees, airline and cargo landing fees, and fuel flowage fees. Flight Line includes long-term leases that are related to general aviation activities which include land for hangar rent, aircraft parking, and condominium T-hangars. These revenue sources are expected to increase by an average of 3.5% per year over the forecast period.

The following chart illustrates passenger traffic for the 2017 calendar year. The chart shows that Allegiant Airlines represents 97.9% 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 2016, airline passenger traffic for 2016 increased 11.9%.



Capital Contributions, Passenger Facility Charges and Grants

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

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

The sale of airport land and rights of way to FDOT for the Gateway Express project yielded the airport approximately $12.5M. These funds will be used to pay for a new surplus warehouse and for the landside roadway and parking improvement projects.

AIRPORT FUND

Expenditures

In FY18, the Airport Revenue and Operating Fund supports budgeted expenditures and reserves totaling $64.9M of which $28.1M is allocated for capital projects and $22.8M for reserves.

Airport Programs

Of the remaining $14.0M budgeted for operating expenditures, 96.7% supports the Aviation Services program and 3.3% 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.

Personal Services

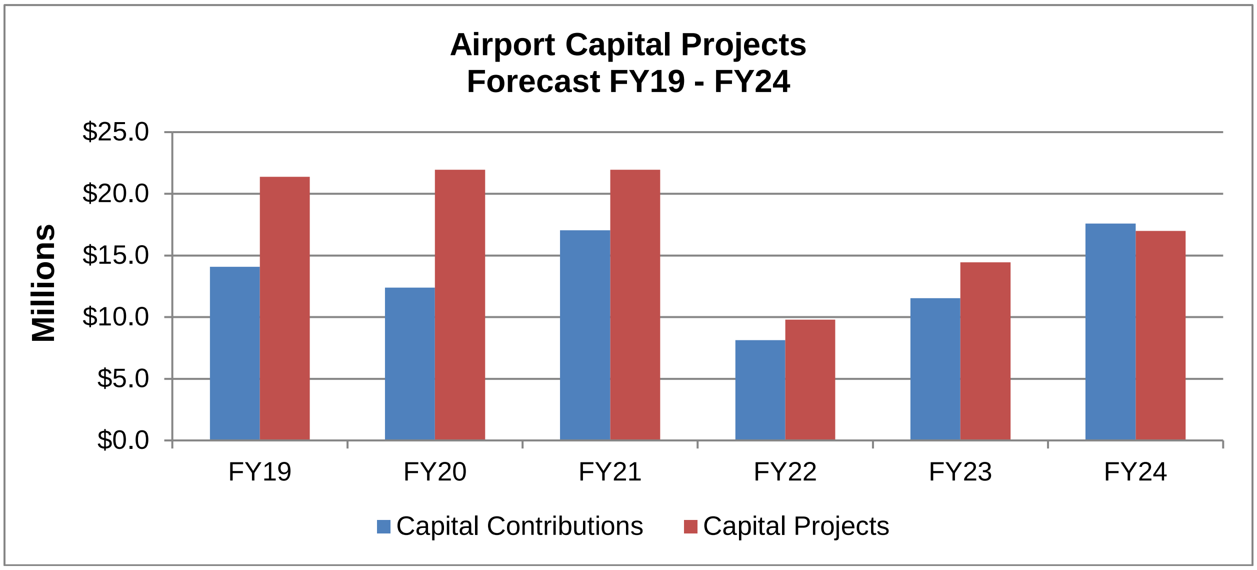
Personal Services expenses are for the salaries and benefits of the 61.6 full-time equivalent positions budgeted to operate both programs at the Airport. Budgeted Personal Services expenditures in FY18 total $5.5M.

Capital Projects

The FY18 budget for Capital Projects is $28.1M. These projects receive partial funding in the form of grants from the FAA and FDOT. Passenger Facility Charge revenue may also be used. These projects will only commence when the appropriate grant funding is awarded from the funding agencies. The following chart shows the relationship between grant revenues and the expenditures of capital projects. When additional funds are needed, reserves may be used. Other outside revenues may be planned, such as private investment funds, but these sources are not included in the revenue forecast for Capital Projects.

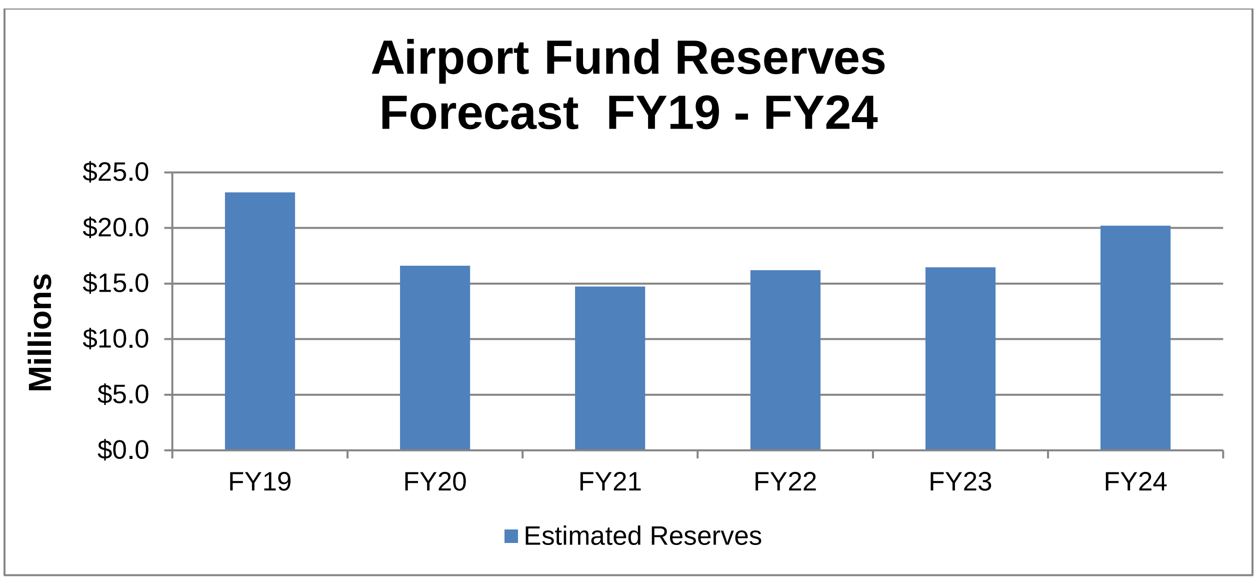
In FY19 through FY20, capital projects include a multi-level parking garage, resurface and alignment of the terminal access road, terminal ramp expansion, security system upgrades, construction of new taxiways and ramps to the former Airco parcel, runway rehabilitiation, construction of a new cargo apron, and an inline baggage handling system.

The scheduled capital projects in the outer years of the forecast period include construction of new T-Hangars, runway rehabilitation, a new fire-fighting vehicle, construction of a new airport fire station, new emergency standby generator for the terminal building, and relocate and construct a new airfield electric vault.



<u>Reserves</u>

The total reserve level in the Airport Revenue and Operating fund is budgeted at $22.8M (75.9%) for FY18. The Airport built reserves over the past several years from the increased passenger airline service revenues and conservative operating expenditures, which resulted in increased annual operating profits. The reserves are available in the event of unanticipated revenue shortfalls as well as to support future capital funding needs. The Airport reserves also include the projected cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual on the financial statements. The amount of OPEB for the Airport Fund in the FY16 Comprehensive Annual Financial Report, Proprietary Funds Statement of Net Position is $2.7M.



