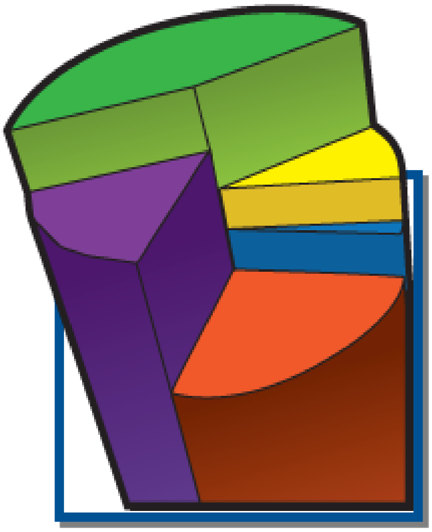
Budget Forecast
FY18 – FY23



Pinellas County, Florida
Office of Management & Budget

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Introduction

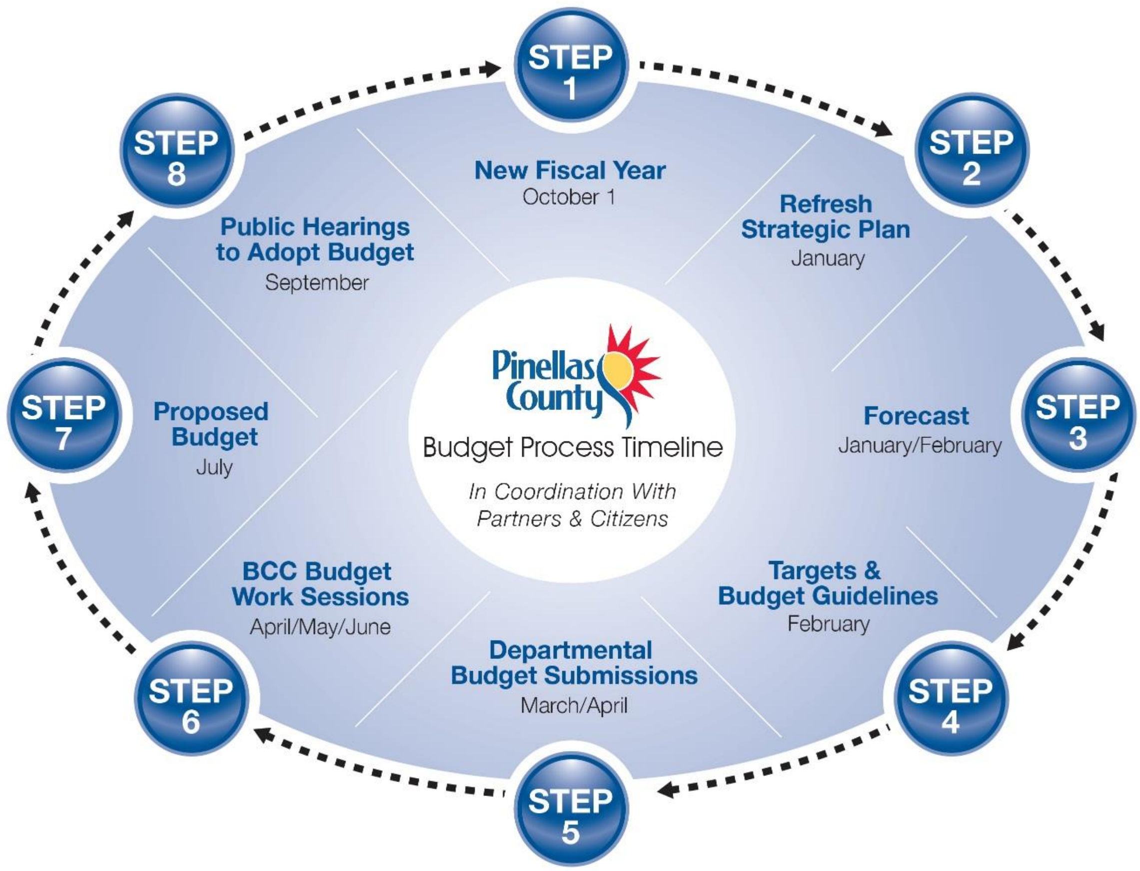
INTRODUCTION

The *Introduction* section of the Budget Forecast: FY18 – FY23 discusses how the Forecast dovetails with the annual budget process, how the Forecast is developed, and how the Forecast can be used as a planning tool to enhance decision-making. It includes the following sections:

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

Forecasting and the Annual Budget Process

The first step in the annual budget process is to update the Forecast in order to develop the budget guidelines for the FY18 budget process.



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

Development of Budget Guidelines

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

Updating the Forecast

After the Forecast is prepared and presented to the Board of County Commissioners in the January/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 of County Commissioners in January or February.

Developing Projections

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

The process for developing the Forecast includes replacing the projections for FY16 with actual revenue and expenditure information following the close out of the fiscal year as of September 30, 2016. At the same time, the current FY17 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 FY18 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 FY23 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.

Executive Summary

EXECUTIVE SUMMARY

Introduction

This is the eighth 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 FY18 budget process. Developing a multi-year forecast provides decision-makers with at least two key benefits: (1) assessing the long-term financial sustainability of the County's funds and (2) understanding the impact of today's decisions on the future.

Economic Overview

The national economy appears to be on track for a sustainable recovery and is anticipated to grow by 2.2% to 2.4% 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 FY18, 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 FY23 based on the assumption that expenditures would be adjusted to reflect any revenue increases or decreases that may occur. Tourist Development Tax revenue has been steadily improving since Spring 2010 and has seen record-setting revenue for the past five years. Tourist Development Tax revenue is estimated to grow by 1.6% in FY17 compared to FY16. Revenue is projected to increase by another 4.0% in FY18 and FY19, and from FY20 – FY23, revenues are projected to increase by 3.5% annually.

Expenditures are projected to increase by 10.0% in FY17 as contributions are made to beach renourishment and operating expenditures for increased sales and marketing opportunities, along with a non-recurring expenditure for the County's partnership with Hillsborough County for the 2017 College Football Playoff National Championship game in Tampa.

Transportation Trust Fund Forecast

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

Capital Projects Fund Forecast

With the planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced over the forecast period through FY20. The current “Penny for Pinellas” one-cent local option sales tax ends December 31, 2019. The Board of County Commissioners plans to bring forward a referendum in November 2017 to consider renewal of the Penny for another 10-year period. Projects that would need to continue such as sidewalks, paving, and bridges are shown in the forecast as “unfunded” for FY20 – FY23. This is a preliminary estimate of projects that would require a funding source whether the Penny is renewed or not. During several years of the forecast, expenditures exceed revenues due to project schedules.

Emergency Medical Services Fund Forecast

The forecast indicates that the Fund is balanced through the forecast period. The recent savings with Paramedics Plus, along with cost certainty in first responder agreements with the 18 service providers, and increased revenue due to growth in taxable value, helped balance the fund while maintaining a prudent reserve.

Airport Fund Forecast

The forecast shows the Airport Fund is balanced through the forecast period, based on the assumptions that the capital projects budget would be adjusted to reflect the timing and amounts of any grants revenue and that the airport’s operating budget would be adjusted to match revenues.

Water Funds Forecast

The forecast for the Water System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves and fund capital replacement needs through FY23. This assumes that the 1.75% annual rate increase through FY19 is extended through FY23. In FY16 and FY17, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Water Funds are structurally balanced through the forecast period.

Sewer Funds Forecast

The forecast for the Sewer System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves, sustain the targeted debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. There is also a 1.0% annual rate increase projected for FY20 through FY23. In FY16 through FY19, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

Solid Waste Funds Forecast

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

Surface Water Special Assessment Funds Forecast

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

Economic Overview

ECONOMIC OVERVIEW

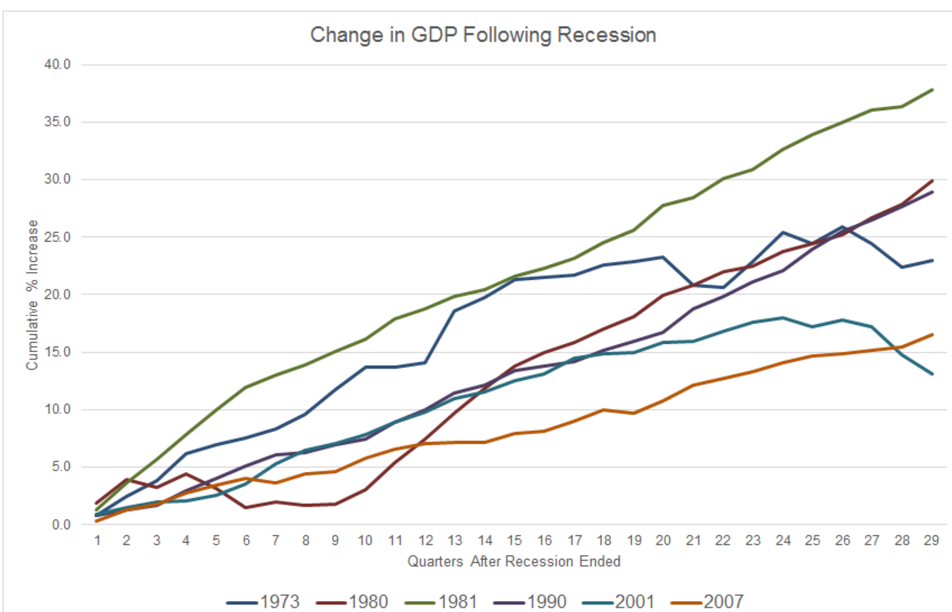
The *Economic Overview* section of the Budget Forecast: FY18 – FY23 provides important context for the various forecasts in this document and includes the following sections:

- Overall Economic Outlook
  - Economic growth has been 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
  - Personal Income slows in some places, speeds up in others
- Housing Trends
  - Home sales volume and median prices
  - Foreclosures
  - Taxable values
- Summary

Overall Economic Outlook

Economic growth has been slow, but steady

Nationally, the economy has yet to experience the level of growth normally expected following a recession. More than seven years post-recession, the economy has grown only 16.5% from the depths of the economic contraction, compared to an average of 26.2% following the last five recessions over the same period of time. Over the next three years, it is projected the U.S. economy will grow 2.2% to 2.4% per year.

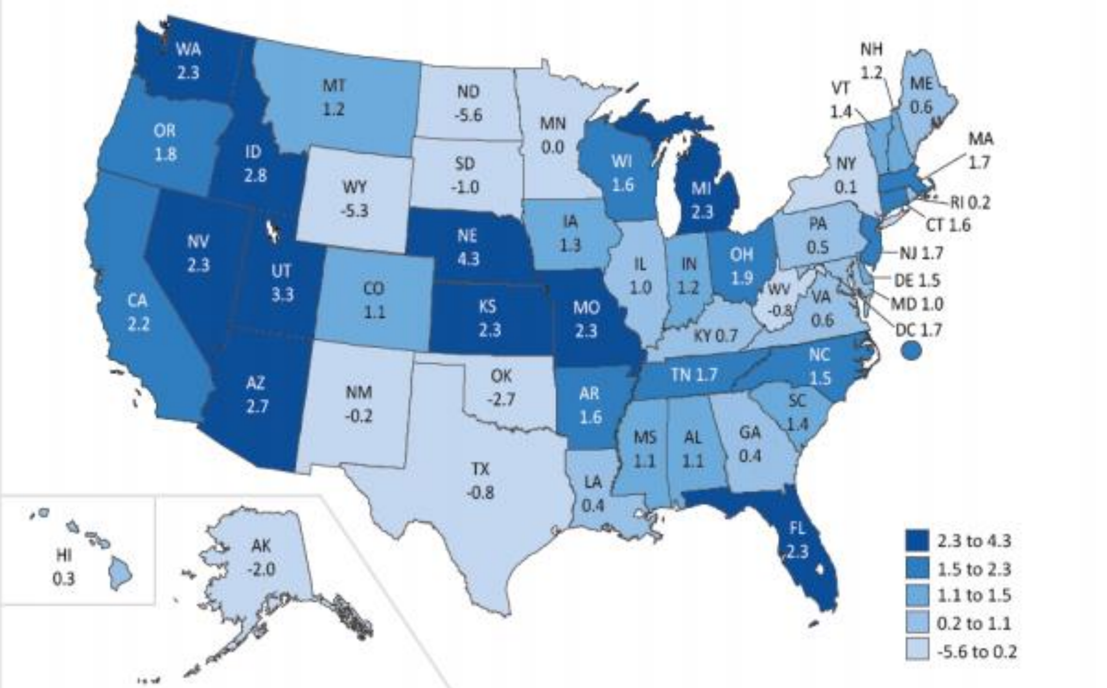


Source: Federal Reserve Bank of Minneapolis/National Bureau of Economic Research

Inflation also impacts the outlook for consumer spending, which makes up almost 70.0% of the GDP. The Consumer Price Index, the generally accepted measure of overall inflation, rose by an annual average of 1.3% in 2016, much higher growth when compared to the 0.1% rise for 2015, but below the Federal Reserve's target of 2.0%. Short-term projections for the CPI are a 2.2% average annual increase through 2025. The Federal Reserve, at their December meeting, raised the U.S. Federal Funds rate from 0.25% to 0.50%, only the second increase in more than ten years. 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. In 2015, Oregon (4.9%) and Texas (4.8%) far exceeded the national growth rate, while Alaska (-0.6%) and North Dakota (-2.6%) lagged well behind. Florida finished 2015 with a 4.0% rate of growth, which placed the state in third behind Oregon and Texas. During the second quarter of 2016, Florida had the seventh best growth rate nationally at 2.3%, above the national rate of 1.4%, and the best in the Southeast Region of the United States.

Chart 1. Percent Change in Real GDP by State, 2016:Q1–2016:Q2, Seasonally Adjusted at Annual Rates



Source: U.S. Bureau of Economic Analysis

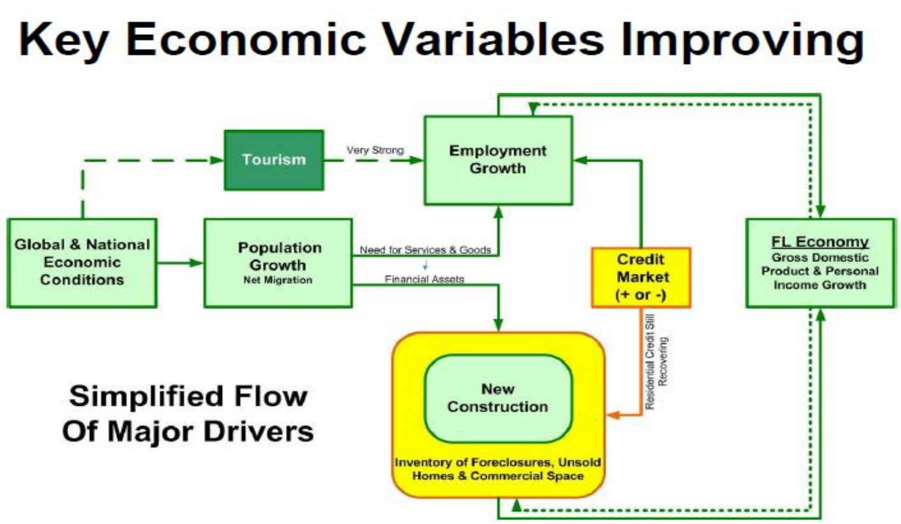
In terms of size, Florida's economy is the fourth largest in the United States, representing 5.0% of the total economic output of the country at $922.6B.

Locally, the Tampa-St. Petersburg-Clearwater metro area ranks as the 26th largest economy in the United States. During 2015, the local economy grew by 2.7% to $133.8B, ranking behind only Miami-Fort Lauderdale in Florida by size.

Gross Domestic Product (GDP) by Metropolitian Area - Florida $ in millions	2015	2015 Rank (national)
Miami-Fort Lauderdale-West Palm Beach, FL	$ 317,986	11
Tampa-St. Petersburg-Clearwater, FL	$ 133,838	26
Orlando-Kissimmee-Sanford, FL	$ 121,329	31
Jacksonville, FL	$ 67,557	49
North Port-Sarasota-Bradenton, FL	$ 28,408	91
Cape Coral-Fort Myers, FL	$ 25,350	96
Palm Bay-Melbourne-Titusville, FL	$ 19,772	120
Lakeland-Winter Haven, FL	$ 19,077	124
Naples-Immokalee-Marco Island, FL	$ 16,743	140
Pensacola-Ferry Pass-Brent, FL	$ 16,196	143
Deltona-Daytona Beach-Ormond Beach, FL	$ 15,124	151
Tallahassee, FL	$ 14,747	154
Crestview-Fort Walton Beach-Destin, FL	$ 12,580	171
Port St. Lucie, FL	$ 12,446	172
Gainesville, FL	$ 12,049	176
Panama City, FL	$ 7,909	225
Ocala, FL	$ 7,889	226
Sebastian-Vero Beach, FL	$ 4,873	319
Punta Gorda, FL	$ 3,791	355
Homosassa Springs, FL	$ 2,984	374
The Villages, FL	$ 2,313	379
Sebring, FL	$ 1,961	382

Source: U.S. Bureau of Economic Analysis

The health of the Florida economy is dependent on many factors, with the major drivers identified below. Tourism remains an important employer in the state, and for the fifth year in a row, tourists flocked to the Sunshine State in record numbers, with more than 106.5M people visiting in 2015, an 8.1% increase from 2014. Through the third quarter of 2016, 85.0M people visited Florida, compared to 80.6M during the same period in 2015, a 5.5% increase.