Six-Year Forecast

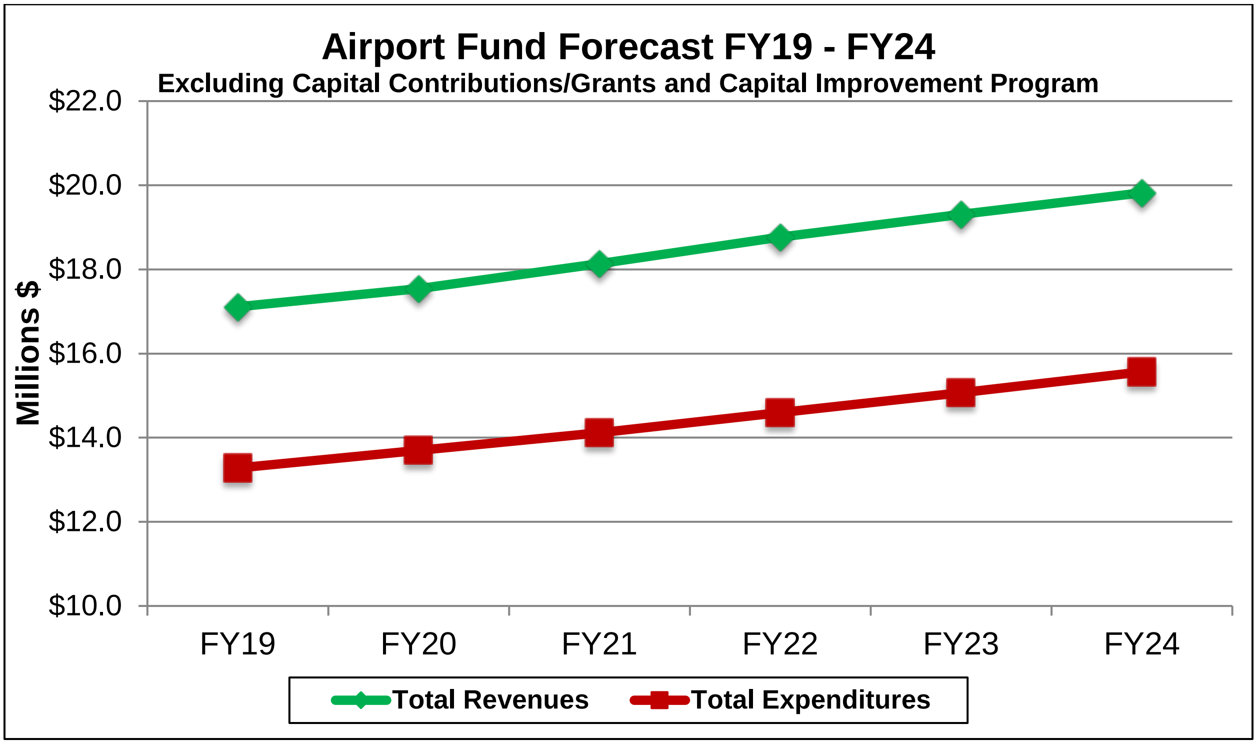
Key Assumptions

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

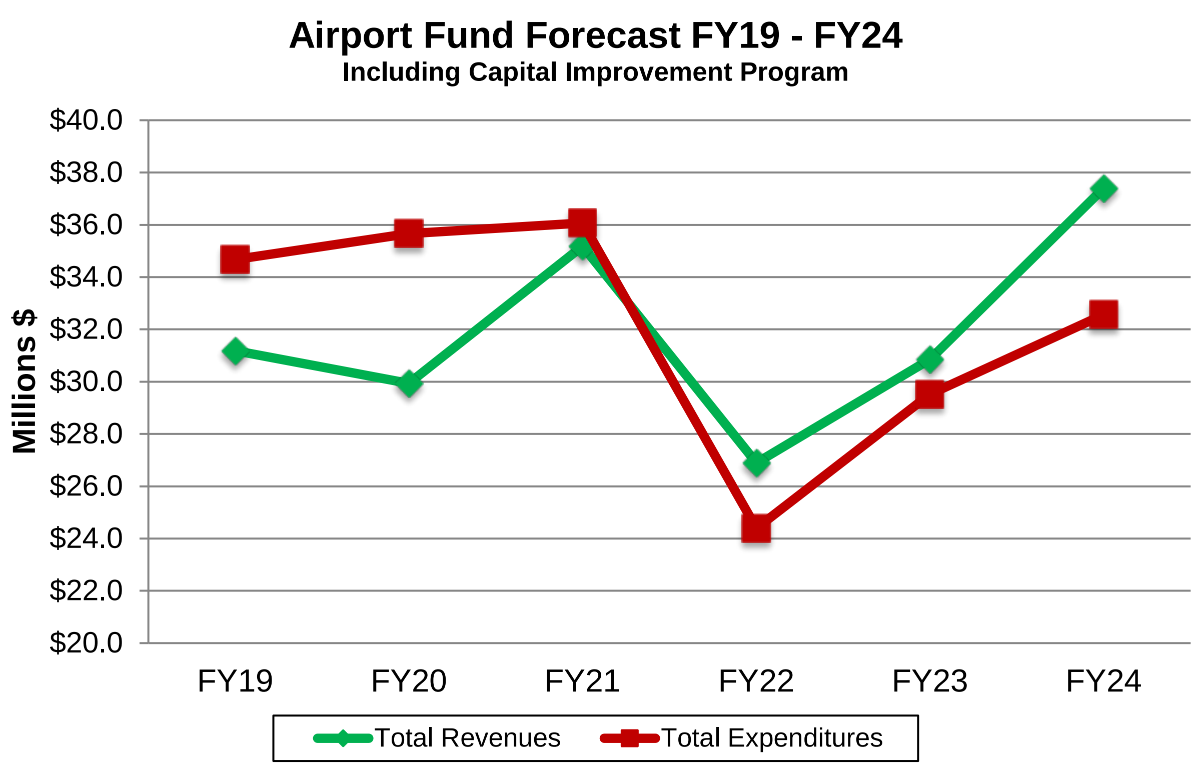
- Operating revenues and expenditures assume the following:
    - FY18 – Estimated at 2.17M total passengers
    - FY19 – Estimated at 2.26M total passengers
    - FY20 – FY24 –3.0% average annual passenger growth which equates to an average passenger growth of 41,000 total passengers each year
    - A new contract with Allegiant is ratified in FY19
    - Operating expenditures are forecasted to increase an average 3.3% over the forecast period due to traffic growth
    - Rental revenues are adjusted for inflation
    - Most airport industrial land available for lease is currently leased, so no growth in acreage leased is projected except for the 128 acres of the former Airco parcel
    - Reduced revenue from U.S. Coast Guard due to “sequestration” impacts from Washington (approximately $500,000).
    - Sale of AvAero assets to Sheltair St. Pete, LLC will produce increased revenue of approximately $84K per year until FY22 when one of their new parcels will increase to fair market value with the other parcels
    - Largest sources of concession revenue are paid parking and car rental income. Both of these revenues may see a temporary decrease due construction impacts from the capital improvement projects
    - Loss of UPS revenue due to their relocation to Tampa, approximately $250,000 per year, including the loss of cargo entitlements from the FAA for approximately $100,000 per year
    - If needed in the future, expenditures will be adjusted to reflect changes in airline service and revenues

New property development will depend on factors such as site restrictions and future economic conditions. The following chart shows that, excluding capital projects, the net of recurring revenues and expenditures is positive through the forecast period, resulting in annual profits balance of more than $4.3M.

AIRPORT FUND



With the addition of the Capital expenditures and revenues, the chart below tracks the estimated revenues and expenditures in the fund through the forecast period. Reserves are modeled in the forecast to cover the shortfall in revenue shown in FY19 due to capital project expenditures.



AIRPORT FUND

Key Results

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

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

Potential Risks

Several items can alter the six-year forecast of Airport revenue collections. A primary concern is the strength of the airline industry and the continued dependence on one very successful airline, Allegiant Airlines.

Increases in rental/lease income will result when current leases and agreements are renewed and rate base formula escalations occur. These escalations are staggered due to the varying effective dates and termination/extension clauses in each individual lease.

The former Airco Golf Course has been rezoned for future aviation and commercial development. However, the fruition of revenue from the property is continuing to be pushed to future years, due to the environmental actions that must be taken by the FAA prior to Airco's development and the ability to plan for construction of the connecting taxiway(s) to the Airco property. Results of an FAA-directed environmental assessment will begin in FY18 and may continue into FY19-24.

After the update to the Federal Inspection Services area (Customs) at PIE is completed in FY18, an agreement with the U.S. Customs and Border Protection (CBP) will be pursued. The agreement will require that PIE provide total employment costs for customs officers in PIE's federal inspection services area to process international passengers. The agreement will require PIE to reimburse the federal government approximately $250K annually for the officers' employment costs. This will result in an increase to the operational costs for the Airport. If international flight traffic increases, then there could be an offset for this cost based on the additional operating revenues. If additional revenues are not realized, then the cost associated with these officers will impact the operational budget.

Balancing Strategies

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

AIRPORT FUND FORECAST
Fund 4001

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Airfield/Flight Lines	3.2%	5.5%	2.5%	3.1%	3.5%	3.1%
Rents/Leases/Concessions/CFC/PFC	2.0%	2.0%	5.0%	5.0%	3.0%	3.0%
Passenger Facility Charge (PFC	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Capital Outlay	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Grants & Aids	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

AIRPORT FUND FORECAST
Fund 4001

(in $ thousands)	Actual FY17	Budget FY18	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
			FORECAST (@100% Revenue)						
BEGINNING FUND BALANCE	**25,501.5**	**34,792.0**	**42,181.4**	**27,419.1**	**23,200.1**	**16,596.2**	**14,731.8**	**16,201.8**	**16,464.9**
REVENUES									
Airfield/Flight Lines	4,124.6	3,481.0	3,481.0	3,592.4	3,790.0	3,884.7	4,005.1	4,145.3	4,273.8
Rents/Leases/Concessions	10,380.7	9,154.0	9,154.1	9,337.2	9,523.9	10,000.1	10,500.1	10,815.1	11,139.6
FDOT Damages & Cures		-	-						
Grants-Operating	816.3	95.1	95.1	97.0	98.9	100.9	102.9	105.0	107.1
Customer Facility Charge (CFC)	2,291.3	1,710.0	1,710.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
Passenger Facility Charge (PFC)	4,435.6	3,800.0	3,800.0	3,952.0	4,031.0	4,232.6	4,444.2	4,577.5	4,714.9
Capital Contributions	18,466.3	11,187.2	11,187.2	9,704.0	7,934.0	12,375.0	3,216.5	6,481.5	12,375.0
FEMA Reimbursements - Irma	-	-	-	179.4					
Interest	324.1	651.9	651.9	438.7	510.4	414.9	368.3	405.0	411.6
Other revenues	15.7	1.9	1.9	1.9	2.0	2.0	2.1	2.1	2.1
Adjust Operating Revenues to 100.0%			939.9	646.5	665.7	694.2	725.3	748.0	770.7
TOTAL REVENUES	**40,854.6**	**30,081.1**	**31,021.1**	**30,449.2**	**29,056.1**	**34,204.6**	**25,864.7**	**29,779.8**	**36,294.9**
% vs prior year		-26.4%	3.1%	-1.8%	-4.6%	17.7%	-24.4%	15.1%	21.9%
TOTAL RESOURCES	**66,356.1**	**64,873.1**	**73,202.5**	**57,868.3**	**52,256.2**	**50,800.8**	**40,596.5**	**45,981.6**	**52,759.9**
EXPENDITURES									
Personal Services	5,057.2	5,474.8	5,474.8	5,704.7	5,944.3	6,194.0	6,472.7	6,751.1	7,041.4
Operating Expenses	4,703.6	6,695.4	6,695.4	6,842.7	7,006.9	7,161.1	7,340.1	7,516.3	7,704.2
Capital Outlay	159.0	215.3	215.3	220.0	225.3	230.3	236.0	241.7	247.7
Hurricane Irma	70.4	-	134.6						
Full Cost Allocation	617.2	626.0	626.0	639.8	655.1	669.5	686.3	702.7	720.3
Debt Service	-	-	-	-	-	-	-	-	-
Non-recurring CIP expenditures	13,167.3	28,071.2	31,811.2	21,388.6	21,960.0	21,950.0	9,800.0	14,450.0	17,000.0
Transfer to Other Fund(s)	400.0	950.0	950.0	-	-	-	-	-	-
Expenditure Lapse 1% *			(123.9)	(127.7)	(131.8)	(135.9)	(140.5)	(145.1)	(149.9)
TOTAL EXPENDITURES	**24,174.7**	**42,032.7**	**45,783.4**	**34,668.2**	**35,659.9**	**36,069.0**	**24,394.7**	**29,516.7**	**32,563.7**
% vs prior year		10.6%	89.4%	-24.3%	2.9%	1.1%	-32.4%	21.0%	10.3%
ENDING FUND BALANCE	**42,181.4**	**22,840.4**	**27,419.1**	**23,200.1**	**16,596.2**	**14,731.8**	**16,201.8**	**16,464.9**	**20,196.2**
Ending balance as % of Revenue	103.2%	75.9%	88.4%	76.2%	57.1%	43.1%	62.6%	55.3%	55.6%
TOTAL REQUIREMENTS	**66,356.1**	**64,873.1**	**73,202.5**	**57,868.3**	**52,256.2**	**50,800.8**	**40,596.5**	**45,981.6**	**52,759.9**
REVENUE minus EXPENDITURES	16,679.9	(11,951.6)	(14,762.3)	(4,219.0)	(6,603.9)	(1,864.4)	1,470.0	263.1	3,731.3
note: non-recurring CIP expenditures	**13,167.3**	**28,071.2**	**31,811.2**	**21,388.6**	**21,960.0**	**21,950.0**	**9,800.0**	**14,450.0**	**17,000.0**
non-recurring revenue (capital contributions)	**(22,901.9)**	**(14,987.2)**	**(14,987.2)**	**(13,656.0)**	**(11,965.0)**	**(16,607.6)**	**(7,660.7)**	**(11,059.0)**	**(17,089.9)**
net recurring rev- exp	**6,945.3**	**1,132.4**	**2,061.7**	**3,513.6**	**3,391.1**	**3,478.0**	**3,609.3**	**3,654.1**	**3,641.4**

* Expenditure lapse is calculated on Personal Services, Operating Expenses and Capital Outlay.
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	274.6	287.0	287.0	299.0	311.6	324.7	338.3	352.5	367.3
OPEB cumulative (long-term liability)	2,977.5	3,264.4	3,264.4	3,563.4	3,875.0	4,199.6	4,537.9	4,890.4	5,257.7

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

The forecast for the Water System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY24. The Water Funds are structurally balanced through the forecast period.

Revenues

The Water Funds are projected to generate revenues in FY18 totaling $92.8M. The Water Funds have two primary funding sources: retail water sales of $71.0M and wholesale water sales of $15.6M.