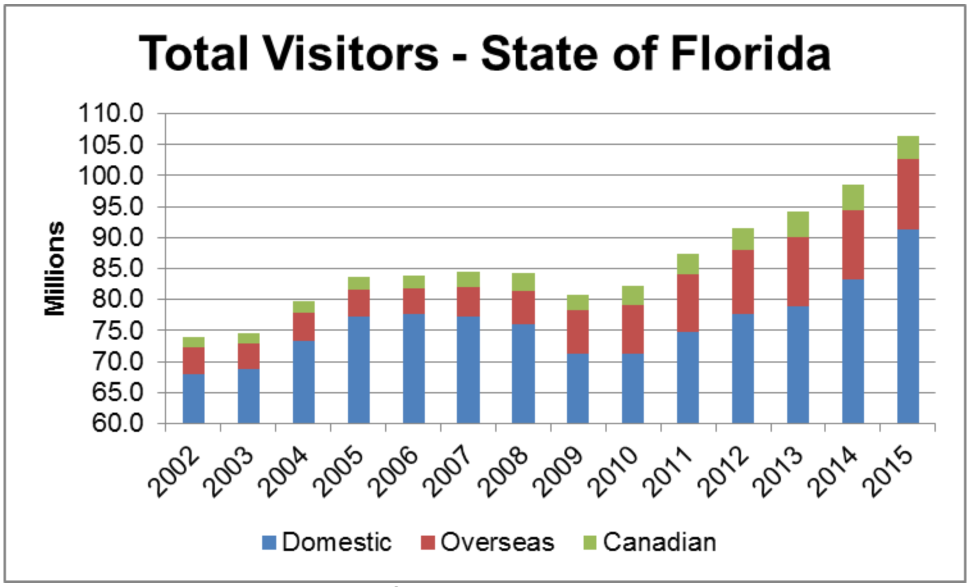


Source: Florida Legislature Office of Economic and Demographic Research

ECONOMIC OVERVIEW

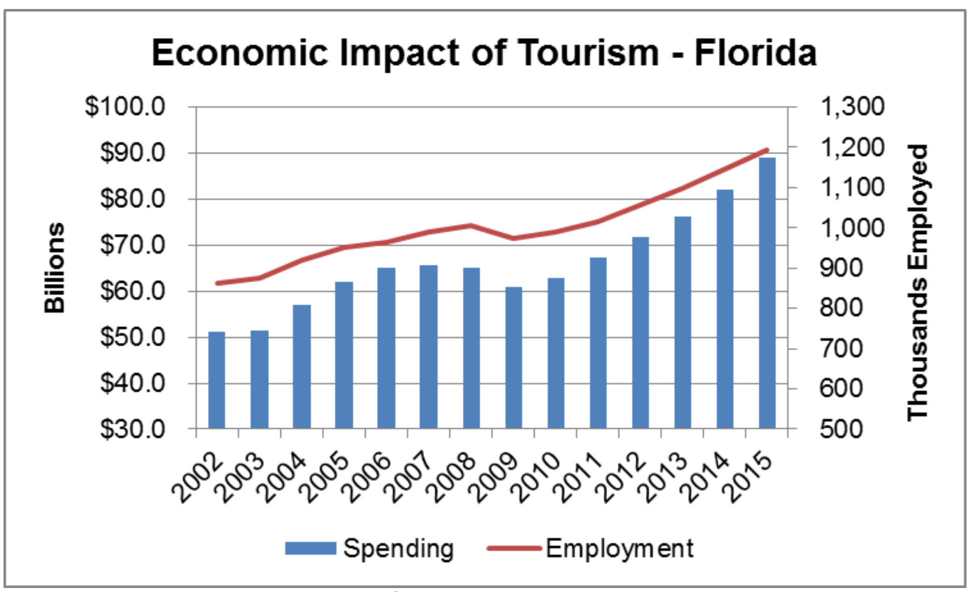
Tourism continues to shine bright in Florida

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 2010, total visitors have increased 29.4% to 106.5M people.



Source: Visit Florida

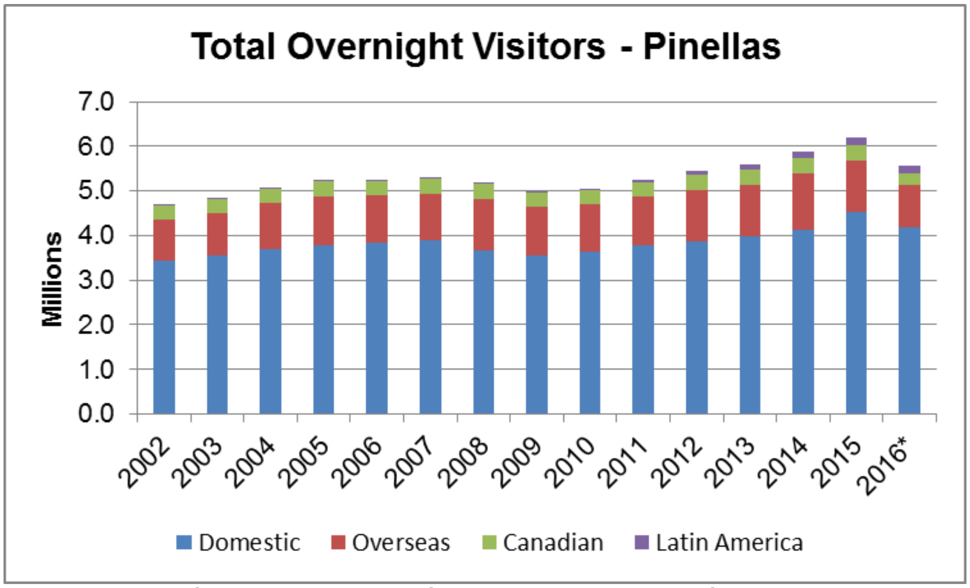
With the increase in visitors comes the need for more employees in the various businesses those visitors depend on once they arrive. In 2015, almost 1.2M people were employed in tourism related jobs, with tourists spending $89.1B during their visits, contributing $5.3B in sales tax revenue to the state and an economic impact of $177.5B.



Source: Visit Florida

ECONOMIC OVERVIEW

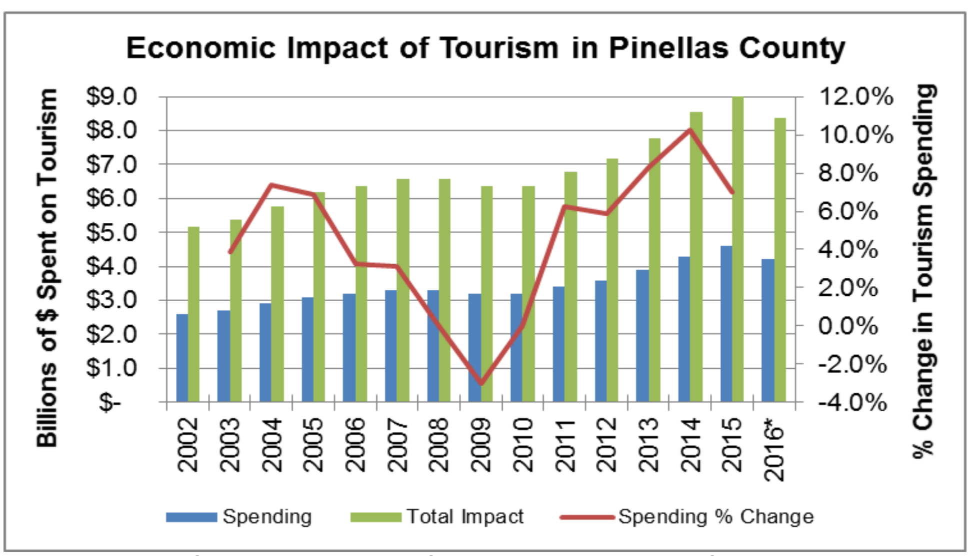
In Pinellas County, the economic impact of tourism is just as important as it is to the state. In 2015, 13.0% of all jobs were related to tourism, with more than 58,000 workers employed at 2,960 businesses throughout the county. The county has seen record-setting visitation the last four years, with almost 6.2M overnight visitors in 2015.



Source: Research Data Services, Inc. *2016 through October

Revenue collected from the Tourist Development Tax, which is paid on overnight stays in hotels and other temporary rentals in Pinellas County, has been setting records since FY12. In FY16, which ended in September 2016, the county collected $49.5M, which will be used to promote tourism and support capital projects in Pinellas County.

The economic impact of these visitors is enormous, contributing 34.7% of total sales tax revenue collected in Pinellas County. In 2015, tourists spent $4.6B, contributing $325.3M in sales tax revenue, including $46.5M in Penny for Pinellas revenue, which is used for infrastructure projects throughout the county.



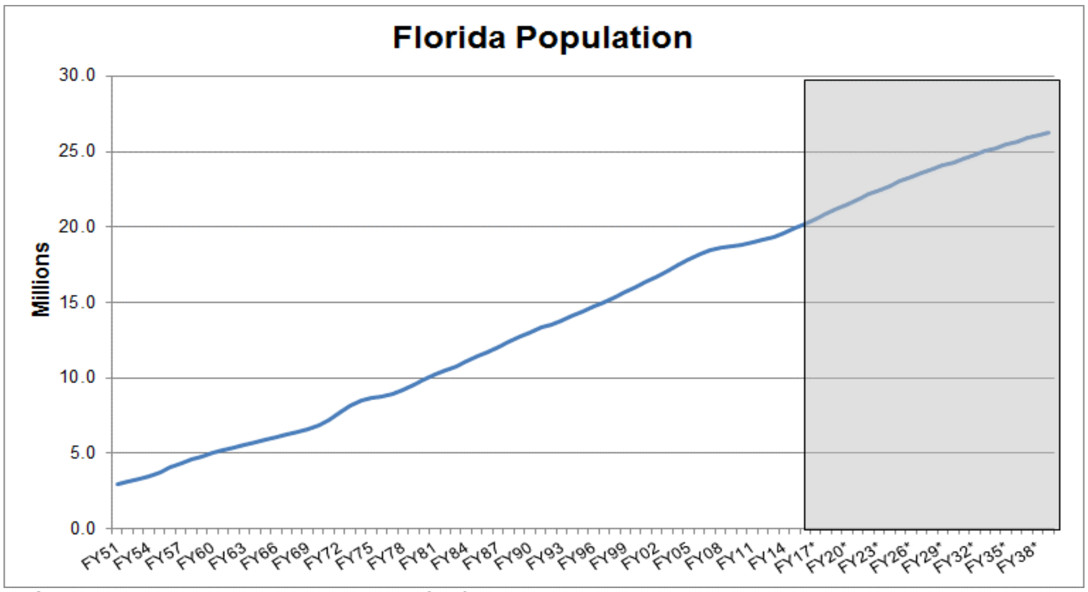
Source: Research Data Services, Inc. *2016 through October

Population growth

Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth, and impacting the amount of new construction activity. The national economic contraction as a result of the Great Recession significantly slowed Florida's population gains.

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

Between 2017 and 2030, Florida's population is projected to grow by an average of 1.32%, or 290,944 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, November 1, 2016 (shaded area indicates projections)

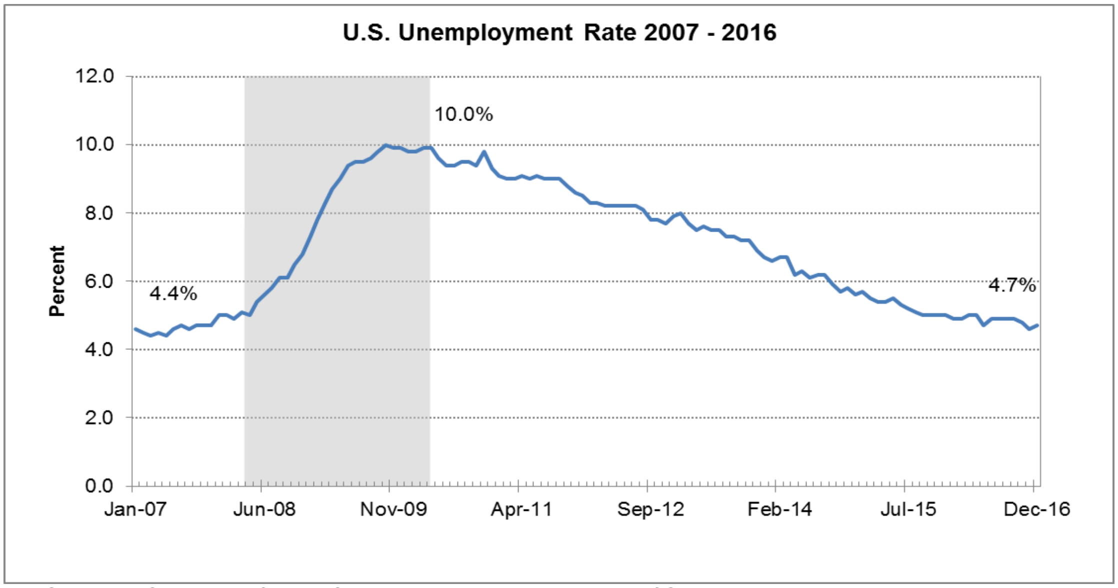
By FY30, Florida's population is expected to grow by more than 5.6M people from the FY09 level, when population growth was a miniscule 0.4% during the grips of the Great Recession. The majority of this gain, at 55.1%, will come from those 60 and older, with those under 18 accounting for 13.3% of this gain, and those aged 25-39 representing 18.6% of the growth. It is projected that 93.4% of the state's population growth through 2039 will come from positive net migration.

Employment & Wages

Unemployment is low…but apprehension still exists

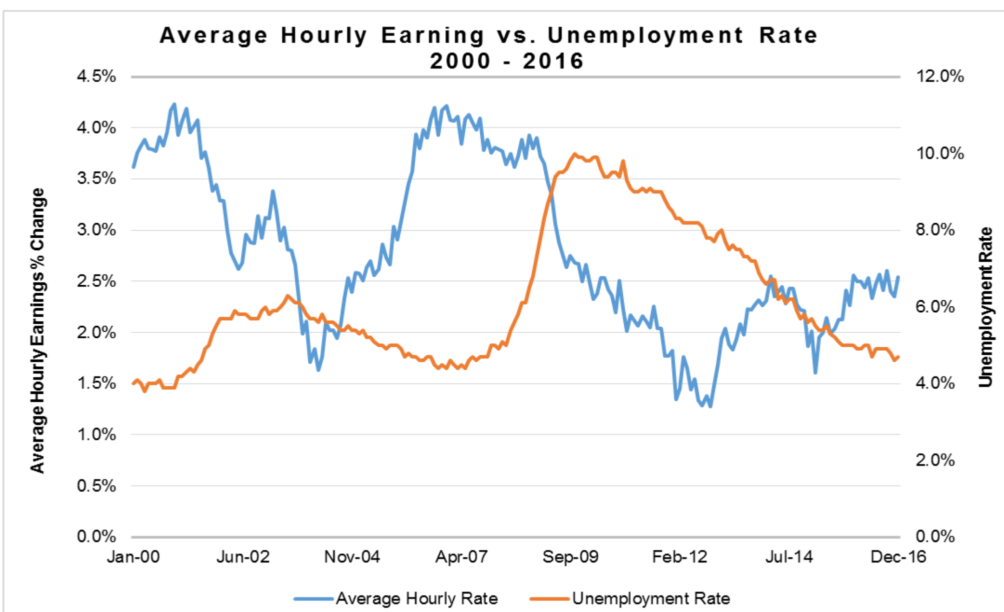
American businesses continued to hire workers during 2016. For 75 consecutive months, the Bureau of Labor Statistics has reported increases in non-farm payrolls, averaging 200,000 workers added per month since October 2010. In the last seven years, more than 15.6M jobs have been added. However, accounting for the 8.6M jobs lost during the height of the Great Recession in 2008 and 2009, the net jobs increase is only 6.9M, an average of 64,000 per month for the last nine 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 4.7% in December 2016.



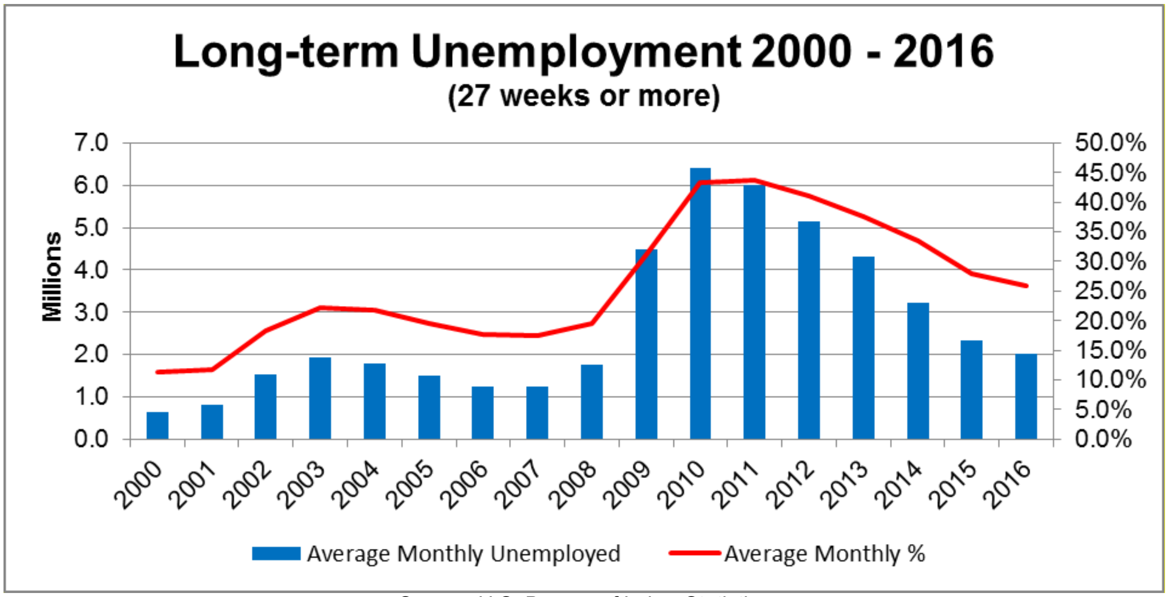
Source: U.S. Bureau of Labor Statistics/Federal Reserve Bank of St. Louis (shaded area indicates recession)

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. Those who lost their jobs during the recession are having a harder time finding a new job than following recent recessions. Following the recession of 1981-1982, long-term unemployment topped out at 26.0% seven months after the recession ended. Following the recession of 2001, long-term unemployment topped out at 15.9% one year out. The Great Recession of 2008 has had lingering effects, as long-term unemployment remains above the historical levels seen prior to the recession. As the chart below shows, a monthly average of more than 2.0M people were still unemployed after 27 weeks in 2016, 13.9% more than in 2008.



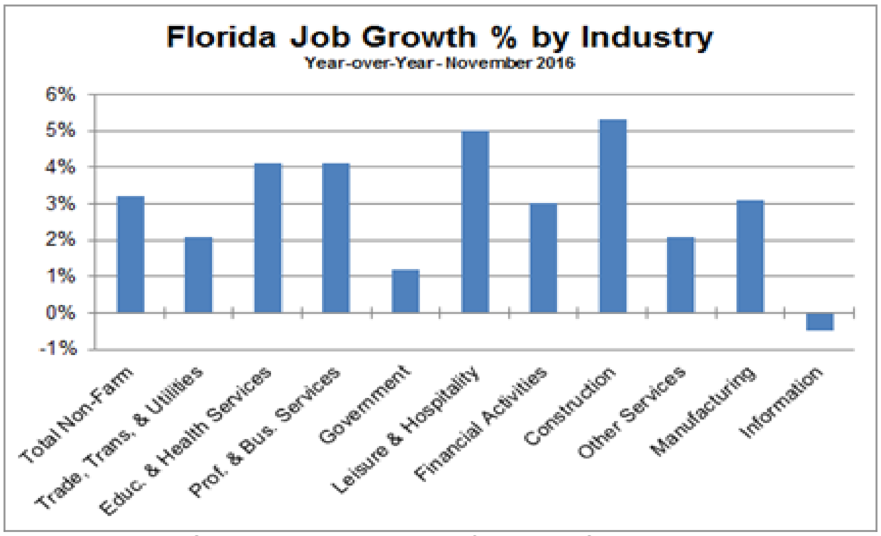
Source: U.S. Bureau of Labor Statistics

Another factor dragging on the job market is the number of workers who are employed, thus not in the monthly unemployment figure, but working fewer hours than they would like. The 'underemployed' as they are known, are those who are employed in a part-time status for 'economic reasons.' Immediately following the end of the Great Recession, there were an average of almost 9.0M part-time workers per month who desired to work full-time but could not due to a lack of available work. The number of workers in this group has fallen to a monthly average of 5.9M in 2016. Another 1.7M people were classified as either 'marginally attached to the labor force' or 'discouraged' meaning they had not looked for work in the past four weeks, despite being willing and able to work. These individuals were not counted in the labor force, thus not adding to the monthly unemployment rate.