<u>Retail Water Sales</u>

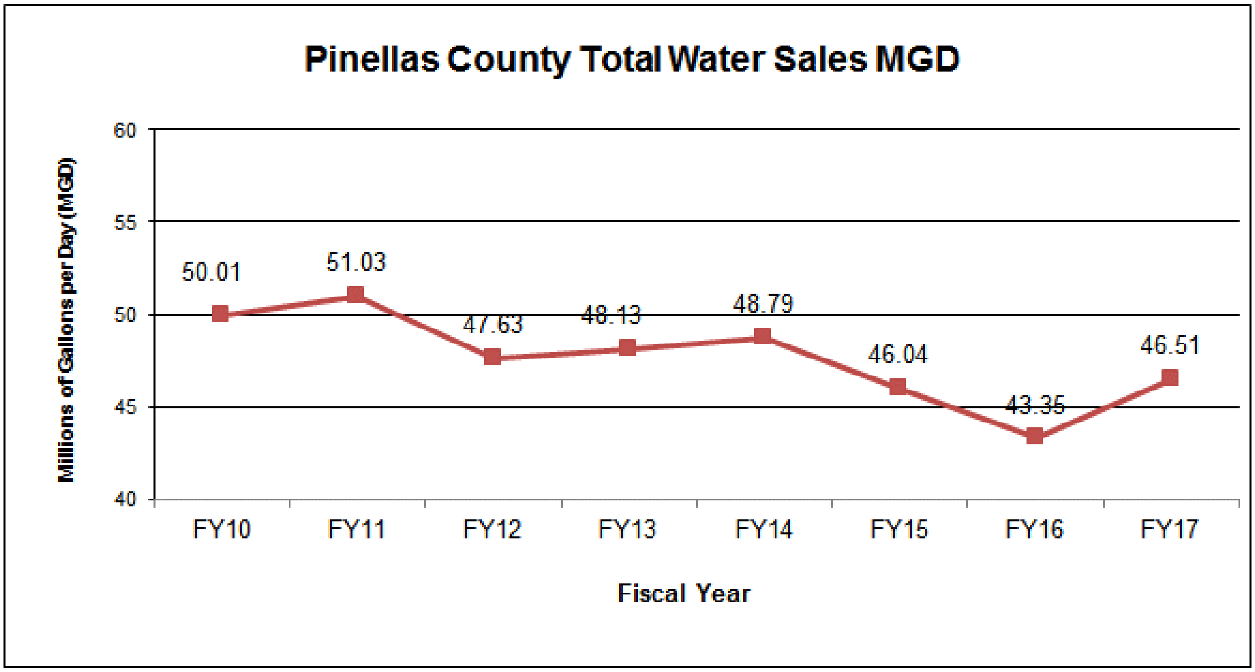
The Water System charges $6.68 per month base rate and $5.04 per 1,000 gallons for retail water service in FY18, an overall increase of $0.20 per month from FY17. The customer base for retail water sales is both commercial and residential properties in the Pinellas County Water service area. The volume of water sold increased 4.3% from FY10 to FY17.

<u>Wholesale Water Sales</u>

The Water System rate for FY18 is $4.0618 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 30.5% from FY10 to FY17, which can be attributed to the development of independent water sources by wholesale customers (Clearwater, Tarpon Springs, and Oldsmar).

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

WATER FUNDS



Expenditures

The Water Funds support budgeted expenditures in FY17 totaling $88.6M. The primary expenditures in the fund are $43.3M for the purchase of water, $15.3M for personal services, $16.3M for operating expenses (excluding the purchase of water), and $10.0M for capital projects and equipment.

Purchase of Water

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

Personal Services

The Water System is budgeted for 193.2 full-time equivalent employees in FY18. The Personal Services expenses of $15.3M are for the salaries and benefits of those positions needed to operate the Water System.

Operating Expenses

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

Capital Projects and Equipment

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

Reserves

The reserve level in the Water System is 82.9% in FY18, which is higher than the targeted reserve level of 15.0%. As a self-supporting enterprise, the Water System maintains $43.7M of budgeted reserves for cash flows and emergencies and $29.4M to fund future capital needs.

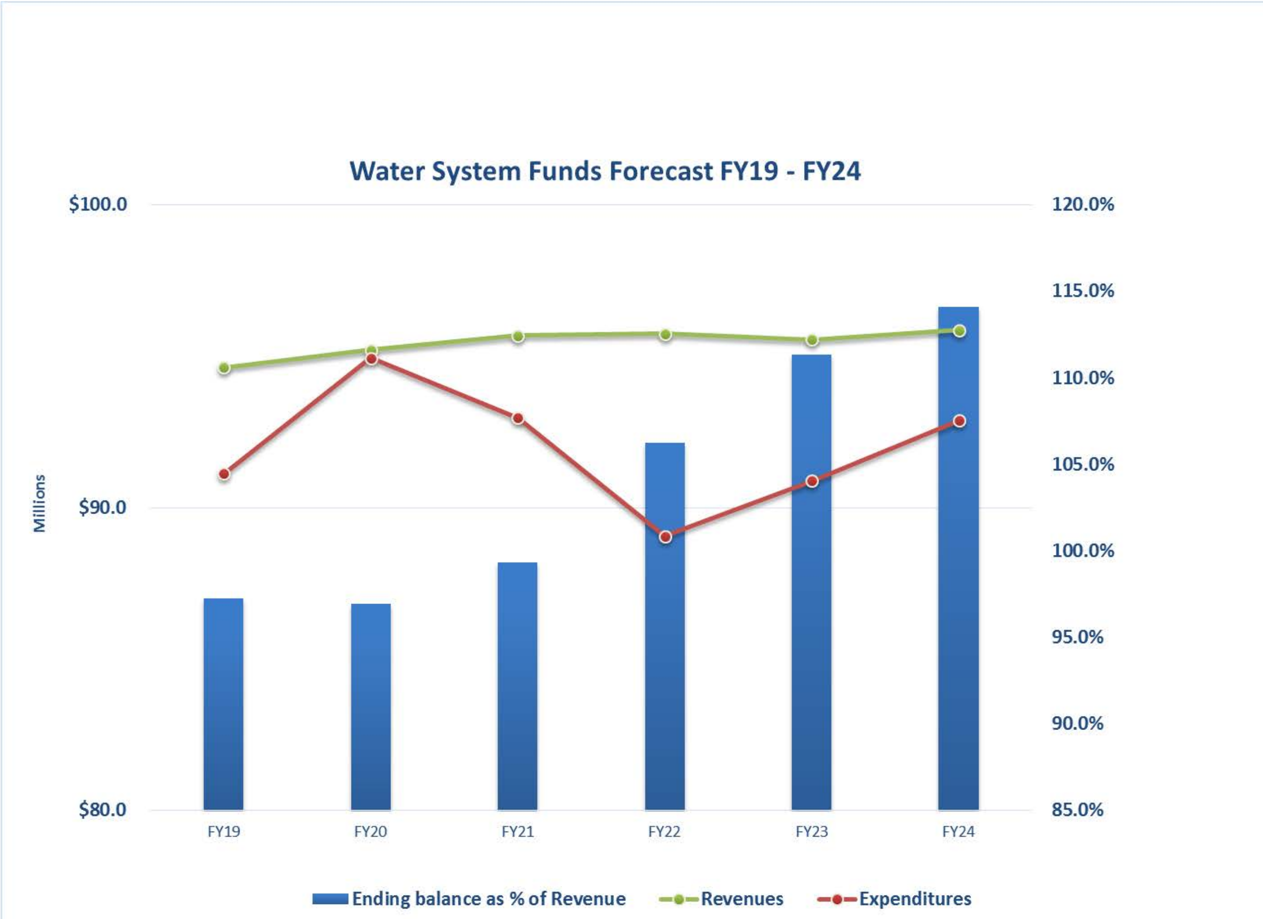
Six-Year Forecast

Key Assumptions

The forecast assumes that FY19 to FY24 revenues will increase between 0.1% and 1.9% each year, with the exception of FY23 revenues, which will decrease from FY22 by 0.2%. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document, while Electricity and Chemical costs are projected to increase 5.0% and 7.0% respectively per year through the forecast period. The Capital Projects 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 FY19 of 1.75% per year for both retail and wholesale water, as adopted by the Board in FY16. There are no rate changes included for FY20 through FY24. A rate study will be conducted in 2018 to determine if there is a need for future rate increases.

WATER FUNDS



Key Results

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

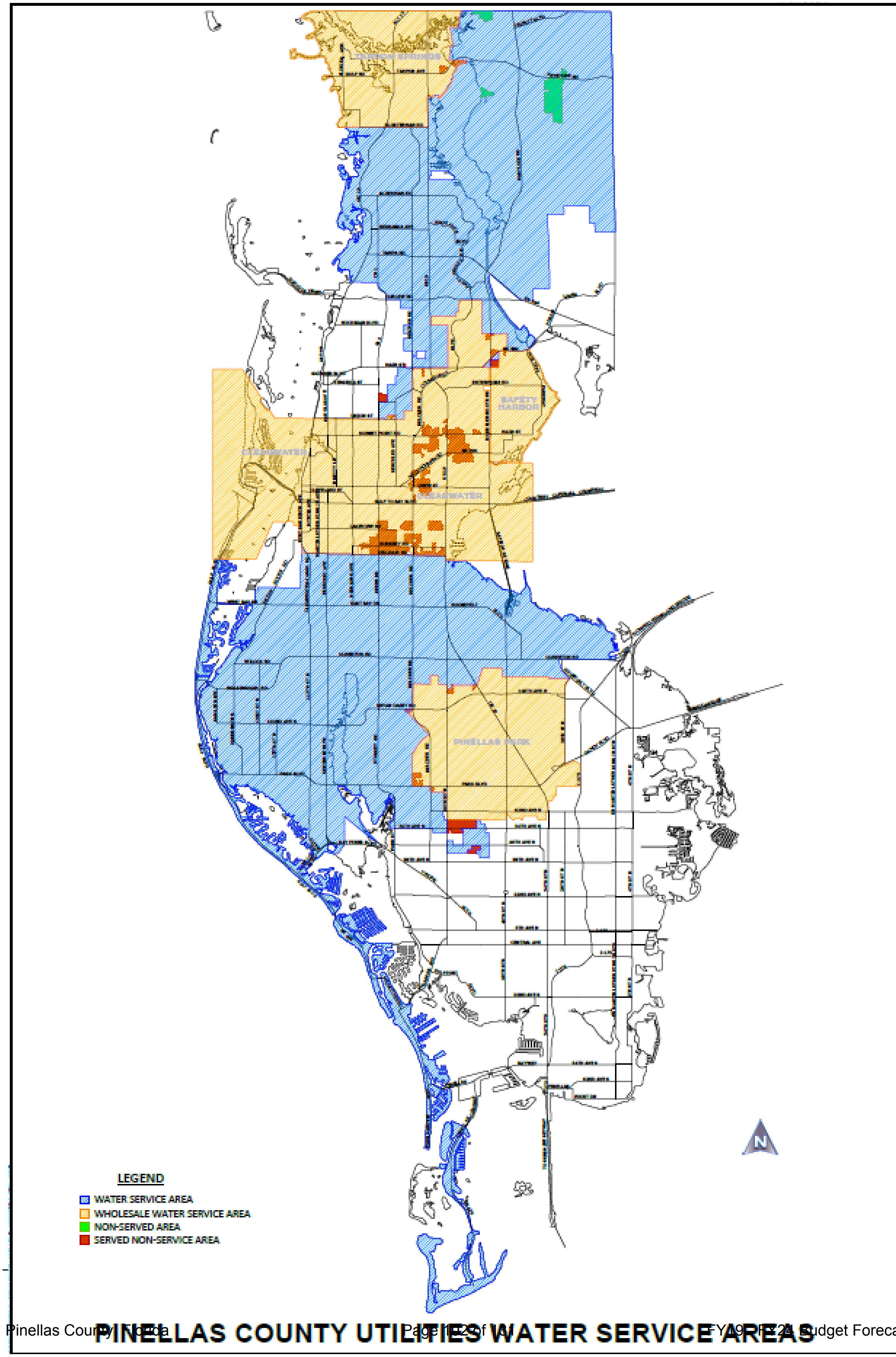
Potential Risks

There are some impacts that can alter the six-year forecast of the Water System. Any future economic decline could reduce water demand, which would impact revenue more than expenses. Operating costs (including the purchase of water from Tampa Bay Water) could increase more than projected. Any disruptions to the governance of Tampa Bay Water could impact our 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 the FY16 budget development process, the Water System is balanced over the forecast period. Recurring revenues will be sufficient to cover projected expenditures and maintain sufficient reserves each year during the forecast period.