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

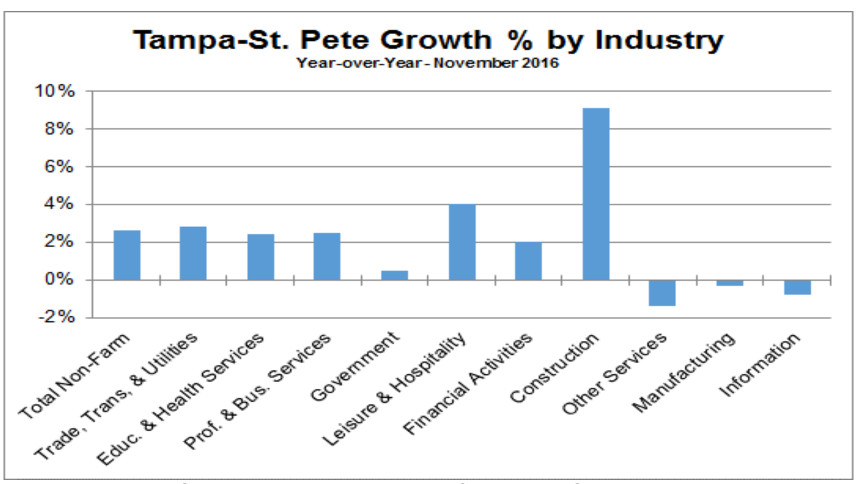
Jobs, jobs, and more jobs

In Florida, the unemployment rate is now less than half of the peak during the Great Recession. After reaching a peak of 11.4% from January 2010 to March 2010, the most recent (November 2016) report shows Florida's unemployment rate at 4.9%. Over the last 18 months, the rate has maintained a level between 4.7% and 5.3%. Through November 2016, 168,316 jobs have been added in Florida. Both the construction and leisure & hospitality industries have seen at least 5.0% growth in the last 12 months. Statewide, these two industries pay an average annual wage of $45,785 and $23,909, respectively, per year. However, these industries are also both sensitive to changing economic conditions and both suffered during the Great Recession.



Source: Florida Department of Economic Opportunity

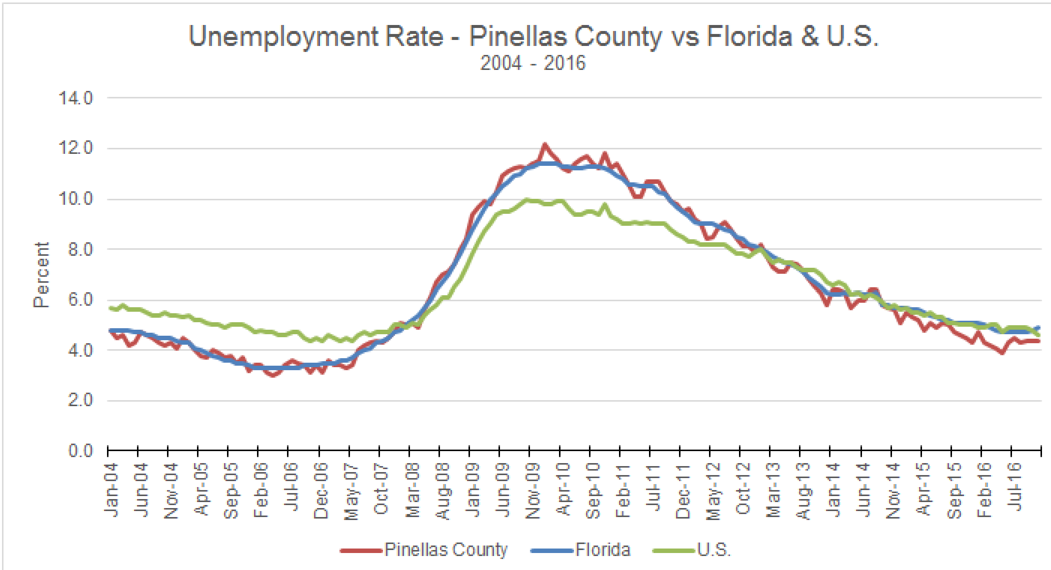
Job growth in the Tampa-St. Petersburg metro area has yielded 22,592 new jobs in 2016 through November. Construction saw a year-over-year increase of 9.1%, and leisure & hospitality experienced a 4.0% increase during that same period. Construction, which paid an average of $43,495 annually in 2015, made up 4.7% of all jobs in Pinellas County in 2015, while leisure & hospitality, which paid $23,238 in 2015, made up 13.0% of all jobs in the county.



Source: Florida Department of Economic Opportunity

ECONOMIC OVERVIEW

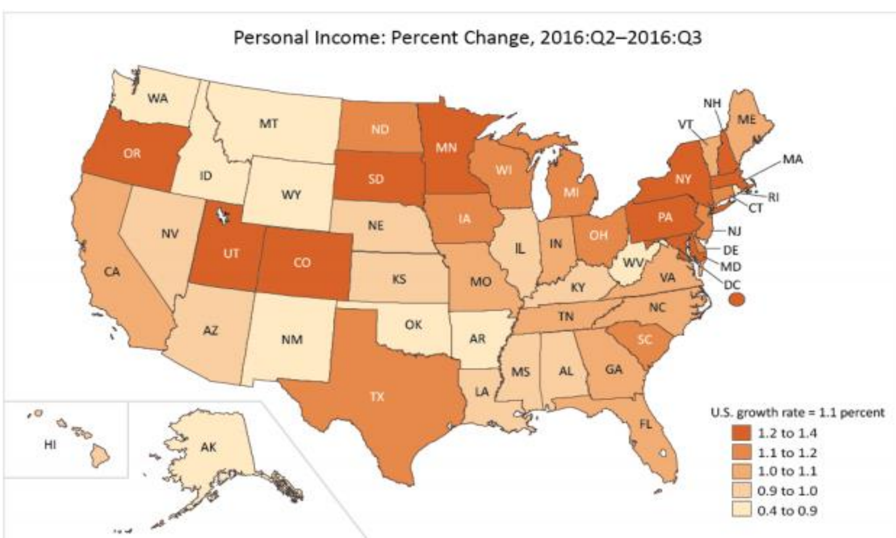
Pinellas County has seen a similarly impressive recovery as measured by the unemployment rate. After topping out at 11.5% in January 2010, the county has experienced an almost consistent decrease in the unemployment rate, with a November rate of 4.4%.



Source: U.S. Bureau of Labor Statistics

<u>Personal Income slows in some places, speeds up in others</u>

During the 3rd quarter of 2016, personal income growth decelerated from the 2nd quarter, with an increase of 1.1% nationally, compared to a 1.2% increase in the previous quarter. South Dakota (1.8%), Oregon (1.7%), Minnesota (1.6%), Massachusetts (1.5%), and Pennsylvania (1.4%) exceeded the national average, while Wyoming (0.5%), and Oklahoma (0.4%) lagged well below. Florida showed a dramatic slowdown with a 1.1% gain when compared to their 2nd quarter growth of 1.5%.

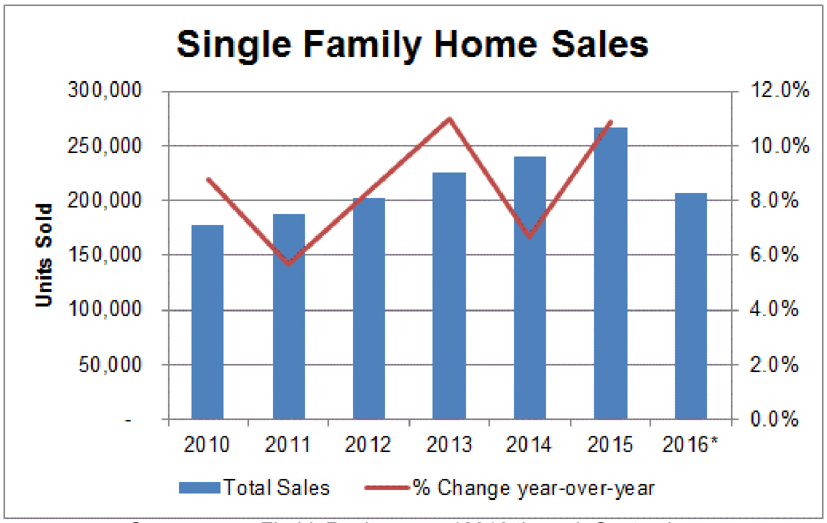


Source: U.S. Bureau of Economic Analysis

Housing Trends

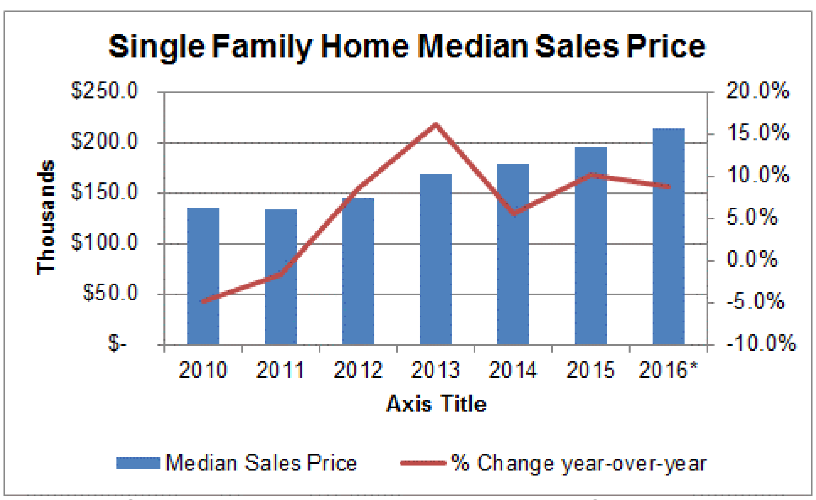
Home Sales Volume and Median Prices

Florida's housing market continues to show signs of strength. Sales volume of existing homes continue to show year-over-year growth. In Florida, single family home sales have increased the last six years, with 2016 on pace to extend this streak to seven years. In 2015, sales increased by 10.9% to 266,621 units.



Source: www.FloridaRealtors.org *2016 through September

Sale prices continue to increase, as well. In 2015, median sales prices increased by 10.1% to $196,000, the fourth consecutive year of increase. Through the third quarter of 2016, median sales price is 8.7% higher than 2015.



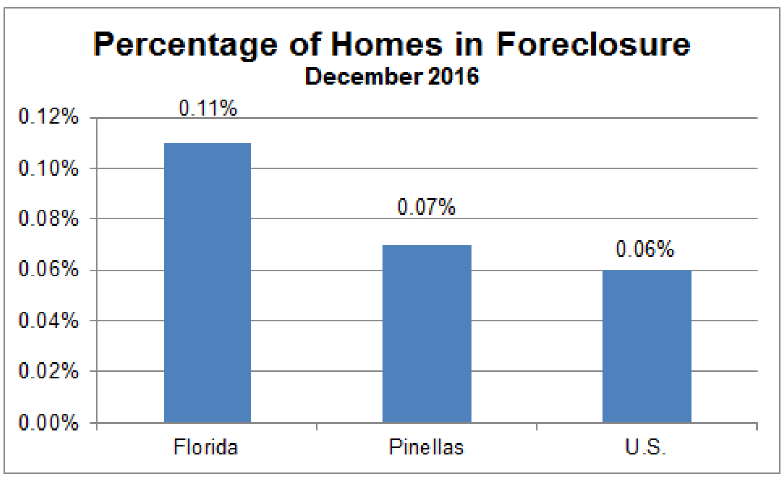
Source: www.FloridaRealtors.org *2016 through September

In Pinellas County, sales of single family homes have increased for the last seven years, with 2015 up 15.5% to 13,964. Through November, 2016 is on pace to surpass 14,000 units, for an eighth consecutive year-over-year increase. Median sales price has increased the last four years, with 2015 increasing 9.0% to $178,700.

Foreclosures

Foreclosures continue to be an issue in Florida, but an issue that has 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. As a comparison, the foreclosure rate for the U.S. was 1 in 1,537 homes during the same month. Lee (1 in 336), Santa Rosa (1 in 567), and Levy (1 in 622) counties lead the state in foreclosure rates. Pinellas County's foreclosure rate is better than the state's average, with 1 in 1,508 homes in foreclosure, a vast improvement from one year ago when the rate in Pinellas County was 1 in 627 homes.

As property values continue to increase from the depths of the Great Recession, home foreclosures have fallen in Florida. In December 2015, 0.14% of all homes in Florida were in some state of foreclosure, compared to 0.08% nationally. In November 2016, Florida has reduced this rate to 0.11%. 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.



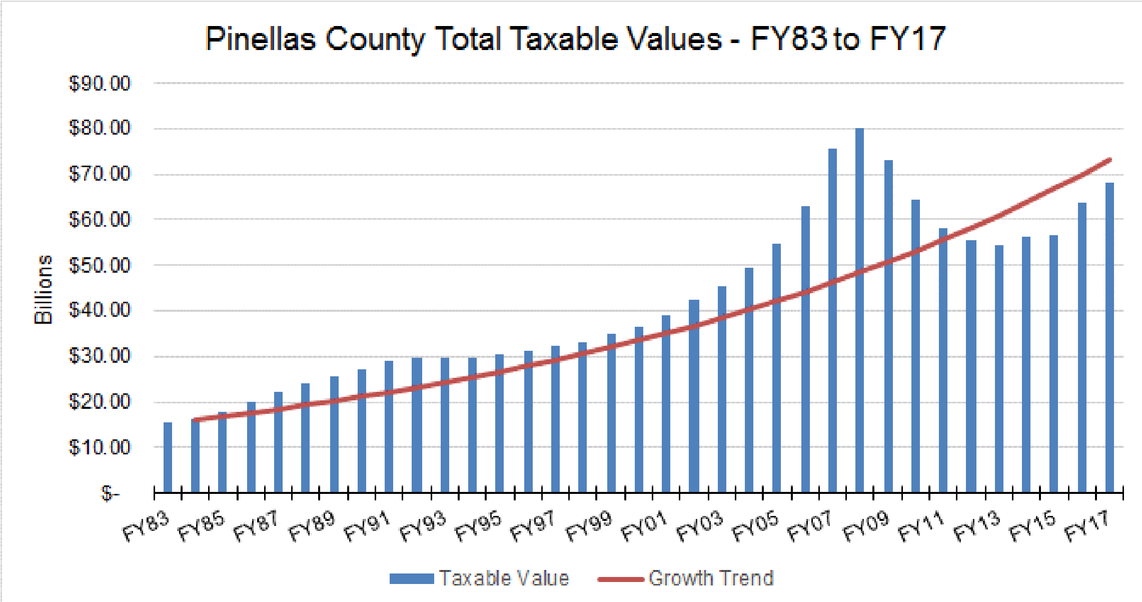
Source: RealtyTrac.com

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. Through October, there are an average of 241 foreclosures per month, a 78.2% decrease. The hotspots around the county are Clearwater Beach (1 in 959), Pinellas Park (1 in 1,047), St. Petersburg (1 in 1,371), Tarpon Springs (1 in 1,374), and Largo (1 in 1,442). Each of these 'hotspots' is below the state average.

Taxable Values

The taxable value of properties in Pinellas County has increased four 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 4.7% annually from FY83 to FY17. 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 7, 2016, FY17 property values increased 7.2% from FY16 to $68.2B.

ECONOMIC OVERVIEW



Source: Pinellas County Property Appraiser

Summary

- The U.S. economy continues the consistent, but unspectacular, growth we've experienced since the end of the Great Recession. Projections are for more of the same over the next few years.
- Florida's economy ranked seventh best with a 2.3% increase during the 2nd quarter of 2016, outperforming the national increase of 1.4%. For 2015, Florida grew at a 4.0% rate, well above the 2.6% rate of growth for the U.S. for the third year in a row.
- Florida continues to bring visitors in from all around the world, with 2015 topping 106.5M people and more than $177.5B in economic impact to the state. Almost 1.2M Floridians work tourism related jobs.
- Pinellas County continues to set tourism records, as almost 6.2M visitors stay overnight in our hotels, motels, campgrounds, and homes. Tourist Development Tax revenue reached a record of almost $50.0M in FY16 and the economic impact of tourism reached $4.6B in direct expenditures by visitors. The tourism industry helps support more than 58,000 jobs and 2,960 businesses in the county.
- Unemployment has fallen for most of the last seven years from a high nationally of 10.0% in October 2009 to the current level of 4.7%. More than 15.6M jobs have been added since the fourth quarter of 2010, averaging 200,000 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 4.9%. Through November 2016, the state has added more than 168,000 jobs with construction and tourism related jobs leading the change.
- Pinellas County has done slightly better, with unemployment dropping from 11.5% in January 2010 to 4.4% in November 2016. The Tampa-St. Petersburg metro area has added more than 22,500 jobs in 2016, with construction and tourism related jobs also leading the way.

- Florida's housing markets have seen increased sales volume for the last six years (2010 - 2015). 2016 is projected to increase this streak to seven years. Median sales price has increased the last four years (2012 – 2015) to $196,000.
- Pinellas County has seen increases in single family home sales the last seven years (2009 – 2015), with 2015 up 15.5% to 13,964 units. Median sales prices have increased the last four years (2012 – 2015), with 2015 up 9.0% to $178,700.
- Foreclosures have dropped statewide, however, Florida ranks fifth nationwide. Lee (0.30%), Santa Rosa (0.18%), and Levy (0.16) counties lead the state. Florida's foreclosure rate is down to 0.11% of all homes, down from 0.14% in December 2015.
- Pinellas County's foreclosure rate is below the state's rate at 0.07%, only slightly above the national rate of 0.06%. Clearwater Beach (0.10%), Pinellas Park (0.10%), and St. Petersburg (0.07%) are the 'hotspots' in the county, but all are below the state's rate.
- Taxable values in Pinellas County have risen the last four years following the dramatic decreases the previous five years. Taxable values increased 7.2% in FY17 to $68.2B.

Key Assumptions

KEY ASSUMPTIONS

The *Key Assumptions* section of the Budget Forecast: FY18 – FY23 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. The current Conference projections end at FY26. The projections are available online at http://edr.state.fl.us/Content/conferences/index.cfm

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 four years, with an increase of 7.2% in FY17. The assumption in the forecast is growth of 5.0% in FY18 and 4.5% in FY19.