WATER FUNDS


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

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Water Sales-Retail	2.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Water Sales-Wholesale	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Purchase of Water	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Power	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Chemicals	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

WATER FUNDS FORECAST
Fund 4031, 4034, & 4036

(in $ thousands)	Actual FY17	Budget FY18	FORECAST (@100%) Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
BEGINNING FUND BALANCE	**70,725.3**	**73,553.0**	**78,375.2**	**88,539.9**	**92,056.9**	**92,315.0**	**95,027.4**	**101,717.2**	**106,389.4**
REVENUES*									
Water Sales - Retail	70,314.7	67,450.0	71,000.0	72,629.4	72,760.1	72,891.1	73,022.3	73,153.7	73,285.4
Water Sales - Wholesale	16,440.9	14,807.2	15,586.5	15,614.6	15,642.7	15,670.8	15,699.1	15,727.3	15,755.6
Interest	764.0	970.0	1,021.0	1,416.6	2,025.3	2,307.9	2,375.7	2,542.9	2,659.7
Other Revenues**	1,560.2	4,968.5	5,230.0	4,760.3	4,778.6	4,808.2	4,653.6	4,129.8	4,155.8
FEMA Reimbursement - IRMA	0.0	0.0	0.0	216.0	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUES	**89,079.7**	**88,195.6**	**92,837.5**	**94,636.9**	**95,206.6**	**95,678.0**	**95,750.7**	**95,553.7**	**95,856.6**
% vs prior year		3.5%	4.2%	1.9%	0.6%	0.5%	0.1%	-0.2%	0.3%
TOTAL RESOURCES	**159,805.1**	**161,748.7**	**171,212.7**	**183,176.7**	**187,263.5**	**187,993.0**	**190,778.1**	**197,270.9**	**202,245.9**
EXPENDITURES									
Personal Services	12,644.0	15,344.3	15,341.3	15,985.7	16,657.1	17,356.7	18,137.7	18,917.6	19,731.1
Operating Expenses	4,932.5	7,264.0	7,177.2	7,335.1	7,511.1	7,676.4	7,868.3	8,057.1	8,258.5
Purchase of Water	39,962.0	43,270.0	43,270.0	43,919.1	44,577.8	45,246.5	45,925.2	46,614.1	47,313.3
Power	771.4	964.2	964.2	1,012.4	1,063.0	1,116.2	1,172.0	1,230.6	1,292.1
Chemicals	678.9	675.0	675.0	722.3	772.8	826.9	884.8	946.7	1,013.0
Hurricane IRMA Expenses	157.1	0.0	89.8	0.0	0.0	0.0	0.0	0.0	0.0
Cost Allocation	6,322.8	7,437.7	7,437.7	7,601.3	7,783.8	7,955.0	8,153.9	8,349.6	8,558.3
Late Fees Due to Sewer Fund**	0.0	3,685.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure Lapse***	0.0	0.0	(2,248.7)	(2,297.3)	(2,351.0)	(2,405.3)	(2,464.3)	(2,523.5)	(2,585.0)
Debt Service	6.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Capital Equipment	1,000.4	1,657.4	1,657.4	1,767.9	1,767.9	1,767.9	1,767.9	1,767.9	1,767.9
Capital Improvements	14,954.3	8,298.0	8,298.0	15,062.4	17,154.9	13,414.4	7,604.4	7,510.4	7,510.4
TOTAL EXPENDITURES	**81,429.9**	**88,607.0**	**82,672.9**	**91,119.8**	**94,948.4**	**92,965.6**	**89,060.9**	**90,881.5**	**92,870.7**
% vs prior year		-1.7%	1.5%	10.2%	4.2%	-2.1%	-4.2%	2.0%	2.2%
TOTAL ENDING FUND BALANCE	**78,375.2**	**73,141.6**	**88,539.9**	**92,056.9**	**92,315.0**	**95,027.4**	**101,717.2**	**106,389.4**	**109,375.3**
Ending balance as % of Revenue	88.0%	82.9%	95.4%	97.3%	97.0%	99.3%	106.2%	111.3%	114.1%
TOTAL REQUIREMENTS****	**159,805.1**	**161,748.7**	**171,212.7**	**183,176.7**	**187,263.5**	**187,993.0**	**190,778.1**	**197,270.9**	**202,245.9**
REVENUE minus EXPENDITURES (NOT cumulative)	7,649.8	(411.4)	10,164.6	3,517.0	258.1	2,712.4	6,689.8	4,672.2	2,985.9

Transfers between funds are excluded from revenues and expenditures.
*Revenues reflect the combined impact of projected changes in rates and/or levels of consumption.
**Late Fees from FY10 through FY16 credited to Water Fund - budgeted to transfer to Sewer Fund in FY18. Actual transfer occurred in FY17 as a reduction in Other Revenues.
***Expenditure lapse of 3.0% is calculated on all expenses excluding Capital Equipment and Capital Improvements.
****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	791.8	825.0	825.0	859.7	895.8	933.4	975.4	1,017.3	1,061.1
OPEB cumulative (long-term liability)	11,279.7	12,104.7	12,104.7	12,964.4	13,860.2	14,793.5	15,768.9	16,786.3	17,847.4

Pinellas County

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 and allow 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; however the fund is maintained at a debt service coverage ratio of at least 1.50x to sustain the current bond ratings.

Summary

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

The forecast for the Sewer System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves, sustain the targeted debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. Throughout the forecast period, expenditures will exceed revenues, using fund balance to complete major capital projects. The Sewer Funds are not structurally balanced through the forecast period.

Revenues

The Sewer Funds are projected to generate revenues in FY18 totaling $78.4M. The Sewer Funds have three primary funding sources: retail sewer charges of $62.9M, wholesale sewer charges of $6.5M, and retail and wholesale reclaimed water charges of $5.6M.

Retail Sewer Charges

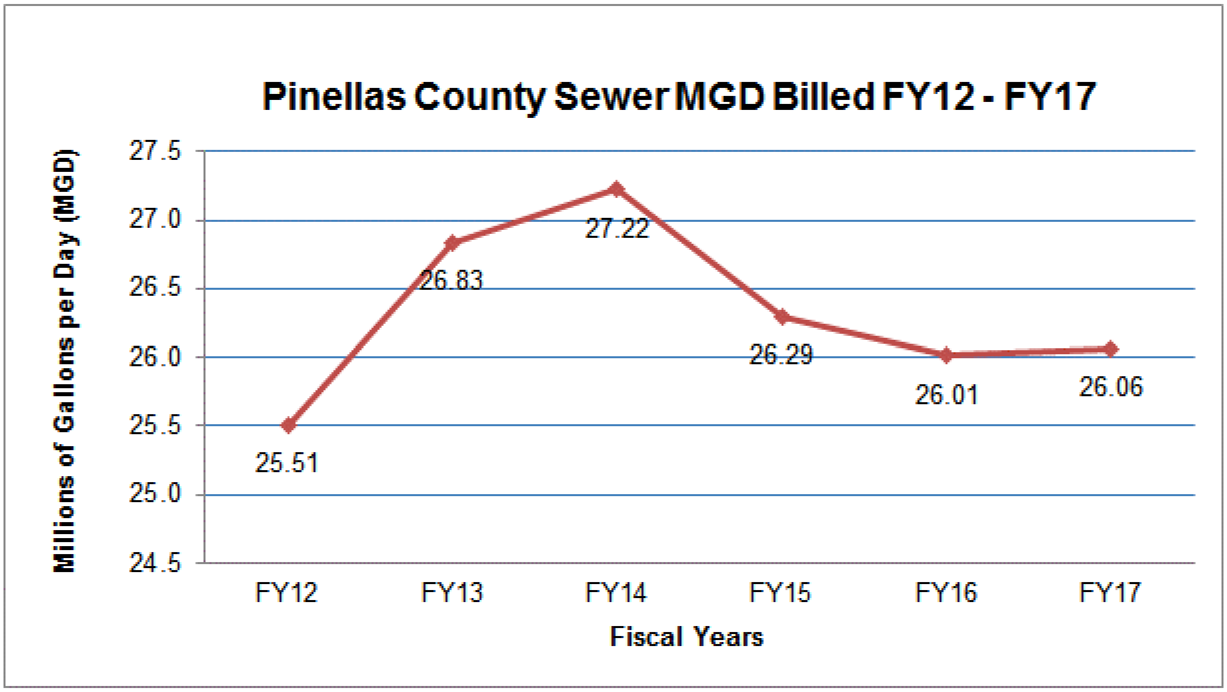
The Sewer System charges $13.52 per month base rate and $4.94 per 1,000 gallons for retail sewer service in FY18, an overall increase of $0.18 per month from FY17. The customer base for retail sewer service is both commercial and residential properties in the Pinellas County Sewer service area.

Wholesale Sewer Sales

The Sewer System charges $4.2623 per 1,000 gallons for wholesale sewer service in FY18. 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 graph below 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, as seen in this graph.



<u>Retail Reclaimed Water Charges</u>

The Reclaimed Water System charges both fixed and volumetric rates depending upon the nature of the delivery system serving each customer. Rates for unfunded systems (systems without pre-existing distribution lines) are higher as the Sewer System must recover the cost of constructing the reclaimed water distribution lines. Only those accounts that have metered service pay the volumetric rate (2.3%), with the remaining 97.7% 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 in FY18 totaling $98.3M. The primary expenditures in the funds are $18.0M for personal services costs, $32.6M for operating expenses, $14.6M for debt service, and $33.1M for capital projects and equipment.

Personal Services

The Sewer System is budgeted for 216.9 full-time equivalent employees in FY18. The Personal Services expenses of $18.0M are for the salaries and benefits of those positions needed to operate the Sewer System.

Debt Service

The Sewer System has $141.2M of bond principal outstanding as of September 30, 2017. The bonds were issued to fund various sewer system capital projects and require annual principal and interest payments to the holders of those bonds. From FY18 through FY28, the debt service requirement is between $14.8M and $15.3M. From FY29 through FY32, debt service payments fall to between $5.0M and $5.5M. The bonds mature between 2024 and 2032.

Operating Expenses

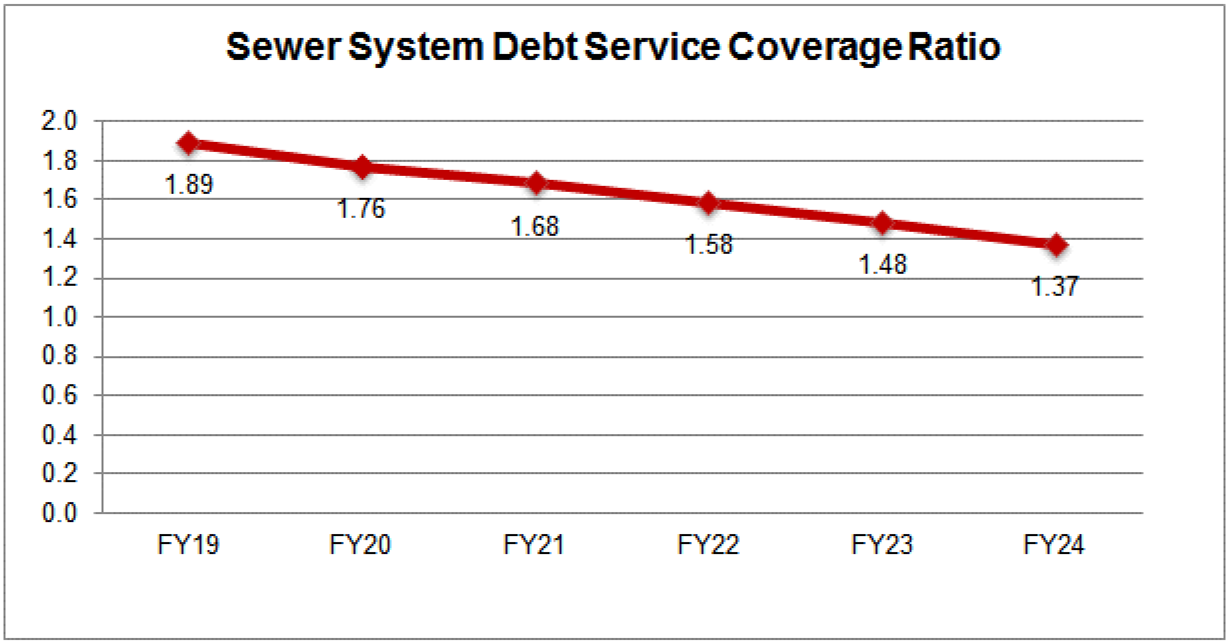
The Sewer System incurs annual recurring costs for repair and maintenance, supplies, fuel, and communications. In addition, utilities to run the facilities and chemicals to treat the waste are major components of the Sewer System's operating expenses.

Capital Projects and Equipment

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

Reserves

The budgeted reserve level in the Sewer System is 60.4% in FY18, which is higher than the targeted reserve level of 15.0%. As a self-supporting enterprise, the Sewer System maintains $29.2M of budgeted reserves for cash flow and emergencies and $38.5M to fund future capital needs. In addition, the 2008 bond issue requires a debt service reserve of $1.2M.



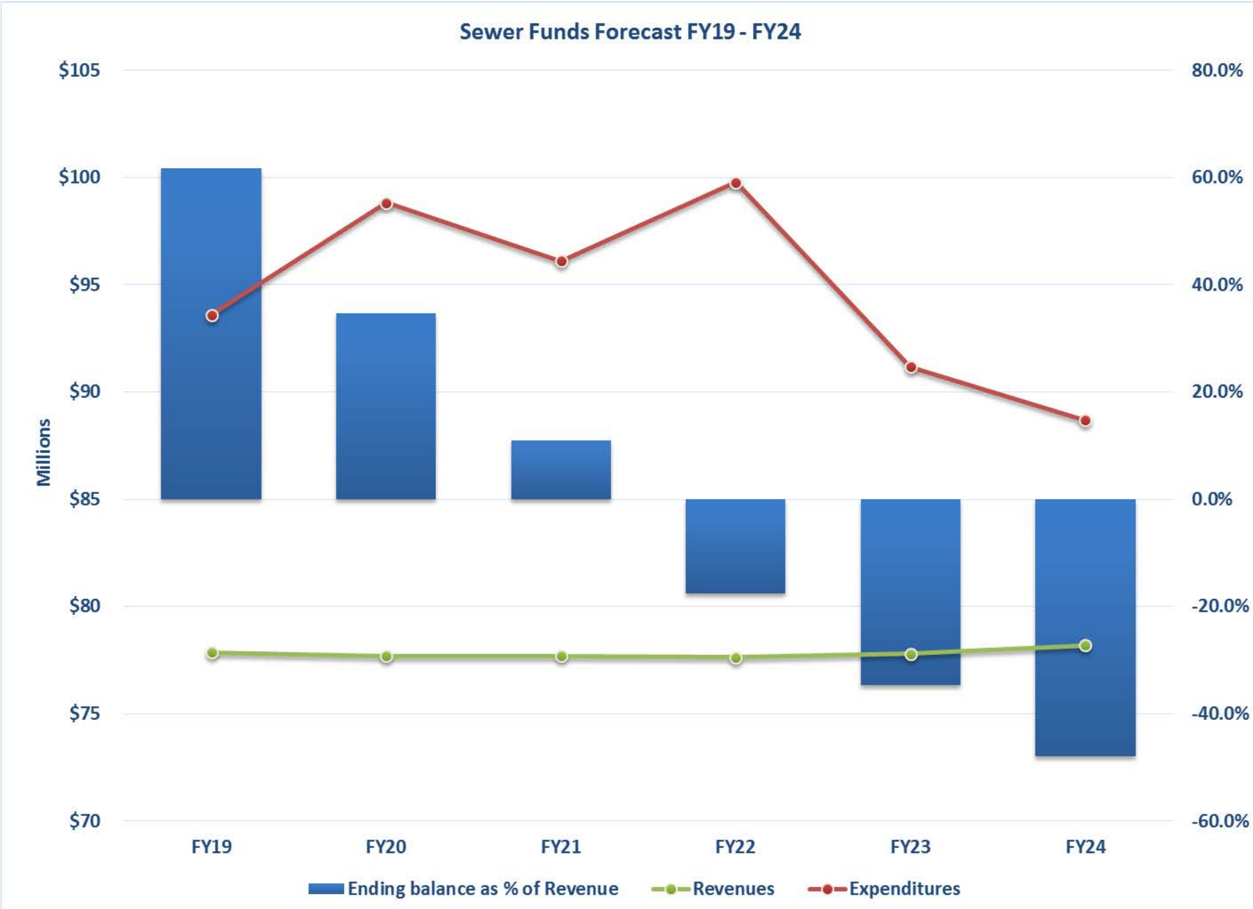
Six-Year Forecast

Key Assumptions

Throughout the forecast period the fluctuation in total annual revenues will range from (0.8)% to 0.5%. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document, while electricity and chemical costs are projected to increase 5.0% and 7.0% respectively per year through the forecast period. The Capital Projects and Equipment forecast reflects the construction and purchase needs as estimated by staff.

To balance revenues with projected expenditures, multi-year rate increases were approved during the FY16 budget process for both retail and wholesale rates. Burton and Associates, independent consultants, computed that the following sewer rate increases were necessary to meet the projected expenses and reserve needs at the projected sewer demand levels: 1.0% each year FY17 – FY19 for retail and wholesale sewer; 5.0% each year for retail metered reclaimed water and $1.00 to the monthly charge for unmetered retail reclaimed water; and 5.0% for wholesale reclaimed customers. There are no rate changes included for FY20 through FY24. A rate study will be conducted in 2018 to determine if there is a need for future rate increases.

SEWER FUNDS



Key Results

The forecast for the Sewer System Funds shows that the multi-year rate increases approved in FY16 will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. Throughout the forecast period, expenditures will exceed revenues and fund balance will be drawn down to complete major capital projects. The Sewer Funds are not structurally balanced through the forecast period.

Potential Risks

There are some impacts that can alter the six-year forecast of the Sewer System. Any future economic decline could reduce water demand, which reduces sewer revenue that is based on volume. Findings from the Wastewater/Stormwater Task Force 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 the FY16 budget process, revenues will be sufficient to cover projected expenditures, maintain sufficient reserves, and sustain the recommended debt service coverage ratio of 1.50x through FY19. A rate study will be conducted in 2018 to determine if there is a need for future rate increases. Balancing strategies may also include a reduction in planned capital projects.

SEWER FUNDS FORECAST
Fund 4051, 4052, & 4053

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Sewer Charges - Retail	-1.9%	0.2%	0.2%	0.2%	0.2%	0.2%
Sewer Charges - Wholesale	1.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Reclaimed - Retail	2.2%	4.3%	4.2%	4.0%	3.8%	3.7%
Reclaimed - Wholesale	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURE						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Power	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Chemicals	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

SEWER FUNDS FORECAST
Fund 4051, 4052, & 4053

(in $ thousands)	Actual FY17	Budget FY18	FORECAST (@100%) Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
BEGINNING FUND BALANCE	**76,448.2**	**67,334.5**	**79,137.9**	**60,081.1**	**44,285.5**	**23,086.4**	**4,578.1**	**(17,660.6)**	**(31,025.5)**
REVENUES*									
Sewer Charges - Retail	62,547.4	59,764.5	62,910.0	61,708.4	61,838.0	61,967.9	62,098.0	62,228.4	62,359.1
Sewer Charges - Wholesale	6,534.3	6,179.8	6,505.0	6,583.7	6,597.5	6,611.4	6,625.3	6,639.2	6,653.1
Reclaimed - Retail	5,106.9	4,940.0	5,200.0	5,312.3	5,543.2	5,774.2	6,005.2	6,236.1	6,467.1
Reclaimed - Wholesale	371.6	333.5	351.0	295.4	308.2	321.1	333.9	346.7	359.6
Interest	715.8	952.9	1,003.0	961.3	974.3	577.2	114.5	0.0	0.0
Late Fees Due from Water Fund**	0.0	3,685.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenues	7,839.0	2,327.0	2,449.5	2,353.9	2,353.9	2,353.9	2,353.9	2,353.9	2,353.9
FEMA Reimbursement - IRMA	0.0	0.0	0.0	591.8	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUES	**83,115.0**	**78,183.0**	**78,418.5**	**77,806.7**	**77,615.2**	**77,605.6**	**77,530.7**	**77,804.4**	**78,192.8**
% vs prior year		7.8%	-5.7%	-0.8%	-0.2%	0.0%	-0.1%	0.4%	0.5%
TOTAL RESOURCES	**159,563.2**	**145,517.6**	**157,556.4**	**137,887.8**	**121,900.6**	**100,691.9**	**82,108.8**	**60,143.8**	**47,167.3**
EXPENDITURES									
Personal Services	15,830.1	17,960.9	17,945.9	18,699.6	19,485.0	20,303.3	21,217.0	22,129.3	23,080.9
Operating Expenses	14,055.7	17,869.9	17,861.1	14,674.1	15,026.2	15,356.8	15,740.7	16,118.5	16,521.5
Power	3,789.4	4,377.2	4,377.2	4,596.0	4,825.9	5,067.1	5,320.5	5,586.5	5,865.9
Chemicals	2,619.8	3,449.2	3,449.2	3,690.6	3,949.0	4,225.4	4,521.2	4,837.6	5,176.3
Hurricane Irma Expenses	652.5	0.0	23.8	0.0	0.0	0.0	0.0	0.0	0.0
Cost Allocation	4,940.1	6,932.7	6,932.7	7,085.2	7,255.2	7,414.9	7,600.2	7,782.6	7,977.2
Expenditure Lapse***	0.0		(1,517.7)	(1,462.4)	(1,516.2)	(1,571.0)	(1,632.0)	(1,693.6)	(1,758.7)
Debt Service	14,310.1	14,629.3	15,288.8	15,254.2	15,216.8	15,154.4	15,103.8	15,050.3	15,002.4
Capital Equipment	1,536.4	2,603.9	2,603.9	2,557.8	2,557.8	2,557.8	2,557.8	2,557.8	2,557.8
Capital Improvements	22,691.2	30,510.5	30,510.5	28,507.2	32,014.7	27,605.2	29,340.2	18,800.2	14,255.2
TOTAL EXPENDITURES	**80,425.3**	**98,333.6**	**97,475.3**	**93,602.3**	**98,814.3**	**96,113.8**	**99,769.3**	**91,169.3**	**88,678.4**
% vs prior year		17.4%	21.2%	-4.0%	5.6%	-2.7%	3.8%	-8.6%	-2.7%
TOTAL ENDING FUND BALANCE	**79,137.9**	**47,184.0**	**60,081.1**	**44,285.5**	**23,086.4**	**4,578.1**	**(17,660.6)**	**(31,025.5)**	**(41,511.1)**
Ending balance as % of Revenue	95.2%	60.4%	76.6%	56.9%	29.7%	5.9%	-22.8%	-39.9%	-53.1%
TOTAL REQUIREMENTS******	**159,563.2**	**145,517.6**	**157,556.4**	**137,887.8**	**121,900.6**	**100,691.9**	**82,108.8**	**60,143.8**	**47,167.3**
Debt Service Coverage	**2.75**	**1.77**	**1.80**	**1.89**	**1.76**	**1.68**	**1.58**	**1.48**	**1.37**
REVENUE minus EXPENDITURES (NOT cumulative)	2,689.7	(20,150.6)	(19,056.8)	(15,795.6)	(21,199.1)	(18,508.3)	(22,238.7)	(13,364.9)	(10,485.6)