Change in Taxable Values – Countywide					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
5.0%	4.5%	4.0%	3.5%	3.5%	3.5%

The countywide taxable value is the basis for determining the countywide revenue in the General Fund. For the purposes of this forecast, the FY18 through FY23 percentage change in taxable value for the Emergency Medical Service Fund is assumed to be the same as the countywide taxable value change. The rate of growth in the General Fund MSTU is projected to be 0.5% less than the countywide growth rates based on past trends, potential annexations, and the composition of the tax base in the unincorporated area.

KEY ASSUMPTIONS

Supporting Information

The overall increase of 7.2% in countywide taxable values for FY17 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.

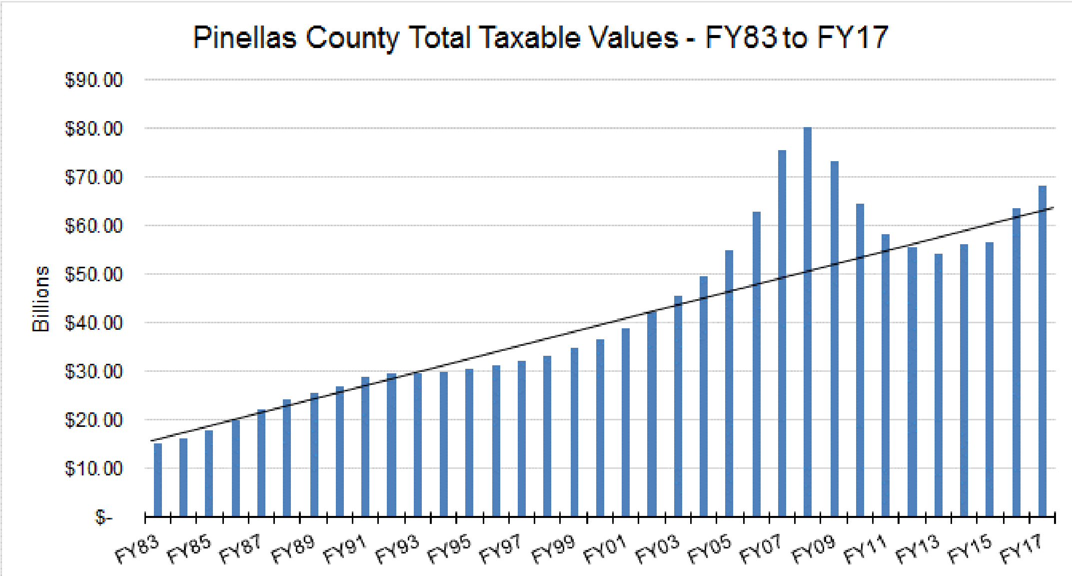
Impact of Foreclosures

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 80.3% from a peak of 15,164 in FY09 to 2,985 in FY16. 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 FY17 were certified by the Property Appraiser on July 1, 2016. The countywide value increased by 7.2% compared to the FY16 values, the fourth consecutive year of tax base growth. The preceding five years of tax base decline were unprecedented; prior to this the tax base only decreased once since World War II, a small 0.6% dip in FY93. Prior to the recent recession, increases in the tax base averaged 5.0% per year.



Source: Pinellas County Property Appraiser

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*									
FY09	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
3.0%	0.1%	2.7%	1.5%	3.0%	1.7%	1.5%	0.8%	0.7%	2.1%
*There is a two-year lag in the CPI adjustment. For example, the FY18 factor is the CPI change percentage for calendar year 2016.									

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 FY18 is based on the December 2016 change of 2.1% which was issued by the U.S. Bureau of Labor Statistics on January 18, 2017.

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 FY17. Over time, this flexibility will diminish as the tax base grows.

KEY ASSUMPTIONS

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.

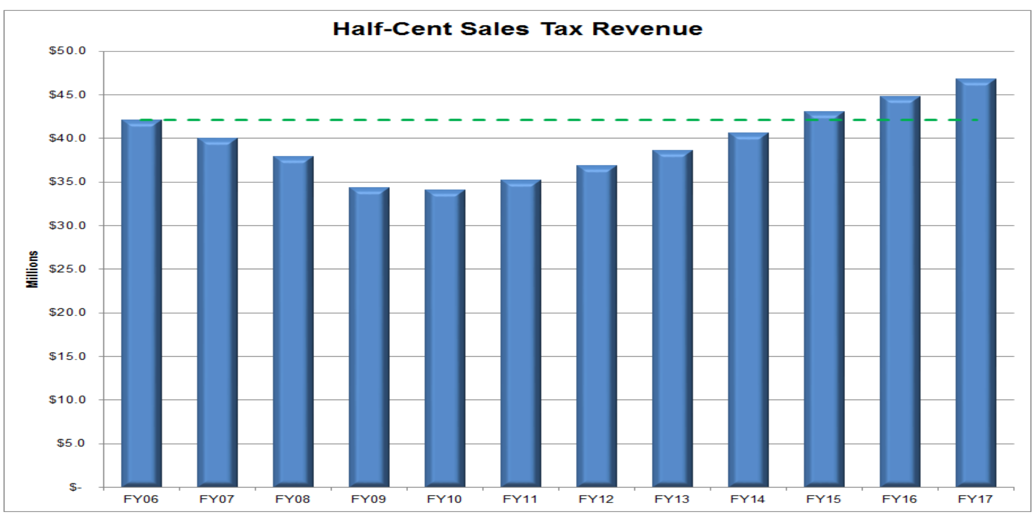
<u>Sales Taxes Overview – General Fund and Capital Projects Fund</u>

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, and 3.9% in FY16. This was the sixth year of growth following four years of decline beginning in FY06.



Source: Office of Management and Budget; FY17 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.

Key Assumptions

For the State Shared Half-Cent Sales Tax, a 4.0% growth rate is assumed for FY18 and 3.5% in FY19 and FY20, reflecting the continuing economic recovery. In the near-term, our projection is lower than the State General Revenue Estimating Conference, which anticipates statewide FY18 growth of 5.0% and FY19 growth of 4.6%, but the growth rate moves in tandem.

Change in Half-Cent Sales Tax Revenue					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
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.

Supporting Information

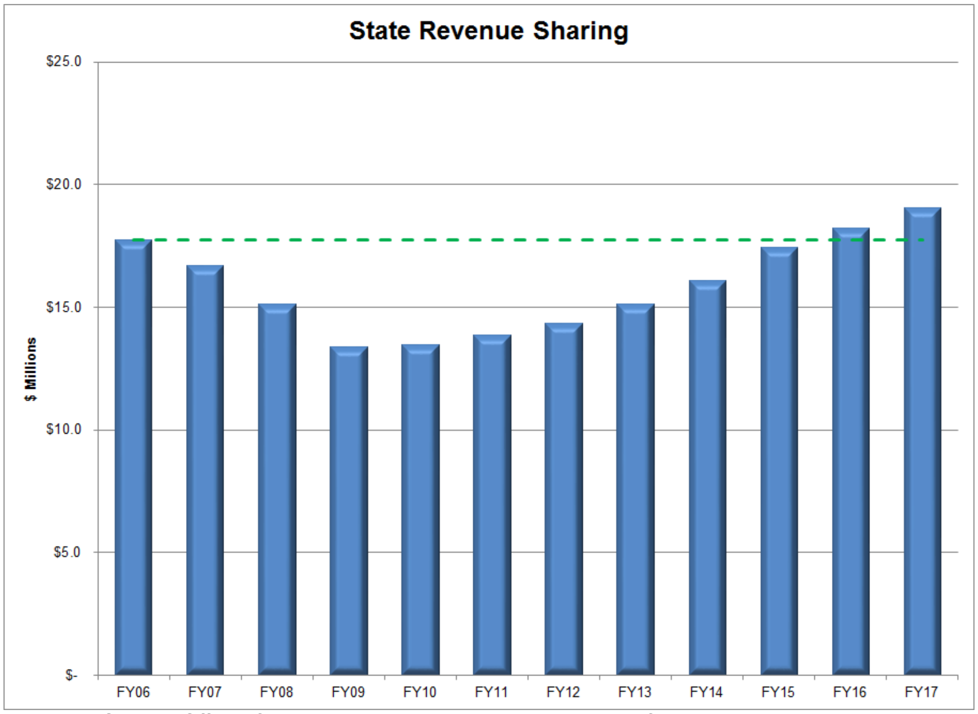
The statewide number from the State General Revenue Estimating Conference reflects population growth that will not be as significant a factor in Pinellas County as in other, less built-out counties. However, the strengthening local economy and continuing, record-breaking growth in tourism support projections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

State Revenue Sharing Overview - General Fund

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

Similar to the Half-Cent Sales Tax, Revenue Sharing revenue demonstrated a sixth consecutive year of growth in FY16. Prior to FY11, this source had declined or remained essentially flat since FY06.

KEY ASSUMPTIONS



Source: Office of Management and Budget Note: FY17 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 FY18 and 3.5% in FY19 and FY20.

Change in State Revenue Sharing Revenue					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
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.

The Communications Services Tax revenue has declined primarily due to technological changes in the industry and changes in billing practices that have reduced the base of taxable services; FY16 CST revenue was 5.8% lower than in FY15.

Key Assumptions

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

Change in Communications Services Tax Revenue					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
-5.4%	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 even greater reductions in revenue.

Interest Earnings Overview – All Funds

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

Key Assumptions

Market conditions, including record low interest rates, were such that interest earnings in FY16 were once again minimal. The forecast reflects the short-term outlook for improving earnings and the recent increase in short-term Federal Funds interest rates by the Federal Reserve, gradually increasing earnings to 2.0% on fund balances in FY18, 2.5% in FY19, and 3.0% in FY20.

Rate of Interest Earned on Fund Balances					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
2.0%	2.5%	3.0%	3.2%	3.2%	3.2%

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)					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Key Assumptions for Other Funds - Specific Revenues

Tourist Development Tax- TDC Fund

Tourism is a key driver of the economy in Pinellas County. The County imposes a 6.0% Tourist Development Tax (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.

Tourist Development tax revenues have been steadily improving since Spring 2010 and have reached record levels. Tourist Development Tax revenues exceeded $30.0M in 2013 and 2014, which enabled the County to impose an additional (sixth) percent tax. On August 4, 2015, the Board of County Commissioners (BCC) voted to levy the 6th percent of TDT, which went into effect on January 1, 2016. With the addition of the recently imposed 6th percent of TDT, revenue increased 26.0% in FY16 over FY15. FY17 revenues are estimated to grow by 14.3% over actual receipts for FY16. The forecast estimates that revenue will increase by 4.0% in FY18 and FY19, and 3.5% annually through the remainder of the forecast period, reflecting continuing strong growth.

Change in Tourist Development Tax Revenue					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
4.0%	4.0%	3.5%	3.5%	3.5%	3.5%

Gas Taxes - Transportation Trust Fund

The County receives several types of gas tax, including State Shared Gas Taxes and Local Option Gas Taxes. These revenues are dedicated for transportation-related expenditures and are deposited in the Transportation Trust Fund. The State Transportation Revenue Estimating Conference forecasts annual average revenue growth of 1.6%, but this is based on the forecast of total gallons of motor fuel pumped annually in Florida and not fuel prices. The County's gas taxes are also based on gallons consumed. Revenue declined by an average 0.5% per year during the period FY06 to FY12, but increased 3.1% in FY13, 0.9% in FY14, 3.4% in FY15, and 3.1% in FY16. 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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
1.8%	1.6%	1.4%	1.3%	1.2%	1.1%

Ambulance User Fee Revenue – EMS Fund

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

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

Ambulance user fee revenues are primarily driven by patient demand (transport volume). The average increase in transport volume from FY13 to FY15 was 4.5%. The average increase over 10 years was 4.2%, ranging from 1.4% (FY10) to 9.0% (FY16). Revenues are estimated to increase by 5.0% in FY18 and 4.0% during the remainder of 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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
5.0%	4.0%	4.0%	4.0%	4.0%	4.0%

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 56 cities from PIE. Passenger level is projected to increase from 1.9M passengers in FY18 to 2.1M in FY23. 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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
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.

Due to expected growth in the economy, the forecast assumes a 2.0% increase in retail water revenues and 1.8% for wholesale water annually from FY18 through FY23.

Change in Water Service Charges Revenue - Retail					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Change in Water Service Charges Revenue – Wholesale					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
1.8%	1.8%	1.8%	1.8%	1.8%	1.8%

Sewer Funds Revenue

Based on the planned rate increases and slight increase in volume, the forecast assumes a 1.2% increase in retail sewer and 1.0% in wholesale sewer revenue from FY18 through FY23.

Change in Sewer Service Charges Revenue - Retail					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
1.2%	1.2%	1.2%	1.2%	1.2%	1.2%

Change in Sewer Service Charges Revenue – Wholesale					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

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					
FY18	FY19	FY20	FY21	FY22	FY23
2.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Change in Solid Waste Electrical Capacity Revenues					
FY18	FY19	FY20	FY21	FY22	FY23
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. The forecast assumes a reduction of 0.5% in ERUs and annual changes to the assessment structure that reflect the change in the Consumer Price Index. These changes are subject to approval by the BCC.

Change in Surface Water Assessment Revenues (net of ERU reduction and CPI increases)					
FY18	FY19	FY20	FY21	FY22	FY23
-0.5%	1.9%	1.7%	1.7%	1.7%	1.7%

Expenditure Assumptions

<u>Personal Services Overview – Salaries – All Funds</u>

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 FY17 Budget included an average of 3.0% in wage adjustments for most County employees. The Sheriff’s budget also included additional funding for salaries.

<u>Key Assumptions</u>
Compensation adjustments are included in the forecast for FY18 through FY23. 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)					
FY18	FY19	FY20	FY21	FY22	FY23
3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

<u>Supporting Information</u>

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.

<u>Personal Services Overview – Employee Benefits – All Funds</u>

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.

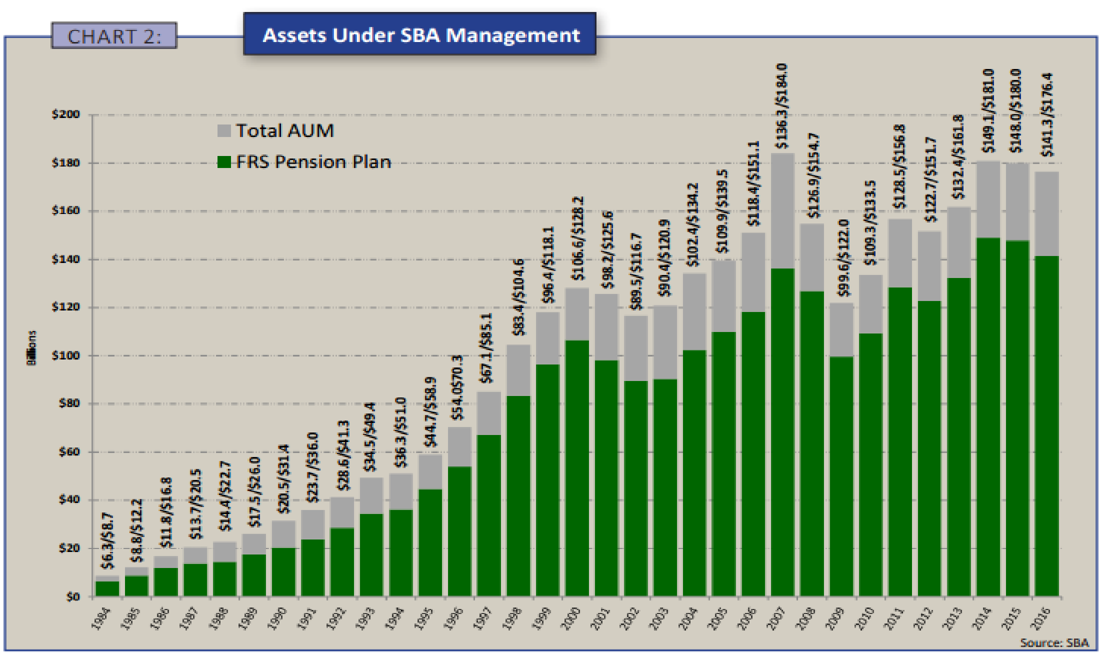
Florida Retirement System (FRS)

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.

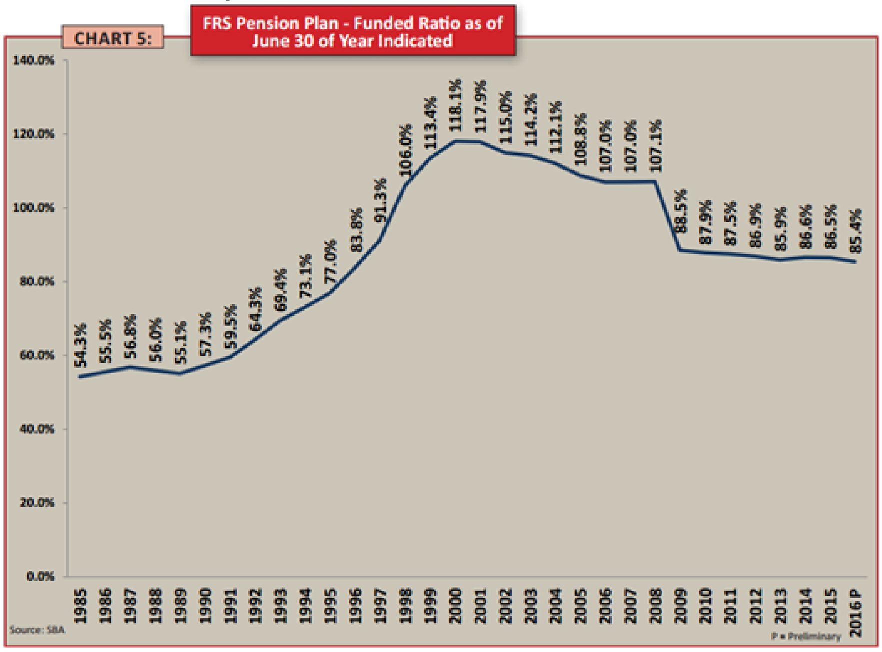


From 1984 to 1992, the total assets under SBA management (AUM) reported for "Other Funds" were equal to the original cost value of investments, plus accrued interest receivable, plus or minus and pending sales or purchases of investments. Beginning in 1993, investments are reported at fair market value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

Source: Florida State Board of Administration Investment Report for State Fiscal Year 2016

<u>Key Assumptions</u>

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



Source: Florida State Board of Administration Investment Report for State Fiscal Year 2016

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 0.5% on salaries. 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, 2017 will not be known until the end of the 2017 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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
3.5%	3.2%	3.2%	3.2%	3.2%	3.2%

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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

<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)					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
4.5%	4.5%	4.6%	4.7%	4.8%	4.9%

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

KEY ASSUMPTIONS

Operating Expenses and Capital Outlay Overview - All Funds

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

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

	2011	2012	2013	2014	2015
CPI	3.2%	2.1%	1.5%	1.6%	0.1%
MCI	4.5%	2.2%	1.8%	1.9%	-0.6%

Fuel

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

Electricity

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

Medicaid

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

Key Assumptions

The forecast assumes that the cost of services, commodities, grants and aids, and equipment will generally track the CPI increases developed by the State in their consensus Revenue Estimating Conference. 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)					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
2.2%	2.4%	2.2%	2.2%	2.2%	2.2%

Fuel - All Funds with Fleet Equipment

FY17 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 FY18, with increases matching CPI growth from FY19 through FY23. This is a conservative assumption due to the volatility of the fuel market.