Transfers between funds are excluded from revenues and expenditures.

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

**Late Fees from FY10 through FY16 credited to Water Fund - budgeted to transfer to Sewer Fund in FY18. Actual transfer occurred in FY17.

*** Expenditure lapse of 3.0% is calculated on all expenses excluding Debt Service, Capital Equipment, and Capital Improvements.

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

	Actual FY17	Budget FY18	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
OPEB annual expense	915.3	953.8	953.8	993.8	1,035.6	1,079.1	1,127.6	1,176.1	1,226.7
OPEB cumulative (long-term liability)	11,501.3	12,455.0	12,455.0	13,448.9	14,484.4	15,563.5	16,691.1	17,867.2	19,093.9

SOLID WASTE FUNDS

Description

Pinellas County Code Chapter 106 mandates that Solid Waste provide waste disposal and recycling 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 awareness and communication that enable citizens to make educated choices concerning responsible management of their solid waste.

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

Solid Waste offers recycling drop off sites located throughout the County, including County parks and beaches. Yard waste is processed into mulch, which is offered free to the public. Artificial reefs are constructed from discarded concrete and derelict ships. The household electronic and chemical collection center offers reuse opportunities through the swap shop and works with contractors to maximize recycling of collected chemicals and electronics. Metals recovered from waste, received for disposal, are recycled.

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 and reduce the volume of material sent to the landfill for disposal. Metals are also recovered and recycled from the ash generated at the WTE facility.

The landfill is used for disposal of ash from the WTE facility, non-burnable materials such as bricks and dirt, oversized materials that will not fit in the feed chute at the WTE facility, and materials received in excess of the WTE facility processing capacity. Although total solid waste tons delivered to Solid Waste have increased 3.3% annually since 2012, the efforts to reduce, reuse, recycle, and recover have resulted in maintaining the projected landfill life of 2103.

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

Summary

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

The forecast for the Solid Waste Funds shows that the funds are balanced through the forecast period. Solid Waste tipping fee revenues are expected to grow slightly, due to increased solid waste volume during the forecasted six-year period.

SOLID WASTE FUNDS

Revenues

The Solid Waste Funds are projected to generate revenues in FY18 totaling $105.7M. The Solid Waste Funds consist almost exclusively of two primary funding sources: tipping fees of $38.0M and electrical capacity and electricity sales of $63.5M.

Tipping Fees

The current tipping fee is $37.50 per ton for all waste brought to the Solid Waste campus. The fee has not increased since 1988. A multi-year rate study was conducted by a consultant with the potential to build a rate stabilization fund to minimize impacts of anticipated future increases in fees. The Technical Management Committee (TMC) is currently evaluating the program assumptions and options presented in the study to determine the need for a multi-year fee increase recommendation. The volume of waste brought to the Solid Waste Facility is expected to increase slightly during the forecast period. The amount of waste brought to the facility is affected by economic conditions and levels of recycling.

Electrical Capacity and Electricity Sales

Solid Waste and Duke Energy have a contract in place for the WTE plant to provide Duke Energy with both electrical capacity and generated electricity. The revenue from this contract is defined by rates specified in the contract, which expires in 2024. Solid Waste receives two streams of revenue as a result of this contract – electrical capacity revenue and electricity sales revenue.

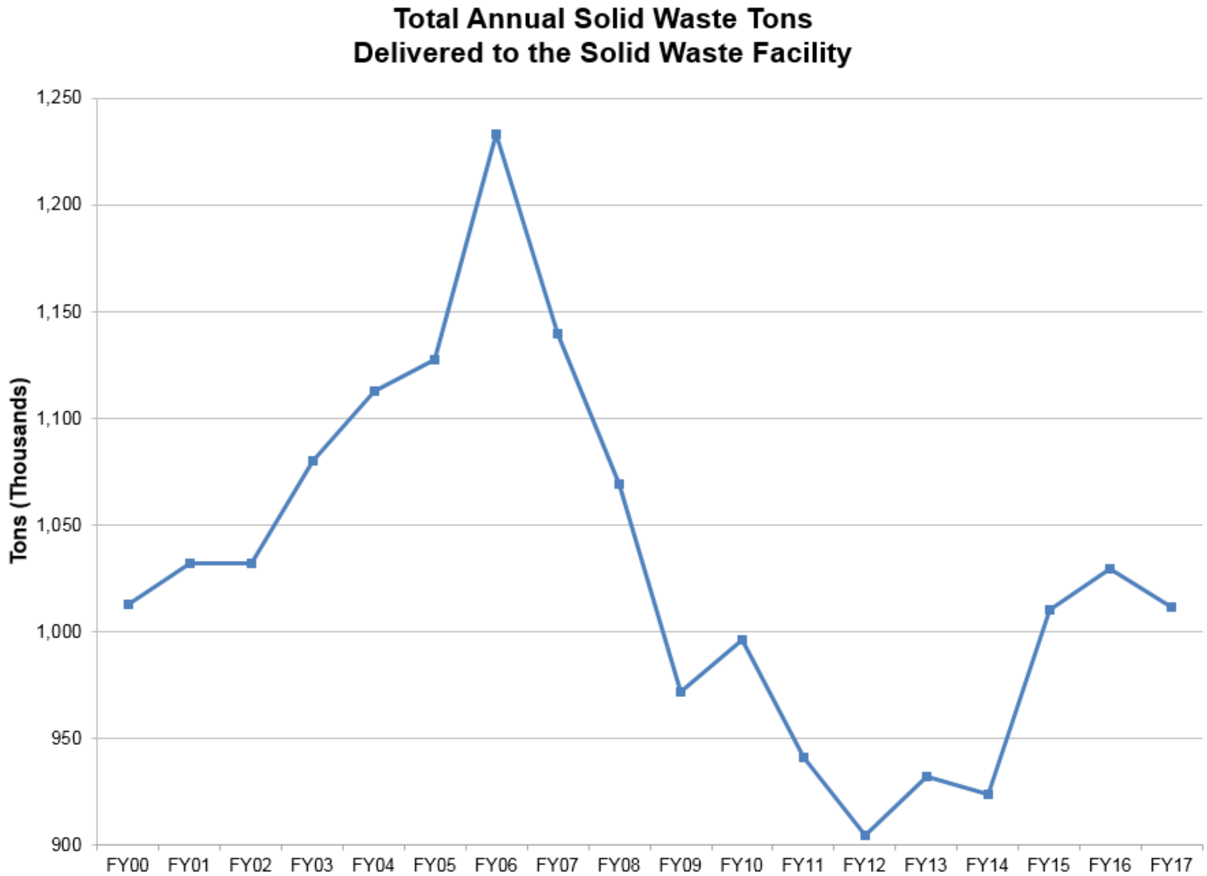
Electrical capacity revenue escalates at a fixed rate each year (6.4%) and is affected by the operating capacity of the plant. Electricity sales revenue is affected by the amount of waste received and processed by the plant. A 2.0%, 3.0%, and 0.5% increase in electricity sales revenue is anticipated in FY19, FY20, and FY21, respectively, due to increased waste processing efficiency after the WTE plant restoration work is completed. Thereafter, this revenue is forecast to remain flat throughout the forecast period.

Recycling Revenue

Solid Waste receives revenue for contract sales of recyclable materials that are brought to the Solid Waste Facility, as well as metals recovered from the WTE process. Due to the metals market conditions, Recycling Revenue is anticipated to remain constant throughout the forecast period.

The following graph shows historical total annual waste tons delivered to the Solid Waste Facility. Tons delivered are impacted by economic activity and considered to be leading economic trend data.

SOLID WASTE FUNDS



Source: Pinellas County Solid Waste

Expenditures

The Solid Waste Funds support budgeted expenditures for FY18 totaling $146.2M. The expenditures in the fund are $66.4M for capital outlay and equipment, $42.7M for the WTE service contract, $11.7M for the landfill service contract, $18.5M for all other operating expenses, and $6.8M for personal services.

<u>Capital Outlay and Equipment</u>

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

<u>Waste-to-Energy Service Contract</u>

Solid Waste is under contract with Covanta Projects, LLC (Covanta) to operate the WTE plant. The contract commenced in December 2014 and has a 10-year term. In FY19, general operating costs are expected to level off, consistent with waste delivery trends. Capital investment into the facility is expected to decrease due to anticipated completion of WTE plant renovation projects.

SOLID WASTE FUNDS

Landfill Service Contract

Solid Waste is under contract with Advanced Disposal Inc. to operate the landfill. This contract expires in August 2018 and is currently in the procurement process for bid and award prior to that date.

Operating Expenses

Solid Waste incurs annual recurring costs for its other programs. Chemicals for plant operations, repair and maintenance, contract services, and liability insurance premiums are major components of Solid Waste's operating expenses.

Personal Services

The Solid Waste System is budgeted for 79.0 full-time equivalent employees in FY18. The Personal Services expenses of $6.8M are for the salaries and benefits of those positions needed to operate the Solid Waste System.