Change in Fuel Costs (per gallon)					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
0.0%	2.4%	2.2%	2.2%	2.2%	2.2%

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)					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
5.0%	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)					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
$13.8	$12.8	$12.2	$12.8	$13.4	$14.7

Supporting Information - Fuel

Fuel efficiency gains are anticipated from new Federal Corporate Average Fuel Economy (CAFE) standards for heavy trucks and equipment due to the composition of the fleet. Only 35 of 1,624 BCC units are cars (less than 3.0%); the bulk of the fleet (excluding the Sheriff's vehicles) is heavy equipment. These units usually achieve only eight to 10 miles per gallon (mpg) because of idling time and the gear ratio needed to haul heavy loads. The new standard increased mpg to 12 in 2014. Previously, there had been no federally mandated fuel economy standards for heavy trucks and equipment.

Fleet replacement costs per unit for both gasoline and diesel powered vehicles are expected to increase at 4.0% per vehicle. The number and cost of units purchased from the Fleet Management Fund varies from year to year due to the timing of purchases and life cycle extensions. The expenditures in the operating funds are smoothed over time as departments are charged annual amounts to accumulate resources for future replacements.

Other Post Employment Benefits (OPEB) Overview – All Funds

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

The FY17 Budget included a transfer of $2.0M from the General Fund to the Employee Health Benefits Fund for a partial contribution to the annual OPEB ARC for both UPS and Sheriff's Office employees. In previous years, the County set aside a cumulative total of $35.0M for OPEB. Other local governments in Florida with an OPEB liability are also partially funding those obligations as budgets allow.

Key Assumptions

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

Projected General Fund OPEB Contributions					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
$2.0M	$2.0M	$2.0M	$2.0M	$2.0M	$2.0M

Supporting Information

Employees hired in the UPS after January 1, 2011 do not further increase the OPEB liability upon retirement and new retirees covered by Medicare must enroll in the less costly Medicare Advantage plan option.

Other Fund-Specific Expenditures

Ambulance Contract Expenditures – EMS Fund

The County contracts with Paramedics Plus for the County's Sunstar ambulance system. Increases to ambulance contract expenditures can fluctuate based on the Consumer Price Index (CPI-U) for Tampa-St. Petersburg-Clearwater with a maximum increase of 4.0% in any given year, plus operational increases due to volume. A 5.0% increase is included in the forecast for FY18 and 4.0% from FY19 through FY23 to account for annual CPI increases and increases to transport volume.

Change in EMS Ambulance Contract Expenditures					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
5.0%	4.0%	4.0%	4.0%	4.0%	4.0%

KEY ASSUMPTIONS

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 3.7% growth in FY18, 3.9% growth in FY19, and an increase of 5.0% in FY20 based on the contracts and estimated budgets. Increases of 4.4% from FY21 through FY23 assume a combination of CPI adjustments and supplemental reimbursements.

Change in EMS First Responder Expenditures					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
3.7%	3.9%	5.0%	4.4%	4.4%	4.4%

Purchase of Water - Water Funds

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

Change in Cost of Water Purchased from Tampa Bay Water					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
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					
FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

Capital Outlay - Water and Sewer Funds

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

Solid Waste Expenditures – Solid Waste Funds

A new Waste-to-Energy facility operator contract took effect in December 2014. The contract has built-in escalators for operating expenses. The contract also includes $160M budget for Technical Recovery Plan (TRP) for repair and/or replacement of facility equipment and construction management from December 2014 through December 2019. No net growth in tons of waste processed is projected over the forecast period due to recycling and other conservation efforts.

Other Forecast Considerations

Climate Change

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

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

Other Funds

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

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

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

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

The Business Technology Services (BTS) Fund is an internal service fund that provides integrated information and communications technology for the County's departments and agencies. In 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.

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.

Fund Reviews

and

Forecast Pro-Formas

FUND REVIEWS & FORECAST PRO-FORMAS

The *Fund Reviews & Forecast Pro-Formas* section of the Budget Forecast: FY18 – FY23 includes six-year forecasts for 10 of the County's major funds:

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

Sections in Each Fund Forecast

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

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

GENERAL FUND

Description

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

The General Fund includes operations for both county-wide functions and the unincorporated area. These segments are tracked separately within the fund. The unincorporated area is commonly referred to as the MSTU (Municipal Services Taxing Unit). MSTU expenditures are about 9.3% of the total (net of reserves).

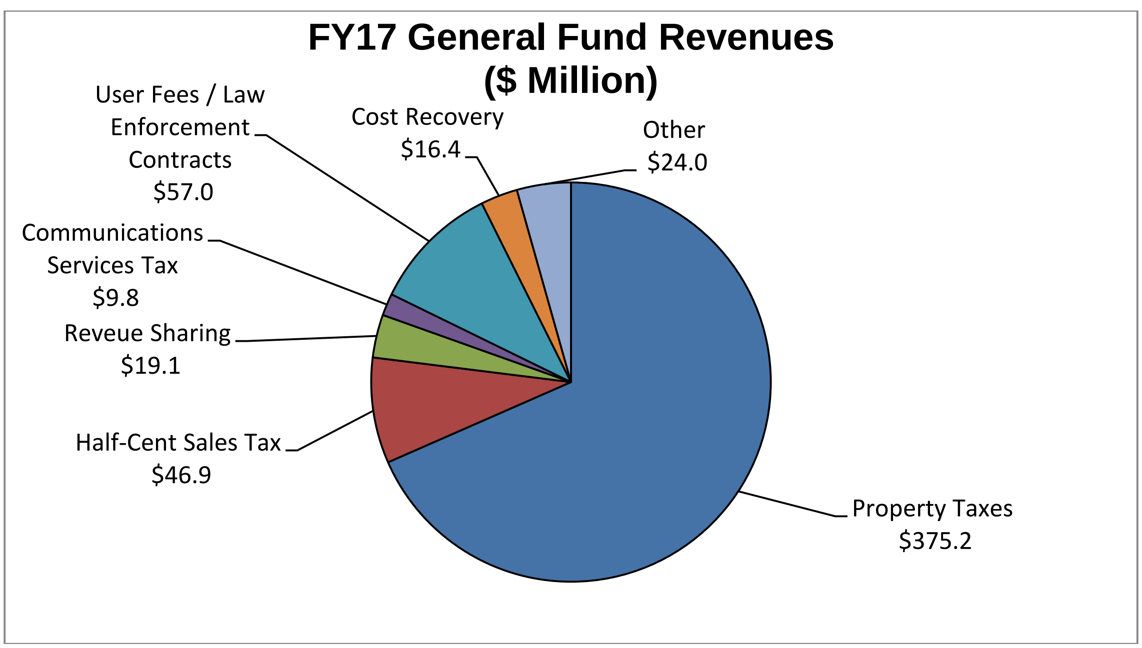
Summary

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

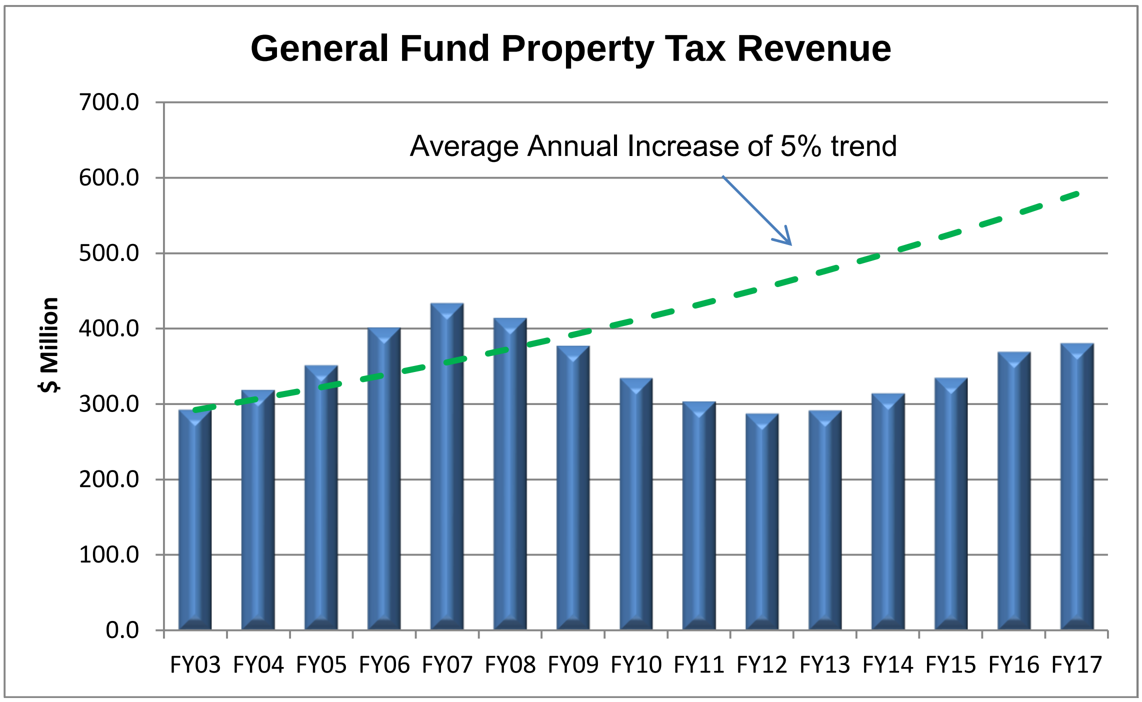
The budgeted revenues in the General Fund for FY17 total $548.4M (net of beginning fund balance). Property Taxes are the single largest source of General Fund revenues, accounting for more than two-thirds of the total. The four primary funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise 82.2% of the revenue. The remaining 17.8% is derived from a variety of resources, including User Fees, Grants, Contracts for Services, Interest, and Cost Recovery from other County funds.



Property Taxes

For the fourth consecutive year, the taxable value of property increased for FY17 (based on the values as of December 31, 2015). The combined General Fund property taxes for countywide and MSTU are expected to generate $375.2M in FY17.

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 FY03 through the FY17 Budget. It features a dotted line showing what the historical average 5.0% annual growth in property tax values would have produced based on the amount collected in FY03. Despite the better than average pace of the last two years, the total property tax revenue for FY17 will still be less than FY09, and is 58.5M, or 13.5%, less than the FY07 peak revenue.



*FY17 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.

Sales Taxes

The second largest General Fund revenue source is the State Shared Half-Cent Sales Tax, which is 8.6% of total General Fund revenues. Sales Tax collections have shown strong growth in the last three years, reaching an all-time high in FY16. This tax is expected to generate $46.9M in FY17, about 11.4% more than the previous peak year of FY06.

State Revenue Sharing

The third major General Fund source, State Revenue Sharing, is 3.5% of total General Fund revenues. This funding source is also primarily based on the State's sales tax revenue, and has shown similar strong growth over the past several years. It is currently estimated that the County will recognize $19.1M from this source in FY17.

Communications Services Taxes

The fourth major revenue in the General Fund is the Communications Services Tax (CST). The CST is expected to generate $9.8M in FY17, 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

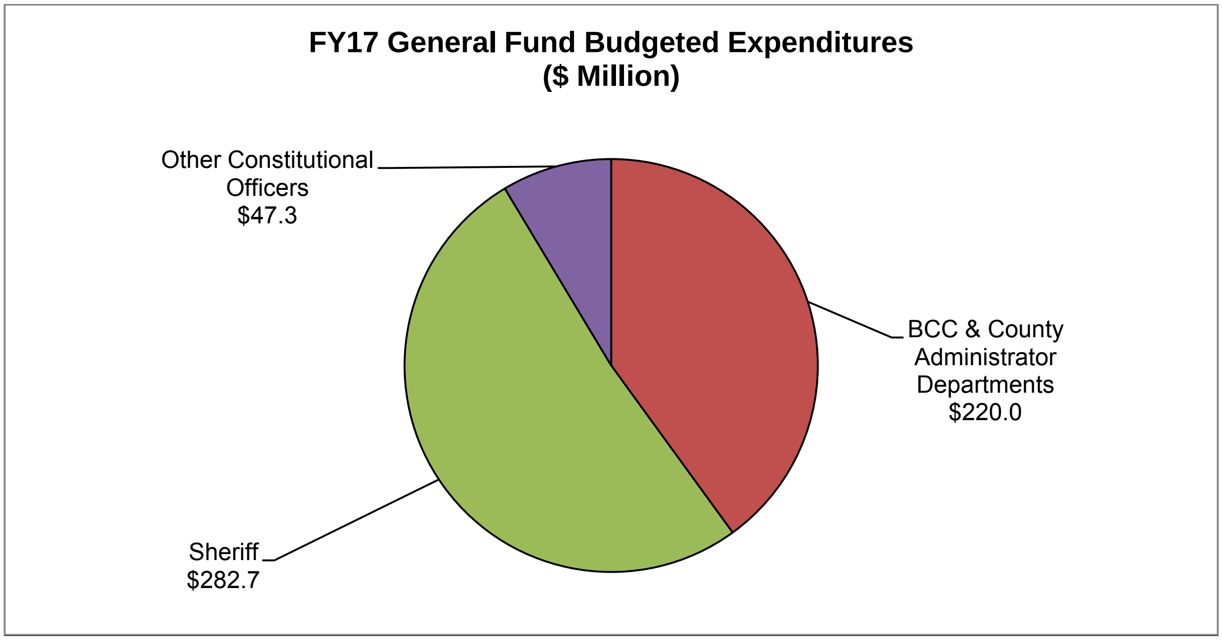
Lesser revenue sources include User Fees, Sheriff's Law Enforcement Contracts, Cost Recovery from other funds, Interest Earnings, and various other sources including Federal and State grants. In general, these revenues are expected to continue moderate growth in FY17 and future years.

Expenditures

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

The budgeted expenditures in the General Fund for FY17 total $572.1M (net of reserves) and can be summarized in four groups: the Board of County Commissioners, the Sheriff, Other Constitutional Officers, and Independent Agencies.

GENERAL FUND



<u>Board of County Commissioners</u>

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 $220.0M or 38.4% of total FY17 General Fund expenditures (net of reserves).

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

<u>Sheriff</u>

The Sheriff is an independently elected Constitutional Officer. The Sheriff's budget is $282.7M or 49.4% of total FY17 General Fund expenditures (net of reserves). Detention and Corrections programs are 39.2% of the Sheriff's budget. The Sheriff also provides Law Enforcement services to both the unincorporated area (MSTU) and by contract to 13 municipalities; law enforcement expenditures are 52.3% of the Sheriff's budget. The remaining 8.5% 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 FY17 budget includes an appropriation of $2.3M for anticipated grant awards.

Other Constitutional Officers

These agencies, which are headed by independently elected officials, comprise $47.3M or 8.3% of total FY17 General Fund expenditures (net of reserves). In most cases, the General Fund only reflects part of the total agency budgets.

The Tax Collector and Property Appraiser's budgets are determined by statutory formulas and are approved by the State Department of Revenue. The General Fund provides 81.0% of the Tax Collector and 83.8% of the Property Appraiser total budgets. The remainder is supported by other funds and by revenue sources that are specific to certain functions. An example of the latter is the processing of driver's licenses, which receives some state support but not enough to cover the Tax Collector's cost of providing the service.

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

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

Independent and Other Agencies

These agencies are $22.1M, or 3.9%, of total FY17 General Fund expenditures (net of reserves). They include the County's support for the Judiciary, the State Attorney, the Public Defender, the Consolidated Case Management System (CCMS), the Medical Examiner, the Office of Human Rights, and Human Resources.

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

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

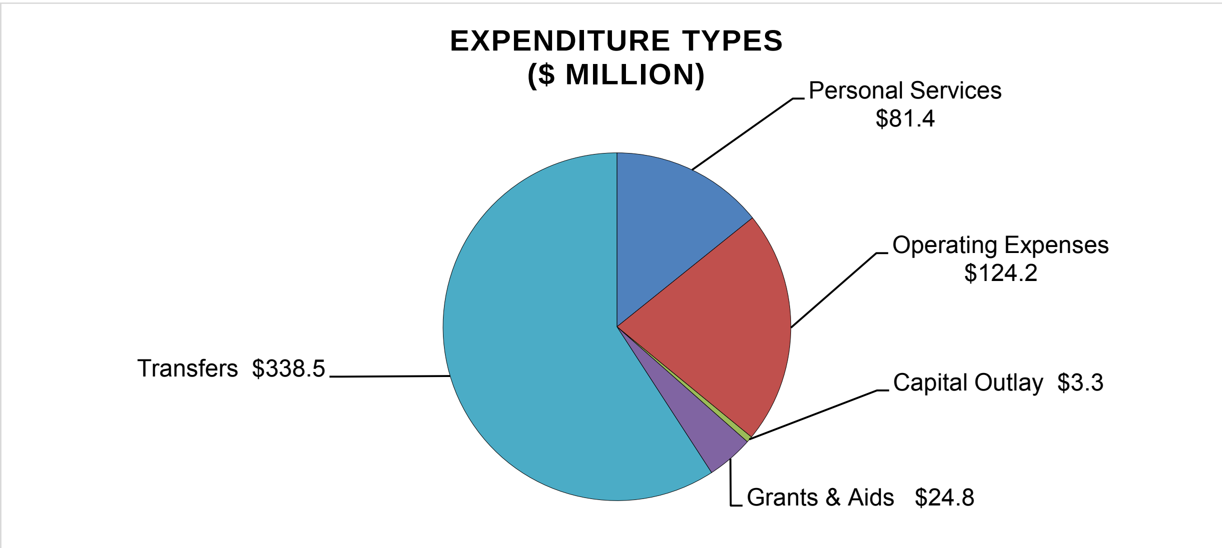
Two other agencies receive General Fund support. The Office of Human Rights provides County citizens protection from employment and housing discrimination and also acts as the County's internal affirmative action agency. The Human Resources department manages the Unified Personnel System (UPS) which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

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 ($29.4M in FY17) represent 78.7% of the total BTS budget.

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



Grants and Aids

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

Grants and Aids also include Tax Increment Financing (TIF) payments to cities for community redevelopment areas (CRAs). The County is required by interlocal agreements to contribute funds annually based on formulas that reflect the amount of growth in taxable values compared to a specified base year. Nine cities within the county have established a total of thirteen CRAs. In addition, one CRA has been established in the Lealman unincorporated area of the County. The County will contribute an estimated total of $10.2M in TIF payments in FY17.

Debt Service

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

Transfers

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

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

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

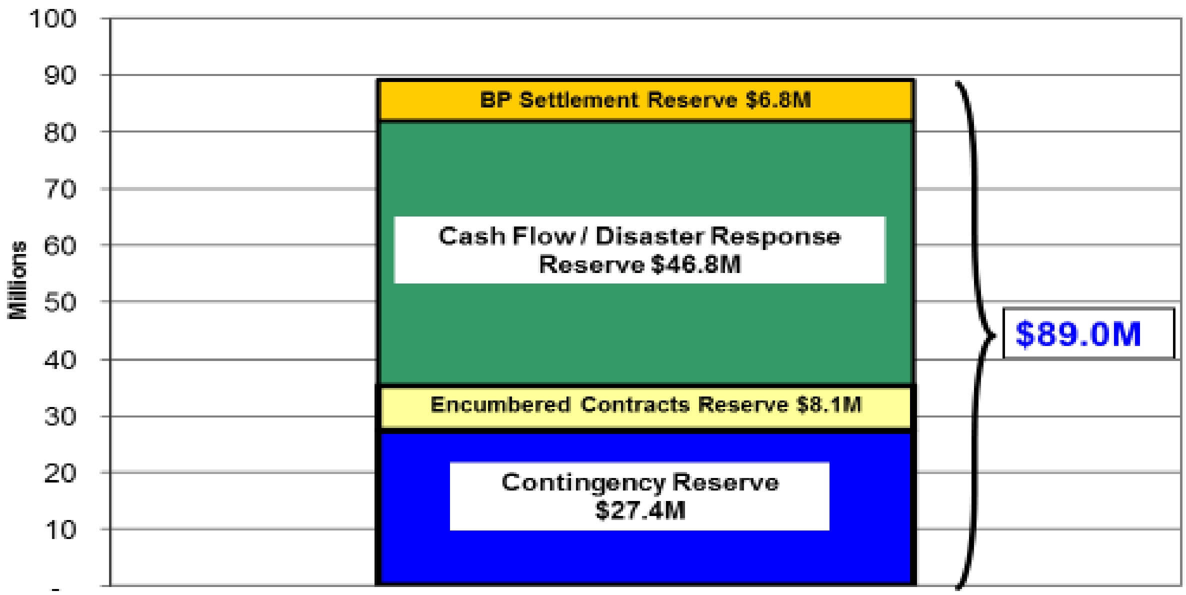
The amount of non-recurring or one-time funds can vary significantly from year to year. As stated in the County's budget policies, non-recurring funds should be applied to increase reserves or for one-time purposes only. They should not be used to fund ongoing programs.

Reserves

Reserves are not expenditures, but they are included in the budgeted total requirements for the fund. In order to be expended, the BCC must take formal action 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 FY17 General Fund adopted budget included reserves of $89.0M, or 16.2% of total revenues, which is consistent with the BCC policy target of 15%. The components of the General Fund reserves are Contingency, Encumbered Contracts, Cash Flow /Disaster Response, and BP Settlement.



Contingency Reserve

The Contingency Reserve, which is budgeted at $27.4M in FY17, is an amount equal to 5% of resources to be used for unanticipated revenue shortfalls or expenditures. For example, fuel costs and electricity rate increases have been highly volatile and often exceed normal inflation. Another example is the need for accrued leave payouts due to unanticipated retirements.

Encumbered Contracts Reserve

During the year, at any given time there are purchase orders and service contracts that have been approved and are subject to payment as work is completed or goods delivered. The $8.1M in the Encumbered Contracts Reserve for FY17 represents the average amount that was encumbered at month's end for the 12-month period ending May 2016.

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 69% 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 a hurricane or other man-made or natural disasters. 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. The FY17 amount for the Cash Flow / Disaster Response reserve, $46.8M, exceeds one-twelfth of all General Fund revenue budgeted for the fiscal year.

BP Settlement Reserve

On July 13, 2015, the Board of County Commissioners (BCC) approved a settlement agreement with BP and others for claims resulting from the Deepwater Horizon Oil Spill. The $7.1M received was deposited in the General Fund. In December 2016, the BCC approved use of these funds to support a series of projects throughout the community, including $350,000 disbursed in FY16 for the multi-jurisdictional Tampa Bay High Speed Ferry pilot program.

FY17 budgeted General Fund Reserves excluding the remaining BP funds are $82.3M, which is 15.0% of total revenues. It is estimated that the actual Ending Fund Balance for FY17 will be greater than the budgeted amount, which will result in reserves exceeding the target by the end of the fiscal year.

Six-Year Forecast

Key Assumptions – Revenues

For the purposes of the forecast, it is assumed that the General Fund millage rates for both countywide and MSTU purposes will remain the same as the rates for FY17. The FY17 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 5.0% in FY18, 4.5% in FY19, 4.0% in FY20, and 3.5% in FY21 through FY23. 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 FY18, 3.5% annual growth for FY19 - FY20, and 2.5% growth for the FY21-FY23 forecast period.

Communications Services Tax revenue is expected to continue to decline. A decrease of 5.4% is projected in FY19 and then is projected to remain at that 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 (FY17) programs and service levels. The basic assumptions for Personal Services and Operating Expenses that are used throughout the forecast apply to the General Fund.

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

The forecast does not assume any net additional positions in FY18 and future years. Certain types of expenses such as electricity, fuel, and state-mandated Medicaid charges result in the General Fund's Operating Expense growth differing somewhat from the Consumer Price Index (CPI).

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

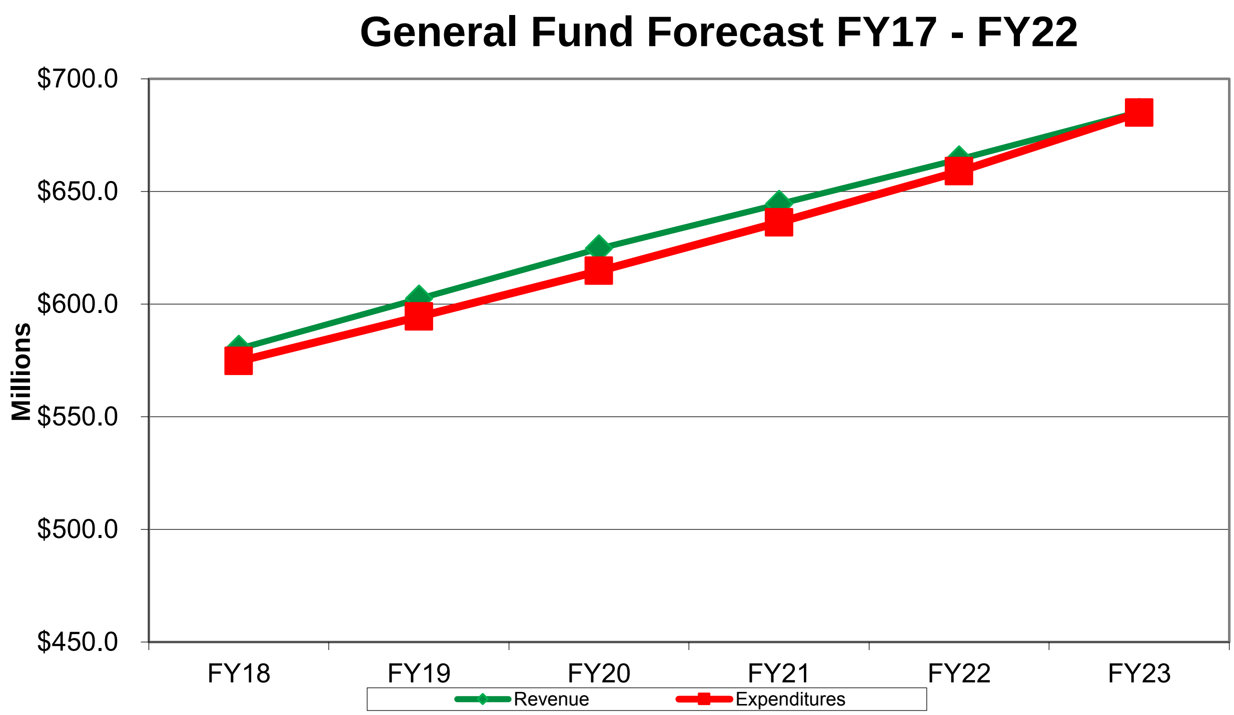
Because of the uncertain availability of non-recurring funds, no specific expenditures based on this resource are anticipated for the forecast period with the exception of the Deepwater Horizon settlement.

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

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

Key Results

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



Potential Risks

<u>REVENUE FACTORS</u>

Taxable Values

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

The timing of the valuation of property for tax purposes is important. The FY18 values to be certified on July 1, 2017 will reflect the market conditions through the end of the 2016 calendar year. Therefore, increases or decreases in value after January 1, 2017 will not impact the FY18 tax base.

A change of 1.0% in the FY17 countywide taxable value would result in a $3.4M change in revenue at the FY17 millage rate of 5.2755. Similarly, a change of 0.1 mills in the rate using the FY17 taxable value would result in a $6.4M change in revenue. In the following years, these impacts would be amplified by the other growth factors.

Save Our Homes Impact

Another variable is the homesteaded taxable value increase cap imposed by the Save Our Homes (SOH) amendment, which is based on the annual change (December to December) in the Consumer Price Index. As the real estate market continues its recovery, Save Our Homes will limit the amount of the increased value that is subject to property taxes. After declining throughout the recession, the amount of value shielded by Save Our Homes increased from $3.5 billion in FY14 to $7.2 billion in FY15, $10.5 billion in FY16, and $12.9M in FY17. This equates to $65.0M in General Fund countywide property tax revenue that is not available in the current fiscal year. The number of parcels subject to the SOH cap in FY17 is 214,811, which is 52.9% of the total number of residential parcels.

Potential Property Tax Exemptions

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

Annexations

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

Economic Conditions

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

The Sales Tax is highly sensitive to economic conditions. The 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, as mentioned previously, there is no Constitutional prohibition against the State changing the formula to reduce or eliminate this revenue source unless the funds have been committed for debt service (which is restricted to 50.0% of the prior year's proceeds). Pinellas has no Revenue Sharing pledged to support debt and the entire allocation is subject to revision by the Legislature.

State Budget Impacts

The State had a budget surplus for its FY16 and FY17 budgets. Preliminary projections for FY18 indicate a potential gap of $1B. Given the reliance on sales taxes as the State's primary revenue stream, and pressures to reinstate previous years' reductions in education and other areas, future State budgets could again face major gaps. In those instances or for other reasons, the Legislature may continue to reduce the amount of revenue it shares with local governments or cost shift more state responsibilities to the counties and cities. Previously, for example, effective in July 2005, the counties' share of sales tax and revenue sharing revenues was decreased in response to the implementation of Article V / Section 7 court funding reforms.

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

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 FY17 recurring costs, would require an additional $5.3M for expenditures. A change of 1.0% in the salary and benefits assumptions would produce a cost variance of $3.5M and an increase in the inflation rate of 1.0% would result in a $1.8M change in operating expenses in FY17, and would trigger escalating impacts going forward.

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

Florida Retirement System (FRS)

Because salaries and benefits are a significant part (61.5% 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 2017 fiscal year (July 1, 2016 to June 30, 2017) 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 Federal health insurance reform on costs and services, including any related mandates to programs such as Medicaid.

Medicaid

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

Unfunded Mandates

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

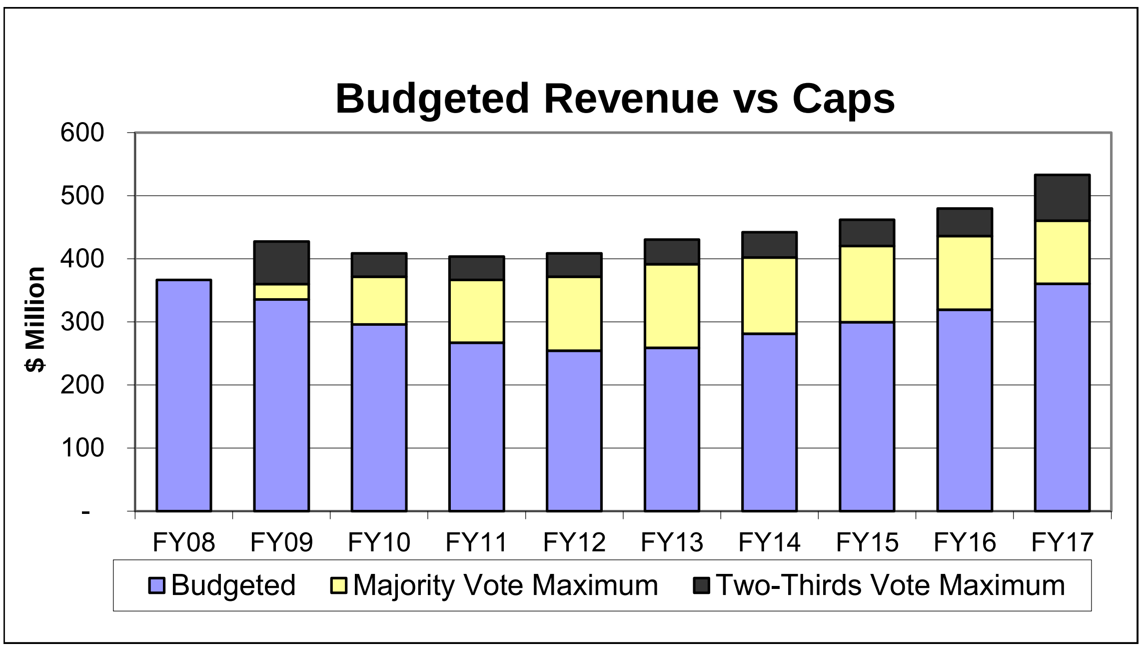
Theoretically, Article VII Section 18 of the Florida Constitution has a prohibition against imposing unfunded mandates on counties and cities. In practice, the Legislature can avoid this prohibition in many ways, through exemptions (such as mandates to enforce criminal laws) or exceptions, including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

Balancing Strategies

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

Expenditure reductions are an option to be considered. The efforts to find efficiencies and streamline operations will continue to be pursued, but as a result of cuts in funding and workforce during the recession, the total FY17 General Fund $661.2M budget is still less than the $741.8M FY07 budget (ten years ago). Significant new reductions would negatively impact levels of service to the public.

Revenue increases are another option. The County is currently collecting less than the maximum allowed majority-vote property tax revenue. In 2007, the Legislature enacted new limitations on property tax revenue increases for local governments. Super-majority (two-thirds) votes of the Board are required if proposed property tax revenue exceeds caps based on the average growth in Florida personal income and new construction. The caps went into effect beginning in FY09, using the FY08 level of property tax revenue as the base. As shown in the chart below, capacity under the cap increased as property tax revenues decreased. There is currently a wide spread of $172.7M in potential revenue between the FY17 millage rate of 5.2755 and the super-majority vote cap limit of 7.8049.



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	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Property Taxes - Countywide *	5.0%	4.5%	4.0%	3.5%	3.5%	3.5%
Property Taxes - MSTU *	4.5%	4.0%	3.5%	3.0%	3.0%	3.0%
Half Cent Sales Tax	4.0%	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	-5.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Charges for Services	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
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	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	-0.7%	2.3%	2.1%	2.3%	2.4%	2.4%
Capital Outlay	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Grants & Aids	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%
Estimated New Construction % of tax base	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

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

GENERAL FUND FORECAST
Fund 0001

(in $ millions)	Actual FY16	Budget FY17	FORECAST (@100% Revenue) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE **	**127.5**	**112.8**	**125.4**	**109.9**	**113.9**	**120.3**	**128.7**	**135.4**	**139.2**
REVENUES									
Property Taxes -Countywide	324.6	342.2	342.2	359.3	375.5	390.5	404.2	418.3	432.9
Property Taxes - MSTU	31.7	33.0	33.0	34.5	35.9	37.2	38.3	39.4	40.6
Half Cent Sales Tax	44.8	46.9	46.9	48.8	50.5	52.3	53.6	54.9	56.3
Revenue Sharing	17.8	19.1	19.1	19.9	20.6	21.3	21.8	22.3	22.9
Communications Svc Tax	9.7	9.8	9.8	9.3	9.3	9.3	9.3	9.3	9.3
Grants (fed/state/local)	8.2	11.0	11.0	11.2	11.4	11.6	11.8	12.0	12.2
Interest	1.2	0.9	0.9	2.2	2.8	3.6	4.1	4.3	4.5
Charges for Services	76.4	73.3	73.3	78.4	80.5	82.5	84.5	86.7	89.0
BP Settlement **	-	-	-	-	-	-	-	-	-
Other revenues	10.9	12.2	12.2	6.9	7.0	7.1	7.2	7.3	7.4
Adjust Property Taxes to 96.0%	-	-	3.9	4.1	4.3	4.5	4.7	4.8	5.0
Adjust Major Revenue to 98.0%	-	-	2.4	2.5	2.5	2.6	2.7	2.7	2.8
Adjust Other Revenue to 97.0%	-	-	3.1	3.1	2.1	2.2	2.3	2.3	2.4
TOTAL REVENUES	**525.3**	**548.4**	**557.8**	**580.2**	**602.4**	**624.7**	**644.5**	**664.3**	**685.3**
% vs prior year	4.4%		6.2%	4.0%	3.8%	3.7%	3.2%	3.1%	3.2%
TOTAL RESOURCES	**652.8**	**661.2**	**683.2**	**690.1**	**716.3**	**745.0**	**773.2**	**799.7**	**824.5**
EXPENDITURES									
Personal Services	72.7	81.4	81.4	84.7	88.5	92.6	97.0	101.7	106.7
Operating Expenses	113.7	124.2	124.2	123.3	126.1	128.7	131.6	134.7	140.1
Capital Outlay	2.0	3.3	3.3	3.2	3.3	3.4	3.5	3.6	3.7
Grants & Aids	20.6	24.8	24.8	25.9	26.8	27.8	28.8	29.8	29.7
Transfers	318.0	337.0	337.0	343.4	355.8	368.4	381.7	395.7	411.6
BP Settlement Funds**	0.4	-	6.8	-	-	-	-	-	-
Expenditure Lapse 3.0% *	-	-	(5.7)	(5.8)	(6.0)	(6.1)	(6.3)	(6.5)	(6.8)
Non-recurring Transfers to CIP	-	1.5	1.5	1.5	1.5	1.5	1.5	1.5	-
TOTAL EXPENDITURES	**527.4**	**572.2**	**573.3**	**576.2**	**596.0**	**616.3**	**637.8**	**660.5**	**685.0**
% vs prior year	7.0%		8.7%	0.5%	3.4%	3.4%	3.5%	3.6%	3.7%
ENDING FUND BALANCE	**125.4**	**89.0**	**109.9**	**113.9**	**120.3**	**128.7**	**135.4**	**139.2**	**139.5**
Ending balance as % of Revenue	**23.9%**	**16.2%**	**19.7%**	**19.6%**	**20.0%**	**20.6%**	**21.0%**	**21.0%**	**20.4%**
TOTAL REQUIREMENTS	**652.8**	**661.2**	**683.2**	**690.1**	**716.3**	**745.0**	**773.2**	**799.7**	**824.5**
REVENUE minus EXPENDITURES (NOT cumulative)	(2.1)	(23.8)	(15.5)	4.0	6.4	8.4	6.7	3.8	0.3
note: non-recurring expenditures	6.6	6.5	13.3	1.5	1.5	1.5	1.5	1.5	-
net recurring rev- exp	**4.5**	**(17.3)**	**(2.2)**	**5.5**	**7.9**	**9.9**	**8.2**	**5.3**	**0.3**

* Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.
** BP Settlement funds received in FY15 are included in FY17 Beginning Balance. BCC action to approve project list for settlement funds took place in December 2016; therefore, funding is shown as an expenditure in FY17.