Reserves

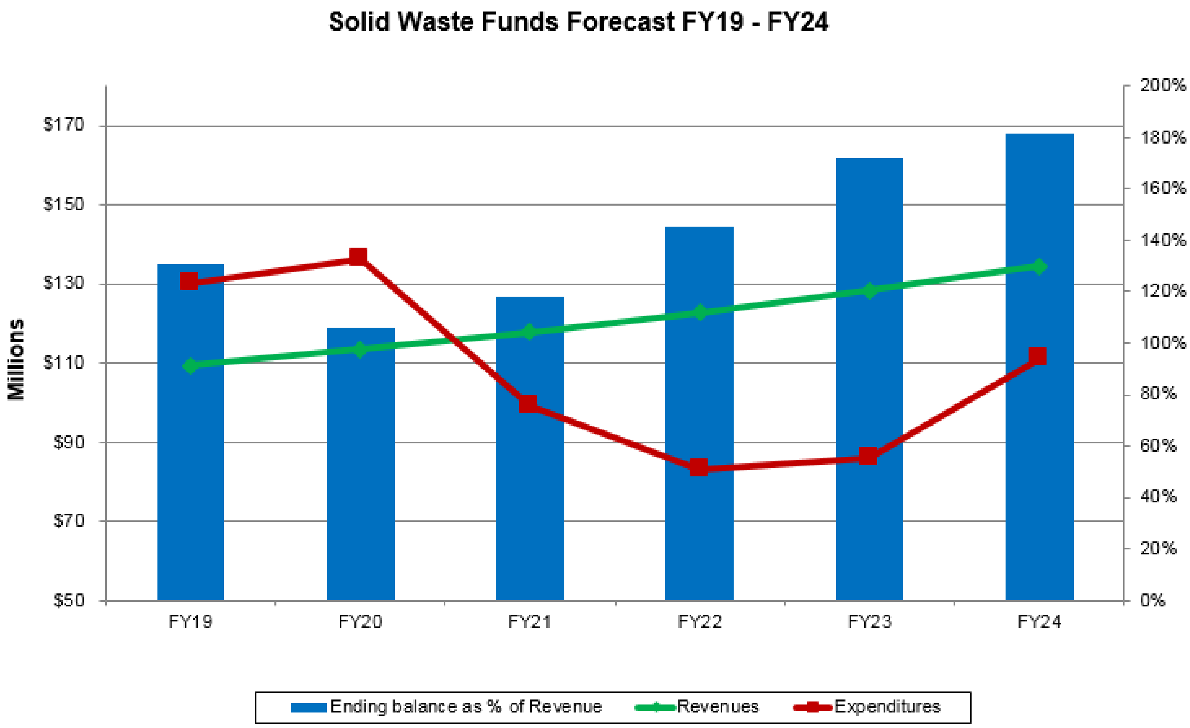
The budgeted FY18 reserve level in the Solid Waste System is 132.1% of fund revenues, which is above the 52.2% target reserve level. Solid Waste maintains the following reserves: $5.2M required reserves per the contract with Covanta, $20.1M for three months of operating expenses, $2.2M for continued funding of the vehicle replacement program, $26.3M for renewals and replacements, and the remaining $82.3M is for future needs, consistent with the Solid Waste 25-year capital plan. This higher reserve level is required to meet upcoming capital improvement requirements that are forecasted 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 $43.5M in FY36.

Six-Year Forecast

Key Assumptions

The revenue forecast assumes a 2.0%, 3.0%, and 0.5% increase in electricity sales in FY19, FY20, and FY21, respectively, no increase in electricity sales for the remaining years, a slight increase in tipping fee revenue collections, and no change in recycling revenue. The revenue forecast does not include any increases in tipping fee rates. 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 condition assessments, permit or regulatory requirements, and recommendations from consultants. There are large capital needs forecasted through FY19 in anticipation of tighter regulatory requirements and additional required improvements to the WTE plant.

SOLID WASTE FUNDS



<u>Key Results</u>

The forecast for the Solid Waste Funds shows that revenues are sufficient to provide for expenditures over the forecast period, while still maintaining sufficient reserves. Solid Waste expenditures exceed revenues in FY18. In FY16 through FY21, expenditures reflect non-recurring costs associated with additional capital improvements and restorations. Reserves are not anticipated to drop below 105.0% of revenues at any time during the forecast period, and are anticipated to exceed 145.0% in four of the forecast years.

Solid Waste conducted a multi-year rate study via a consultant. This rate study will be evaluated to determine any potential future fee modifications. The rate study contemplates building a rate stabilization fund to minimize impacts of anticipated future increases in tipping fees.

The rate study also addressed the potential need to begin setting aside funds for the future post-closure care of the landfill. These funds would be necessary to provide for maintenance and environmental care of the landfill at a future date when the landfill is envisioned to close. Staff will continue examination of cost estimates, future needs, and reserve funding options as part of the FY19 budget process.

Potential Risks

There are some impacts that can alter the six-year forecast of the Solid Waste Funds. A decline in the economy could reduce the volume of incoming waste, which would reduce revenue from both the tipping fees and electricity sales. The historical impact of economic conditions on the volume of waste is evidenced in the graph of Total Annual Solid Waste Tons.

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

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

SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Tipping Fees	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Electricity Sales	2.0%	3.0%	0.5%	0.0%	0.0%	0.0%
Electrical Capacity	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Recycling Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	1.6%	2.2%	2.5%	2.5%	2.5%	2.5%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.2%	4.2%	4.2%	4.5%	4.3%	4.3%
Operating Expenses	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
WTE Service Fee	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
Landfill Service Fee	10.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Grants & Aids	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.5%	2.4%	2.5%
FL Per Capita Personal Income Growth	2.0%	1.7%	1.1%	0.9%	0.7%	0.7%

SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

			FORECAST (@100% Revenue)						
(in $ thousands)	**Actual FY17**	**Budget FY18**	**Estimated FY18**	**Estimated FY19**	**Estimated FY20**	**Estimated FY21**	**Estimated FY22**	**Estimated FY23**	**Estimated FY24**
BEGINNING FUND BALANCE	**245,009.2**	**179,249.1**	**206,896.9**	**163,996.1**	**143,089.0**	**120,223.8**	**138,777.1**	**178,259.7**	**220,509.6**
REVENUES									
Tipping Fees	38,256.0	36,103.5	38,003.7	38,383.7	38,767.6	39,155.2	39,546.8	39,942.3	40,341.7
Electricity Sales	10,592.7	9,544.7	10,047.0	10,248.0	10,555.4	10,608.2	10,608.2	10,608.2	10,608.2
Electrical Capacity	50,219.4	53,412.5	53,412.5	56,814.1	60,432.5	64,277.6	68,372.3	72,728.3	77,361.8
Recycling Revenue	978.3	574.3	604.5	604.5	604.5	604.5	604.5	604.5	604.5
Interest	1,536.2	3,368.5	3,545.8	2,623.9	3,148.0	3,005.6	3,469.4	4,456.5	5,512.7
Other revenues	206.9	41.0	42.7	43.6	44.5	45.4	46.3	47.2	48.1
FEMA Reimbursement - Irma	0.0	0.0	0.0	563.2	0.0	0.0	0.0	0.0	0.0
Grants (e.g. Artificial Reef, etc.)	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUES *	**101,793.0**	**103,044.5**	**105,656.2**	**109,281.0**	**113,552.4**	**117,696.5**	**122,647.5**	**128,386.9**	**134,477.0**
% vs prior year		1.2%	3.8%	3.4%	3.9%	3.6%	4.2%	4.7%	4.7%
TOTAL RESOURCES	**346,802.2**	**282,293.6**	**312,553.1**	**273,277.1**	**256,641.4**	**237,920.3**	**261,424.6**	**306,646.6**	**354,986.6**
EXPENDITURES									
Personal Services	5,985.1	6,805.8	6,805.8	7,091.7	7,389.5	7,699.9	8,046.4	8,392.4	8,753.3
Operating Expenses	11,195.9	13,256.6	13,256.6	13,548.2	13,873.4	14,178.6	14,533.0	14,881.8	15,253.9
Hurricane Irma Expenses	48.9	0.0	594.7	0.0	0.0	0.0	0.0	0.0	0.0
WTE Contract Service	31,674.6	42,744.2	46,944.2	41,603.0	39,337.5	33,526.9	32,827.6	33,615.4	34,455.8
Landfill Contract Service	9,621.4	11,687.4	11,687.4	12,856.2	13,241.9	13,639.1	14,048.3	14,469.7	14,903.8
Grants & Aids	499.2	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Cost Allocations	4,747.5	4,754.6	4,754.6	4,859.2	4,975.8	5,085.3	5,212.4	5,337.5	5,470.9
Capital Equipment	1,547.1	839.2	839.2	1,040.7	1,040.7	1,040.7	1,040.7	1,040.7	1,040.7
Capital Outlay	74,585.7	65,575.4	65,575.4	50,988.4	58,320.4	25,590.4	9,086.4	10,086.4	33,086.4
Expenditure Lapse **	0.0	0.0	(2,401.0)	(2,299.2)	(2,261.5)	(2,117.6)	(2,129.9)	(2,187.0)	(2,247.2)
TOTAL EXPENDITURES **	**139,905.3**	**146,163.2**	**148,557.0**	**130,188.1**	**136,417.6**	**99,143.2**	**83,164.9**	**86,136.9**	**111,217.5**
% vs prior year		4.5%	6.2%	-12.4%	4.8%	-27.3%	-16.1%	3.6%	29.1%
TOTAL ENDING FUND BALANCE	**206,896.9**	**136,130.3**	**163,996.1**	**143,089.0**	**120,223.8**	**138,777.1**	**178,259.7**	**220,509.6**	**243,769.1**
Ending balance as % of Revenue	203.3%	132.1%	155.2%	130.9%	105.9%	117.9%	145.3%	171.8%	181.3%
TOTAL REQUIREMENTS ***	**346,802.2**	**282,293.6**	**312,553.1**	**273,277.1**	**256,641.4**	**237,920.3**	**261,424.6**	**306,646.6**	**354,986.6**
REVENUE minus EXPENDITURES (NOT cumulative)	**(38,112.3)**	**(43,118.8)**	**(42,900.8)**	**(20,907.1)**	**(22,865.2)**	**18,553.2**	**39,482.6**	**42,249.9**	**23,259.4**

* Revenues reflect the combined impact of changes in rates and/or levels of consumption.
** Expenditure lapse of 3.0% is calculated on all expenditures excluding Hurricane Irma, Cost Allocations, and Capital Outlay.
*** 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	357.0	373.0	373.0	388.7	405.0	422.0	441.0	460.0	479.8
OPEB cumulative (long-term liability)	4,095.0	4,468.1	4,841.1	5,229.8	5,634.9	6,056.9	6,498.0	6,958.0	7,437.7

SURFACE WATER SPECIAL ASSESSMENT FUND

Description

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

On September 14, 2017, 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 from the FY16 and FY17 rates and is budgeted at $18.9M for FY18.

Summary

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

The forecast for the Surface Water Special Assessment Fund indicates the fund is not balanced throughout the first four years of the forecast period.

From FY19 to FY23, revenues will not be enough to cover new resources and inflationary increases for ongoing expenditures; therefore, accumulated fund balance will be used to offset the variance. In FY17, new additional resources were allocated with the intention to achieve the approved level of service for operations and maintenance of pipes. That resulted in higher than initially anticipated operating expenditures starting in FY18. It is expected, however, that by FY23 Surface Water program expenditures will decrease as the ten-year level of service for pipe lining and replacement program is achieved.

Revenues

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

The County originally approved the fee for unincorporated properties in FY14. Surface water assessments are based upon the estimated amount of impervious surfaces on a parcel which contribute 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 Area includes 2,339 square feet of impervious surface, which is the value of one "Equivalent Residential Unit" or "ERU".

ERU growth is anticipated to stay flat throughout the forecast period. Estimated Surface Water Assessment revenue for FY18 is $18.8M. Mitigation credits could potentially reduce the total revenue for the Surface Water Fund. Some developed properties maintain onsite stormwater management systems that reduce stormwater runoff impacts from the property to the County system. Mitigation credits are intended to reduce the assessed property by a percentage corresponding to the reduction in impact to the County system. For FY18, the reduction in revenue from mitigation credits is estimated at $211,670.