TOURIST DEVELOPMENT COUNCIL FUND

Description

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

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

Summary

The Tourist Development Council Fund is funded by the Tourist Development Tax revenue that is sensitive to general economic conditions. Tourist Development Tax revenue has been steadily improving since Spring 2010 and has seen record-setting revenue for the past five years. Tourist Development Tax revenue is estimated to grow by 14.3% in FY17 compared to FY16. Revenue is projected to increase by another 4.0% in FY18 and FY19, and from FY20 – FY23, revenues are projected to increase by 3.5% annually.

Expenditures are projected to increase by 10.0% in FY17 as the CVB increases beach renourishment contributions, personal services and operating expenditures for increased sales and marketing opportunities, an includes a non-recurring expenditure for CVB’s partnership with Hillsborough County for the 2017 College Football Playoff National Championship game in Tampa.

Revenues exceed expenditures during the forecast period, and adjustments will be made if revenues fail to meet expectations. The fund maintains operating reserves above the 15.0% 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 COUNCIL FUND

Revenues

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

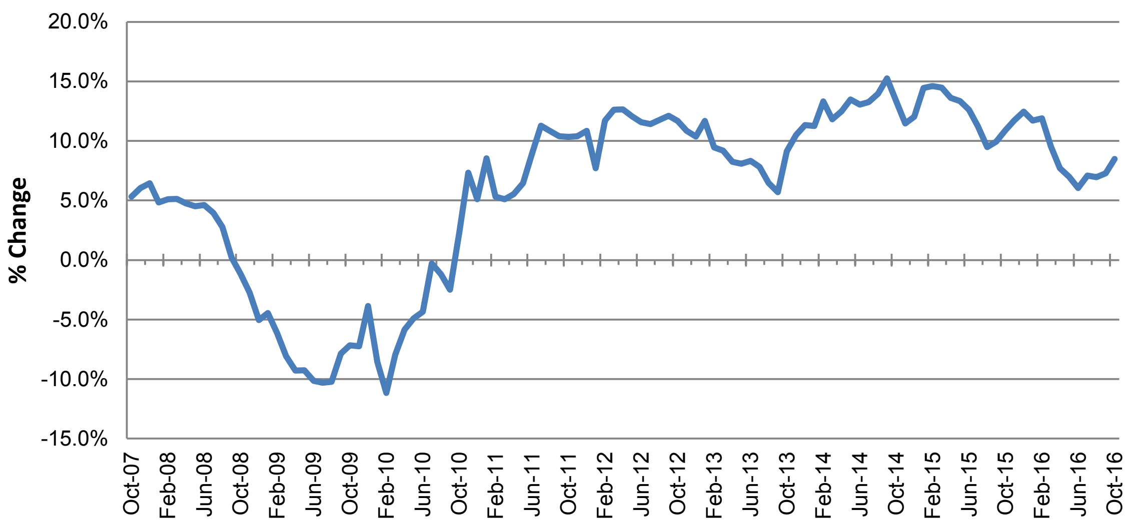
<u>Tourist Development Taxes</u>

Tourism is a key economic driver of the economy in Pinellas County and contributed direct and indirect visitor expenditures of approximately $9.3B during calendar year 2015 (*source: Research Data Services, Inc. [RDS]*). The Tourist Development Tax is projected to generate $56.6M in FY17.

Tourist Development tax collections are sensitive to both environmental and economic conditions due to the close relationship between disposable income and leisure travel. The chart below shows the 6-month moving average change in tax collections from October 2007 to October 2016. The data shows that collections bottomed out at the beginning of 2010, but have been rapidly increasing as the economy rebounded. For the past several years, the increase in tax revenue has outpaced the overall economy.

Tourist Development Tax Collection FY08 - Present

Six month moving average (per percent)



Source: Pinellas County Tax Collector

FY16 actual TDT revenue totaled $49.5M, an increase of 26.0% over FY15. This increase includes the additional sixth percent that was implemented in January 2016. Excluding the additional percent, TDT revenue increased 8.3% in FY16. In FY17, TDT revenue is projected to increase by 14.3% compared to FY16. Revenue is projected to increase by another 4.0% in FY18 and FY19, and 3.5% annually from FY20 – FY23. 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 2015 and 2016. Overall overnight visitors increased by 2.2%. Overnight visitors from Canada decreased for the second year in a row, with a 5.9% drop in 2016 after a drop of 8.0% in 2015. Visitors from the Northeast region of the United States increased by 2.7%, while visits from the Midwest U.S. (1.9%) and Europe (0.5%) were sluggish through October. The increased attention CVB has focused on Latin America continues to show strong results. Following a 24.5% increase in 2015, visitors from Latin America increased another 26.3% in 2016.

Calendar Year-to-Date 2015 vs. 2016
January - October

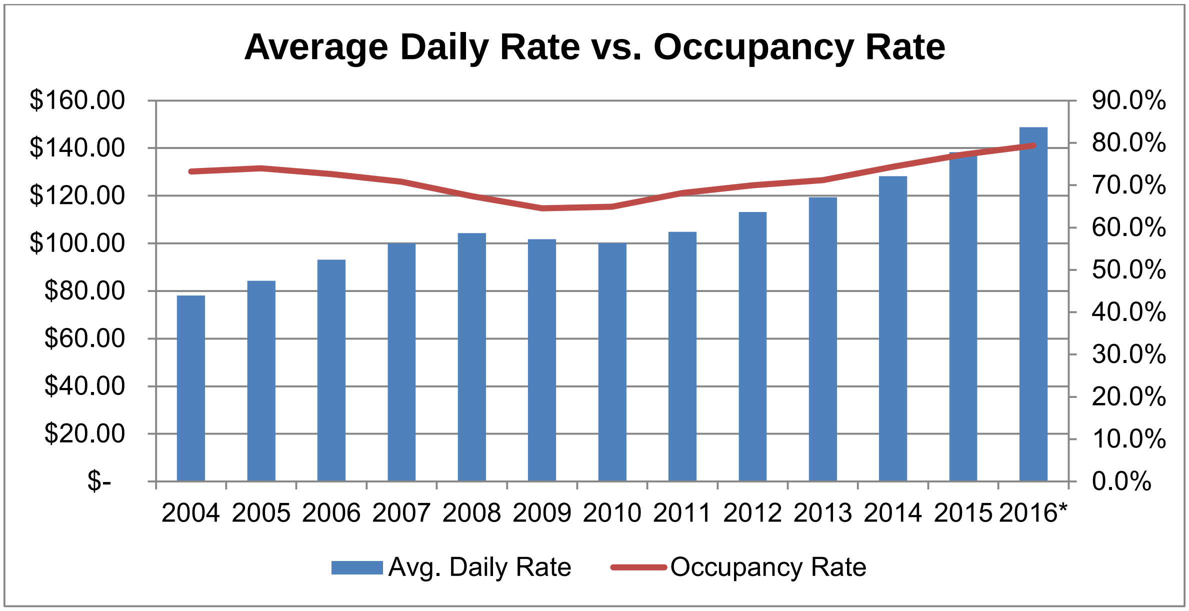
Overnight Visitor Origins	2015	2016	% Change
Florida	622,654	635,368	2.0%
Southeast	356,601	368,545	3.3%
Northeast	1,209,048	1,241,385	2.7%
Midwest	1,589,577	1,619,538	1.9%
Canada	276,322	260,085	-5.9%
Europe	947,389	952,171	0.5%
Other U.S. Markets	158,409	156,435	-1.2%
Latin America	159,100	200,900	26.3%
Total	5,319,100	5,434,400	2.2%

Source: Visit St. Petersburg/Clearwater Dashboard/Visitor Profile (Dec. 2016), Research Data Services, Inc. (RDS)

The European visitor segment represents about 17.5% of total visitors tracked by RDS. Although the economic recovery in the Eurozone has been a series of starts and stops and is still trying to digest the aftermath of the *Brexit* vote, the number of European visitors is anticipated to remain strong due to the characteristics of the market segment and increased access to the destination. European visitors to Pinellas are a younger, wealthier market segment generally insulated from economic cycles. In addition, the European market has gained increased access from additional air service providing easy access to the destination from cities throughout Europe. Edelweiss Air has added additional non-stop flights from Zurich, Switzerland to Tampa. Lufthansa added five non-stop flights per week between Frankfurt, Germany and Tampa in September 2015. Allegiant Airlines has added additional roundtrip flights to Clearwater/St. Petersburg International Airport (PIE) from numerous domestic destinations, with more than 50 destinations flying to and from PIE.

The next chart lists the Annual Average Daily Rate (ADR) that hotels have been able to collect and the number of Annual Overnight Visitors since 2003. 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 2016, through October, was $148.74, with an occupancy rate of 79.4%, compared to a YTD average of 77.2% in 2015.

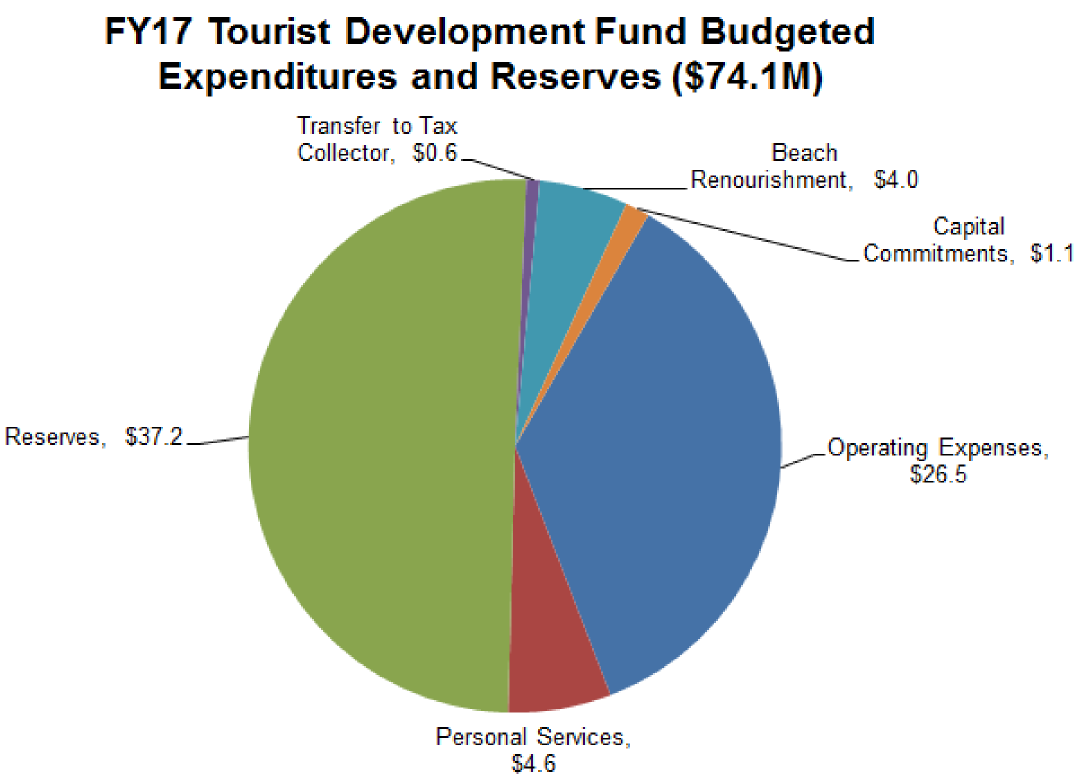
TOURIST DEVELOPMENT COUNCIL FUND



Source: Research Data Services, Inc. (2016 through October)

Expenditures

The TDC Fund supports budgeted expenditures and reserves in FY17 totaling $74.1M. The primary expenditures in the fund are $26.5M for operations and promotional activities, $4.6M for personal services, $1.1M for capital commitments for the Major League Baseball Spring Training facility in Clearwater and the Salvador Dali Museum in St. Petersburg, $4.0M for beach renourishment, and $37.2M in reserves.



Operations and Promotional Activities

The discretionary expenditure budget of $31.2M 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	$4,634,950	14.9%
Operating & Capital Outlay	$2,012,610	6.5%
Advertising/Sales	$23,413,080	75.1%
Research	$250,000	0.8%
Shipping	$97,900	0.3%
Travel	$859,810	2.8%
Total	$31,170,450	100.0%

Source: Pinellas County Convention & Visitors Bureau

Capital Outlay

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

Currently, the County, using TDT revenues, is committed to paying $587,650 for the City of Clearwater's spring training facility (expires February 2021). Additionally, through FY20, the County is committed to paying $500,000 annually to the Salvador Dali Museum to fulfill the BCC's pledge of $2.5M made in 2010. These projects, in addition to the annual transfer of approximately ½ of one percent of net TDT levy for beach renourishment, are part of the 40.0% allocation to capital expenditures in the TDP.

The use of the remaining funds in the capital expenditure allocation will be determined by the BCC after a review of funding applications in 2017. Each application will be evaluated and a determination will be made based on the quality of the project and the economic impact the project will have on the tourism industry in Pinellas County. It is not known at this time if any of the applications will receive funding from the County, and the forecast does not assume expenditures beyond the current commitments.

Transfers

To pay the costs associated with the administration and collection of the Tourist Development Tax revenue, a transfer of $601,520 is projected to be made to the Pinellas County Tax Collector in FY17.

TOURIST DEVELOPMENT COUNCIL FUND

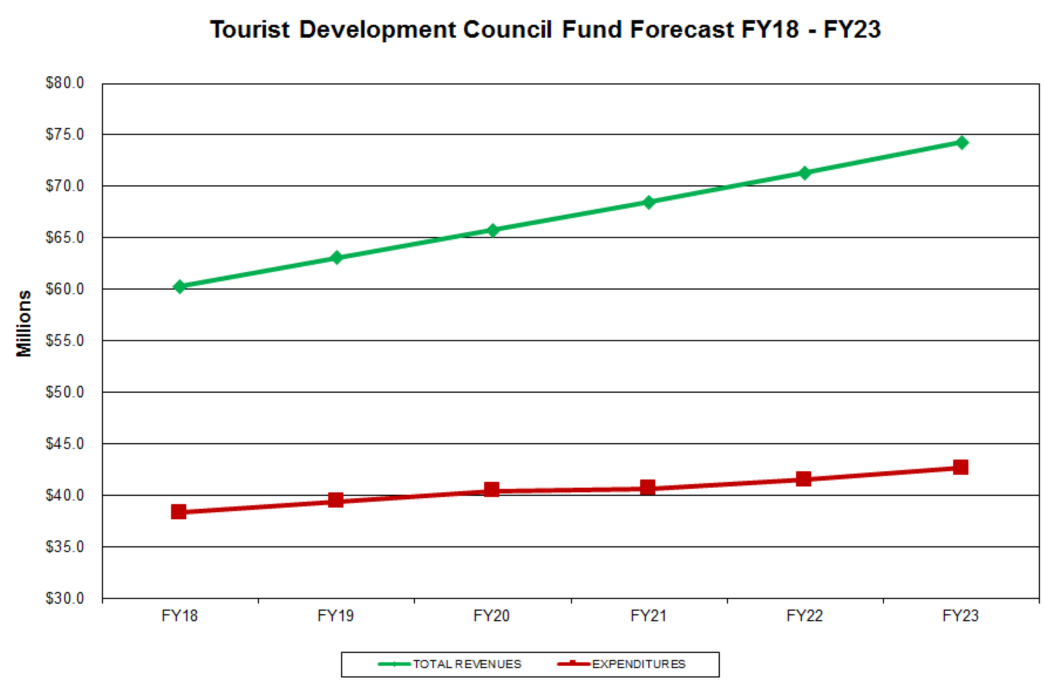
Reserves

Operating Reserves are budgeted at 17.4% in FY17, 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, and to allow for positive cash flow during the early months of the fiscal year. The TDC Fund also has established Capital Reserves that can be used for future capital projects that may be approved by the BCC. The FY17 budget appropriates $28.8M in Capital Reserves, which is 59.7%. In total, the Tourist Development Council Fund has reserves of $37.2M, or 77.1% of revenue. It is expected that this level will continue to climb for the next few years as requests for capital commitments are evaluated by the TDC and BCC.

Six-Year Forecast

Key Assumptions

The revenue forecast for Tourist Development Council Fund reflects increasing growth in the economy, with an increase in Tourist Development Tax revenue of 14.3% above FY16 actual in FY17. Revenue is projected to increase by another 4.0% in FY18 and FY19, and 3.5% annually from FY20 – FY23. On the expenditure side, personal services are projected to increase 4.5% in FY18. In the remaining years of the forecast, personal services are projected to increase 4.1% - 4.3% annually. Promotional activities (advertising) may be increased during the year as revenue is collected and needs are assessed. Capital Outlay for Spring Training facilities decreased by 11.2% as the County's commitment to the City of Dunedin expired in FY16. Beach renourishment continues to receive approximately ½ of one percentage of the 6.0% TDT tax rate. This expenditure will match the change in collection for each of the other percents.



TOURIST DEVELOPMENT COUNCIL FUND

Key Results

Revenues are projected to exceed expenditures throughout the forecast period by a wide margin, and the Fund will maintain an operating reserve of at least 15.0%. Until decisions are made regarding requested contributions to capital projects, reserve funds will be accumulated for future use.

The forecast does not assume expenditure of any capital funds unless already committed (ex. Dali, City of Clearwater). Additional commitments to capital project funding will be limited to anticipated revenues.

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 the infrastructure and keep visitors away for weeks or even months, keeping their disposable income away as well.