The FY18 Revenue Budget is based on a rate of $117.74 per Equivalent Residential Unit (ERU) per year which is unchanged from FY16 and FY17. On September 14, 2017, Surface Water Resolution No. 17-63 for FY18 and subsequent years was adopted by the Board of County Commissioners. According to the resolution, the rate is set to be $117.74 per ERU for FY18. 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 otherwise.

For the overall Level of Service B- to be achieved, all sub-programs under the surface water 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 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 corrugated metal pipe lining/replacement to be achieved, all of the pipes must be lined/replaced within ten years of surface water assessment inception. For FY18 the overall LOS B- is optimistically trending toward achieving the LOS throughout the forecast period. The corrugated metal pipe lining/replacement program fell approximately 10% short of the program goal in FY17 due to contractor performance issues. However, it is expected to meet LOS requirements within the forecast period. Looking forward to the end of the forecast period, all changes implemented to improve surface water program performance should be in full effect and the overall LOS B- is expected to be fully met.

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

Expenditures

The Surface Water Special Assessment Fund supports budgeted expenditures in FY18 totaling $22.8M for its operational plan. The primary expenditures in the fund are $7.6M for personal services expenditures and $15.1M for multiple surface water programs that cover permit compliance, watershed planning, and open and closed conveyance maintenance and rehabilitation.

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

<u>Transfers</u>

The Surface Water Special Assessment Fund transfers funds to the Tax Collector to cover the costs for collection of the assessment pursuant to Florida Statutes. FY18 budgeted costs for this function are $293,050.

Reserves

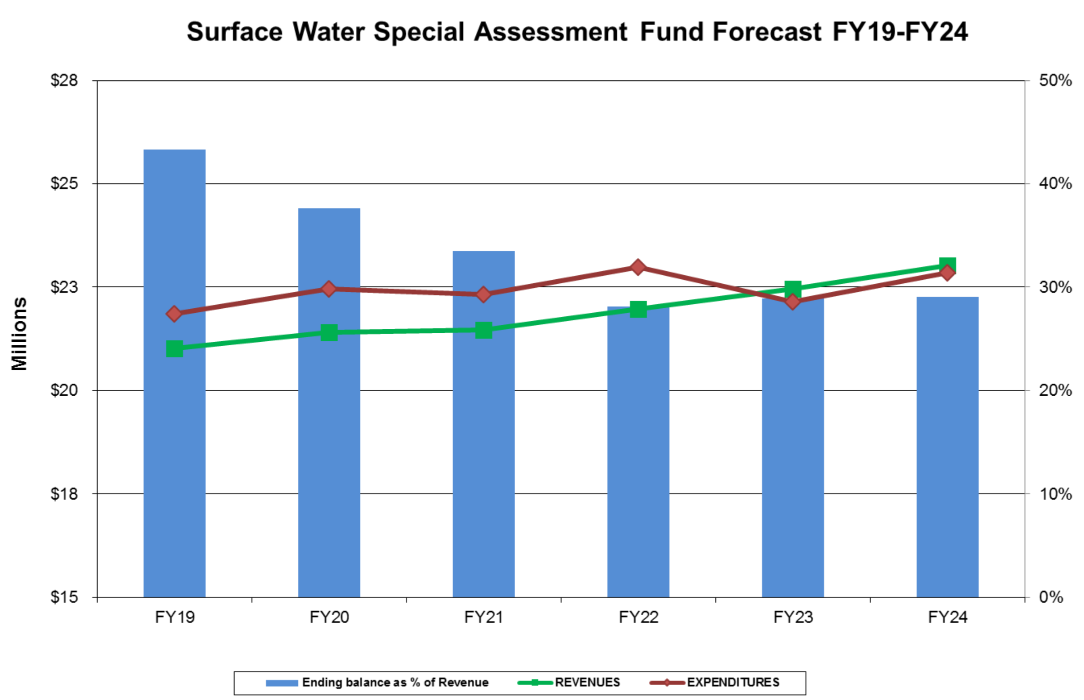
The special assessment revenue is collected from property tax bills which are mailed on the last business day of October. Thus, the majority of the revenue is not received until December, when most of the tax revenue is collected. As a result, expenditures exceed revenues for the first two months of the year; therefore, targeted reserve levels for this fund need to support the at least two months of operating expenditures. The FY18 reserve level of $6.6M, or 33.0%, in the Surface Water Special Assessment Fund exceeds the 15.0% required by Budget Policy.

Six-Year Forecast:

Key Assumptions

In the forecasted years, ERU growth is estimated to stay flat from FY19 through FY24, but it may be negatively impacted by mitigation credits. The rate reflected per ERU is $117.74 through FY18, and it is increased based on CPI thereafter.

Expenditure assumptions are anticipated to follow the inflationary expense growth factors expected for other funds. In FY19, revenues will not be enough to cover estimated inflationary increases for expenditures. By FY23, it is expected that program expenditures will decrease as the ten-year LOS for operations and maintenance of pipes, as well as corrugated metal pipe lining/replacement programs, is achieved and thus, revenues will be sufficient to offset the expenditures.



SURFACE WATER SPECIAL ASSESSMENT FUND

Key Results

In the chart above, the forecast shows revenues are less than expenditures beginning in FY19 through FY22 as inflationary pressures on expenditures outpace revenues and as additional resources are allocated to achieve the adopted ten-year LOS. As the adopted LOS is achieved, program expenditures will decrease. 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. Requests for credits for onsite stormwater management systems will also negatively impact revenues.

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

Balancing Strategies

The forecast shows that the Surface Water Special Assessment Fund is temporarily out of balance in FY19 as additional resources are allocated to achieve the adopted ten-year LOS. With the estimated flat growth in ERUs, assessment revenues will not be enough to cover inflationary increases for expenditures through FY22. Fund balance will be used to fund this gap until the adopted LOS is achieved and program expenditures decrease.

SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST
Fund 1094

Forecast Assumptions	FY19	FY20	FY21	FY22	FY23	FY24
REVENUES						
Surface Water Assessmt - ERU Growth	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Surface Water Assessmt - CPI incr	**2.2%**	**2.4%**	**2.2%**	**2.5%**	**2.4%**	**2.5%**
Surface Water Assessmt-Total incr	**2.2%**	**2.4%**	**2.2%**	**2.5%**	**2.4%**	**2.5%**
ERU (excludes govt)	**168,294**	**168,294**	**168,294**	**168,294**	**168,294**	**168,294**
Interest	**1.6%**	**2.2%**	**2.5%**	**2.5%**	**2.5%**	**2.5%**
Other revenues	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
EXPENDITURES						
Personal Services	**4.2%**	**4.2%**	**4.2%**	**4.5%**	**4.3%**	**4.3%**
Operating Expenses	**2.2%**	**2.4%**	**2.2%**	**2.5%**	**2.4%**	**2.5%**
Capital Outlay	**2.2%**	**2.4%**	**2.2%**	**2.5%**	**2.4%**	**2.5%**
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	**2.2%**	**2.4%**	**2.2%**	**2.5%**	**2.4%**	**2.5%**
FL Per Capita Personal Income Growth	**2.0%**	**1.7%**	**1.1%**	**0.9%**	**0.7%**	**0.7%**

SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST
Fund 1094

(in $ thousands)	Actual FY17	Budget FY18	FORECAST (@100% Revenue) Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23	Estimated FY24
Annual Rate **	$117.74	$117.74	$117.74	$120.33	$123.21	$125.92	$129.06	$132.15	$135.45
BEGINNING FUND BALANCE	**9,402.4**	**9,447.4**	**11,691.3**	**9,958.2**	**9,108.5**	**8,057.3**	**7,197.5**	**6,179.8**	**6,497.3**
REVENUES									
Surface Water Assessment *									
Non-Ad Valorem Assessment @ 95%	19,034.3	18,875.9	18,824.2	19,238.3	19,698.7	20,132.0	20,634.0	21,128.0	21,655.7
Grants (fed/state/local)	732.6	532.5	532.5	534.0	409.5	-	-	-	-
Interest	166.0	29.2	29.2	159.3	200.4	201.4	179.9	154.5	162.4
Other revenues	84.0	448.2	448.2	457.2	466.3	475.7	485.2	494.9	504.8
Adjust Non-Fee Revenue to 98%			609.5	627.0	643.1	657.1	672.6	687.7	704.9
TOTAL REVENUES	**20,016.9**	**19,885.9**	**20,443.7**	**21,015.8**	**21,418.1**	**21,466.2**	**21,971.8**	**22,465.1**	**23,027.8**
% vs prior year		0.3%	2.1%	2.8%	1.9%	0.2%	2.4%	2.2%	2.5%
TOTAL RESOURCES	**29,419.2**	**29,333.3**	**32,135.0**	**30,974.0**	**30,526.6**	**29,523.6**	**29,169.3**	**28,645.0**	**29,525.1**
EXPENDITURES									
Personal Services	6,244.5	7,642.1	7,642.1	7,963.1	8,297.5	8,646.0	9,035.1	9,423.6	9,828.8
Operating Expenses	9,011.0	11,322.7	11,322.7	11,571.8	11,849.6	11,343.7	11,627.3	11,906.4	12,204.1
Capital Outlay	454.8	1,018.4	1,018.4	116.3	119.1	121.7	124.7	127.7	130.9
CIP	1,733.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	1,000.0	1,000.0
Constitutional Officer Transfers	284.7	293.1	293.1	303.9	311.1	318.0	325.9	333.7	342.0
Expenditure Lapse @3%***			(599.5)	(589.5)	(608.0)	(603.3)	(623.6)	(643.7)	(664.9)
TOTAL EXPENDITURES	**17,727.9**	**22,776.2**	**22,176.7**	**21,865.5**	**22,469.3**	**22,326.1**	**22,989.4**	**22,147.7**	**22,840.9**
% vs prior year		34.1%		-1.4%	2.8%	-0.6%	3.0%	-3.7%	3.1%
ENDING FUND BALANCE	**11,691.3**	**6,557.0**	**9,958.2**	**9,108.5**	**8,057.3**	**7,197.5**	**6,179.8**	**6,497.3**	**6,684.2**
Ending balance as % of Revenue	58.4%	33.0%	48.7%	43.3%	37.6%	33.5%	28.1%	28.9%	29.0%
TOTAL REQUIREMENTS	**29,419.2**	**29,333.3**	**32,135.0**	**30,974.0**	**30,526.6**	**29,523.6**	**29,169.3**	**28,645.0**	**29,525.1**
REVENUE minus EXPENDITURES (NOT cumulative)	2,288.9	(2,890.4)	(1,733.1)	(849.7)	(1,051.2)	(859.8)	(1,017.7)	317.5	186.9
note: non-recurring expenditures		-	-	-	-	-	-	-	-
net recurring rev- exp			**(1,733.1)**	**(849.7)**	**(1,051.2)**	**(859.8)**	**(1,017.7)**	**317.5**	**186.9**

* Per Statute, revenue is budgeted at 95.0% of total calculated amount.
** Annual rate based on 168,334.5 ERU in FY18. 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 $128.66, unless approved by the Board.
***Expenditure lapse of 3.0% is calculated on all expenses excluding CIP, and Transfers.

Glossary

Pinellas County

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Metropolitan Statistical Area (MSA) – MSA is a formal definition of a metropolitan area established by the United States Office of Management and Budget division. MSA's are used to group counties and cities into specific geographic areas for the purposes of a population census and the compilation of related statistical data.

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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