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

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

Balancing Strategies

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

TOURIST DEVELOPMENT COUNCIL FUND FORECAST
Fund 1040

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Tourist Development Taxes	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Advertising Expense	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Capital Outlay	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

TOURIST DEVELOPMENT COUNCIL FUND FORECAST
Fund 1040

(in $ thousands)	Actual FY16	Budget FY17	FORECAST (@100% Revenue) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE	**11,982.0**	**25,812.7**	**28,790.6**	**49,157.0**	**71,800.1**	**95,506.0**	**120,804.9**	**148,610.5**	**178,415.2**
REVENUES									
Tourist Development Taxes @ 95.0%	49,501.9	47,763.6	53,763.6	55,914.1	58,150.7	60,186.0	62,292.5	64,472.7	66,729.3
Interest	142.7	61.8	160.0	983.1	1,436.0	1,910.1	2,416.1	2,972.2	3,568.3
Other revenues	661.0	422.5	422.5	422.5	431.0	439.6	448.4	457.3	466.5
Adjust Tax Revenues to 100.0%			2,829.7	2,942.8	3,060.6	3,167.7	3,278.6	3,393.3	3,512.1
Adjust other Revenues to 100.0%			30.7	31.3	31.9	32.5	33.2	33.8	34.5
TOTAL REVENUES	**50,305.6**	**48,247.9**	**57,206.4**	**60,293.9**	**63,110.1**	**65,735.9**	**68,468.7**	**71,329.4**	**74,310.6**
% vs prior year		-4.1%	13.7%	5.4%	4.7%	4.2%	4.2%	4.2%	4.2%
TOTAL RESOURCES	**62,287.6**	**74,060.6**	**85,997.0**	**109,450.9**	**134,910.2**	**161,241.9**	**189,273.6**	**219,939.9**	**252,725.8**
EXPENDITURES									
Personal Services	3,476.8	4,635.0	4,635.0	4,843.6	5,061.5	5,294.4	5,543.2	5,809.3	6,093.9
Operating Expenses	12,412.5	14,844.6	14,844.6	15,171.2	15,535.3	15,877.1	16,226.4	16,583.3	16,948.2
Advertising Expense	12,056.0	11,668.4	11,668.4	11,925.1	12,211.3	12,480.0	12,754.5	13,035.1	13,321.9
Capital Outlay - Operating	27.2	22.5	22.5	23.4	24.3	25.2	26.1	27.0	27.9
Transfer - General Fund (Pass-a-Grille & Bunces Pass Inlet Study)	300.0	-	-	-	-	-	-	-	-
Transfer - Tax Collector[1]	512.0	601.5	601.5	619.5	638.1	657.3	677.0	697.3	718.2
Transfer - Beach Renourishment	3,550.4	3,980.3	3,980.3	3,980.3	4,845.9	5,015.5	5,191.0	5,372.7	5,560.8
Capital Outlay - Dali Museum	500.0	500.0	500.0	500.0	500.0	500.0	-	-	-
Capital Outlay - Dunedin & Clearwater Spring Training Facilities	662.1	587.7	587.7	587.7	587.7	587.7	244.9	-	-
EXPENDITURES	**33,497.0**	**36,840.0**	**36,840.0**	**37,650.8**	**39,404.2**	**40,437.1**	**40,663.1**	**41,524.7**	**42,670.9**
% vs prior year		10.0%	10.0%	2.2%	4.7%	2.6%	0.6%	2.1%	2.8%
ENDING FUND BALANCE	**28,790.6**	**37,220.6**	**49,157.0**	**71,800.1**	**95,506.0**	**120,804.9**	**148,610.5**	**178,415.2**	**210,054.9**
Ending balance as % of Revenue	57.2%	77.1%	85.9%	119.1%	151.3%	183.8%	217.0%	250.1%	282.7%
TOTAL REQUIREMENTS	**62,287.6**	**74,060.6**	**85,997.0**	**109,450.9**	**134,910.2**	**161,241.9**	**189,273.6**	**219,939.9**	**252,725.8**
REVENUE minus EXPENDITURES (NOT cumulative)	16,808.6	11,407.9	20,366.4	22,643.1	23,705.9	25,298.8	27,805.6	29,804.7	31,639.7

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.

TRANSPORTATION TRUST FUND

Description

The County Transportation Trust Fund is a special revenue fund required by Florida Statute 336.022 to account for revenues and expenditures used for the operation and maintenance of transportation facilities and associated drainage infrastructure. Activities include road and right-of-way maintenance (e.g., patching, mowing), bridge maintenance and operation, traffic engineering, traffic signal operation including Intelligent Transportation Systems (ITS), traffic control signage and striping, sidewalk repair and construction, and maintenance of ditches, culverts and other drainage facilities. Resources to support these activities are provided from fuel taxes collected and distributed on a shared basis to all Florida Counties by the State of Florida, and local option fuel taxes levied by the County.

Two local option taxes have been imposed by the Board of County Commissioners. The first is a one cent levy (referred to by statute as the "Ninth Cent") that began January 2007. It is dedicated to the installation, operation, and maintenance of advanced technological traffic signal and messaging systems (ITS). The other local levy is the Six Cent Local Option Fuel Tax (LOFT) per gallon tax that is shared by interlocal agreement between the County and all municipalities within Pinellas County. The County's share of collections is 60.0% of total receipts, and the municipalities receive portions of the remaining 40.0%. On December 15, 2015, the Board voted to extend the six cent levy and the interlocal agreement until December 31, 2027.

Summary

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

The forecast for the Transportation Trust Fund indicates that expenditures exceed revenues beginning in FY20. 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. Future actions to consider are revenue transfers from the General Fund, imposition of additional local option fuel taxes (beyond the current amounts), or reductions in current service levels.

Revenues

The projected FY17 Transportation Trust Fund consists of three primary funding sources: State shared fuel taxes ($10.5M), a six cent per gallon LOFT ($14.1M), and a one cent per gallon fuel tax (the "Ninth Cent") earmarked for the ITS ($4.2M). The remaining revenues of the fund include interest and other miscellaneous revenues such as reimbursements from other governments for the County's work on municipal and state traffic signal systems.

State Shared Fuel Taxes

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

Six Cent Local Option Fuel Tax (LOFT)

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

Ninth Cent Fuel Tax

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

Expenditures

The estimated total for the Transportation Trust Fund expenditures are approximately $30.2M in FY17 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 FY17 budget for this program is $12.1M.

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 FY17 operating expenses for the ITS program under Transportation Management are $2.3M.

Streets and Bridges

This program provides for maintenance and operation of county streets and bridges with an FY17 expenditure budget of $10.3M. Key program expenditure areas include inspection, maintenance engineering, management, repair, and maintenance operation.

Vegetation Management and Urban Forestry

Vegetation Management includes maintenance of desirable vegetation in ponds and permitted sites, removal and targeted treatment of non-desirable vegetation in the right of way, ditches, ponds, county property, and parks, and mowing and maintenance of arterial corridors and unincorporated portions of the county. Urban Forestry provides for tree maintenance, inspections, public outreach, and development review and appraisal of damaged public trees in the unincorporated area. For FY17, the budget for this program in the Transportation Trust Fund is $4.6M.

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 FY17 budget for this program in the Transportation Trust Fund is $2.3M.

Capital Improvement Project Impacts

Some capital improvement projects have the potential to require increased operating expenditures when completed. The forecast includes estimated operating expenditures to support completed capital improvement projects. This impact averages $669,200 annually.

Transfers

Since the inception of the Ninth Cent fuel tax, a transfer takes place annually from the Transportation Trust Fund to the Capital Projects Fund. This transfer pays for the installation of capital structures needed to implement the ITS such as traffic signal controllers, fiber optics, cameras, and message boards. On average, approximately $1.7M 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.

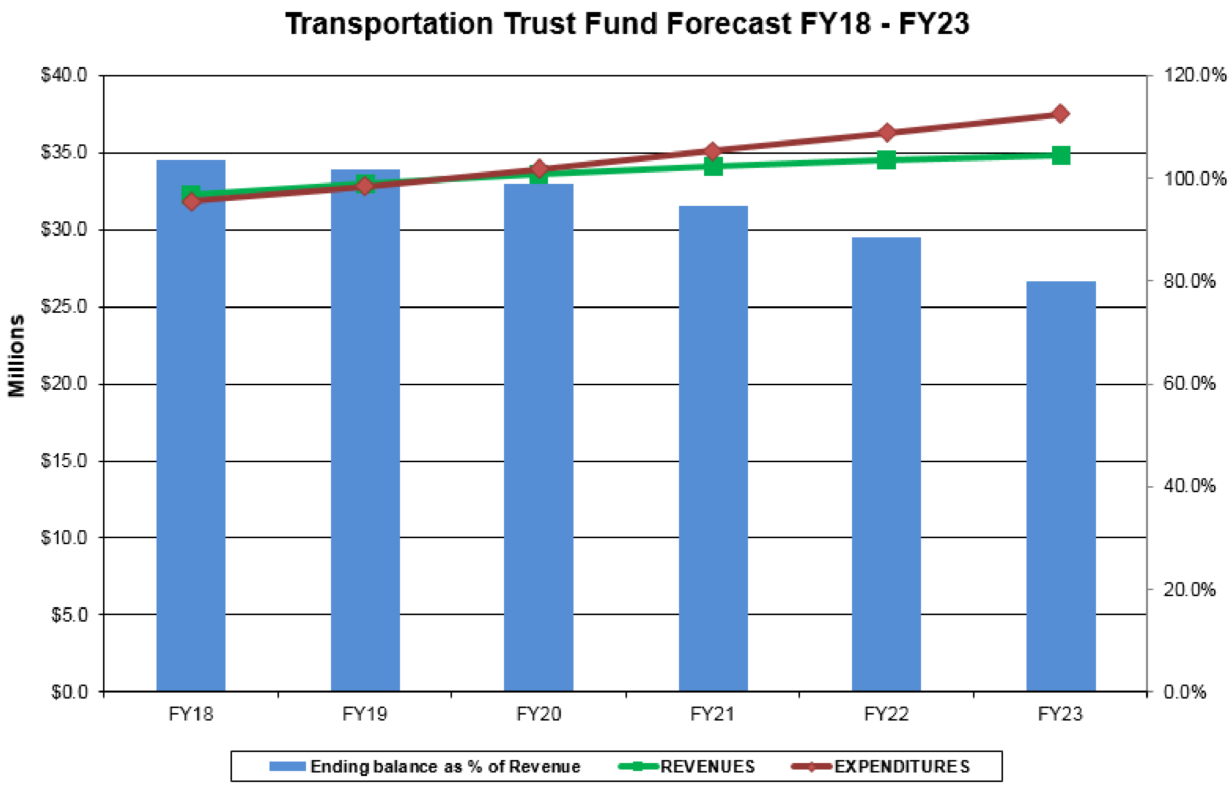
Reserves

The projected FY17 reserve level of $33.0M in the Transportation Trust Fund is approximately 105.2% 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. 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 built-out condition and the likelihood of future mandated vehicle fuel efficiency standards leads to this forecast assuming only a slight increase in fuel tax revenues with an improving economy and lower gas prices. Based on the historical reduction and future slow growth patterns, current fuel tax revenues are not predicted to keep up with projected inflationary expenditure demands on transportation operation and expenditure needs.



Key Results

Beginning in FY20, 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, transfer of General Fund revenue to support transportation activities, and/or imposing additional local option fuel taxes.

From an enhanced revenue standpoint, the County has the authority to impose an additional five cents tax per gallon of fuel sold within the county; however by statute, proceeds would have to be shared with municipalities. Diesel fuel is not subject to this tax. If an interlocal agreement similar to the Six Cents Local Option Tax is assumed, the County's estimated share of one cent of this local option fuel tax would be $2.2M, which is 60.0% of the $3.6M in proceeds that would be generated countywide.

1 cent	2 cents	3 cents	4 cents	5 cents
$2.2M	$4.4M	$6.6M	$8.8M	$11.0M

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

The additional Local Option Fuel Tax of one to five cents is not likely to have a measurable impact on the sale of fuel, as normal price differences and fluctuations routinely exceed this amount. For this reason, there would be little incentive for consumers to redirect their fuel purchases to Hillsborough County if they maintain their current seven cent fuel tax rates. The additional five cents may be used for the construction of new roads, the reconstruction or resurfacing of existing paved roads, the paving of existing graded roads, or other expenditures that are needed to meet immediate local transportation problems or are critical for building comprehensive roadway networks. Routine maintenance of roads is not considered an authorized expenditure. The additional one to five cents could be levied by a majority plus one vote of the Board, or by approval in a countywide 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¢
Collier	12¢
DeSoto	12¢
Escambia	11¢
Hardee	12¢
Hendry	9¢
Hernando	12¢
Highlands	12¢
Lee	12¢
Leon	12¢
Madison	12¢
Manatee	12¢
Marion	12¢
Martin	12¢
Miami-Dade	10¢
Monroe	10¢
Okaloosa	10¢
Okeechobee	12¢
Osceola	12¢
Palm Beach	12¢
Pasco	12¢
Polk	12¢
Putnam	12¢
St. Lucie	12¢
Santa Rosa	12¢
Sarasota	12¢
Suwannee	12¢
Volusia	12¢

Source: Florida Department of Revenue, 2017 Fuel Tax Rates
(http://www.floridarevenue.com/taxes/Documents/16b05-02_chart.pdf)

Of Florida's 67 counties:

**31, including Pasco and Manatee, levy more than 7 cents*

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

**14 levy less than 7 cents*

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

**14 levy less than 7 cents*

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

** 14 levy less than 7 cents*

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Ninth Cent Fuel Tax	1.8%	1.6%	1.4%	1.3%	1.2%	1.1%
State Shared Fuel Taxes	1.8%	1.6%	1.4%	1.3%	1.2%	1.1%
Local Option Fuel Taxes	1.8%	1.6%	1.4%	1.3%	1.2%	1.1%
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Capital Outlay	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Grants & Aids	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

TRANSPORTATION TRUST FUND FORECAST
Fund 1001

(in $ thousands)			FORECAST (@100%)						
	Actual FY16	Budget FY17	Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE	**29,185.7**	**29,694.6**	**31,822.6**	**32,954.4**	**33,454.2**	**33,634.9**	**33,333.8**	**32,347.1**	**30,576.1**
REVENUES									
Ninth Cent Fuel Tax @ 95%	4,119.8	4,009.2	4,220.2	4,296.2	4,364.9	4,426.0	4,483.5	4,537.4	4,587.3
State Shared Fuel Taxes @ 95%	10,468.6	9,972.3	10,497.2	10,686.1	10,857.1	11,009.1	11,152.2	11,286.1	11,410.2
Local Option Fuel Tax @ 95%	13,741.3	13,385.6	14,090.1	14,343.7	14,573.2	14,777.2	14,969.4	15,149.0	15,315.6
Interest	168.1	97.7	228.6	659.1	836.4	1,009.0	1,066.7	1,035.1	978.4
Other revenues	2,170.9	2,172.6	2,286.9	2,332.6	2,379.3	2,426.9	2,475.4	2,524.9	2,575.4
TOTAL REVENUES	**30,668.8**	**29,637.4**	**31,323.0**	**32,317.8**	**33,010.9**	**33,648.3**	**34,147.2**	**34,532.4**	**34,867.0**
% vs prior year	3.6%	13.6%	2.1%	3.2%	2.1%	1.9%	1.5%	1.1%	1.0%
TOTAL RESOURCES	**59,854.5**	**59,332.0**	**63,145.6**	**65,272.2**	**66,465.1**	**67,283.2**	**67,481.1**	**66,879.6**	**65,443.0**
EXPENDITURES									
Personal Services	10,919.4	14,149.0	14,149.0	14,785.7	15,451.0	16,161.8	16,921.4	17,733.6	18,602.6
Operating Expenses *	11,927.2	12,448.0	12,448.0	12,721.8	13,027.2	13,313.8	13,606.7	13,906.0	14,211.9
Capital Outlay	695.8	682.5	682.5	697.5	714.2	729.9	746.0	762.4	779.2
Grants & Aids	34.0	35.1	35.1	35.8	36.7	37.5	38.3	39.2	40.0
Full Cost Allocation	2,701.7	2,096.4	2,096.4	2,138.4	2,191.8	2,257.6	2,329.8	2,404.4	2,481.3
Transfers to Capital Funds	1,753.9	1,598.6	1,598.6	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
Expenditure Lapse 3.0% **			(818.4)	(846.1)	(875.8)	(906.2)	(938.2)	(972.1)	(1,007.8)
CIP Operating Impacts				585.0	585.0	655.0	730.0	730.0	730.0
TOTAL EXPENDITURES	**28,032.0**	**31,009.5**	**30,191.1**	**31,818.0**	**32,830.1**	**33,949.4**	**35,134.0**	**36,303.5**	**37,537.2**
% vs prior year	6.9%	18.2%	7.7%	5.4%	3.2%	3.4%	3.5%	3.3%	3.4%
ENDING FUND BALANCE ASSUMING NO ACTION TAKEN TO RESOLVE SHORTFALLS	**31,822.6**	**28,322.5**	**32,954.4**	**33,454.2**	**33,634.9**	**33,333.8**	**32,347.1**	**30,576.1**	**27,905.8**
Ending balance as % of Revenue	103.8%	95.6%	105.2%	103.5%	101.9%	99.1%	94.7%	88.5%	80.0%
TOTAL REQUIREMENTS	**59,854.5**	**59,332.0**	**63,145.6**	**65,272.2**	**66,465.1**	**67,283.2**	**67,481.1**	**66,879.6**	**65,443.0**
REVENUE minus EXPENDITURES (NOT cumulative)	**2,636.8**	**(1,372.1)**	**1,131.9**	**499.7**	**180.7**	**(301.1)**	**(986.7)**	**(1,771.1)**	**(2,670.2)**

* 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" one-percent local option sales tax that 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% annually in FY18 and FY19, and 2.5% in FY20.

Each year of the forecast, expenditures exceed revenues due to project schedules. With the planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced over the forecast period through FY20. The current "Penny for Pinellas" one-cent local option sales tax ends December 31, 2019. Projects that would need to continue such as sidewalks, paving, and bridges are shown in the forecast as "unfunded" for FY20 – FY23. This is a preliminary estimate of projects that would require a funding source whether the Penny is renewed or not. In prior years, the forecast included an interfund loan from the Solid Waste Renewal & Replacement Fund to provide the cash flow required to fund projects. A total of $15.0M was borrowed in FY10 and repaid in FY15. Additional borrowing will not be necessary as the fund balance and projected annual revenues will be sufficient to fund the scheduled projects.

Revenues

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

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

Penny for Pinellas (Penny) revenues are proceeds of an additional one-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 and 2007 for two additional ten-year periods (until December 31, 2019). In accordance with statutory requirements and interlocal agreements with each municipality in Pinellas County, the County receives approximately 52.3% of the total monthly collections generated by this tax, following the deduction of a dedicated amount to fund capital projects for Court and Jail facilities which provide a countywide benefit.

Grants

The second largest source of revenue in the Capital Projects fund is grants. The FY17 budget includes $23.5M 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 FY17 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; and $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 paid for by a federal grant from the Department of Energy and transfers from the General Fund. The FY17 General Fund transfer also includes $500,000 for capital projects funded by Vessel Registration Fees such as boat ramp projects.

The FY17 transfer of $1.6M 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 FY17 transfer of $4.0M 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 $3.6M from the Transportation Impact Fee Fund in FY17 contributes to the costs of authorized transportation projects in the 12 geographic transportation impact fee districts of the county. The Transportation Impact Fee Fund is used to account for Transportation Impact Fees (TIF) 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 TIF was replaced by the Multi-Modal Impact Fee (MIF) by Ordinance 16-21. Uses of the fee are relatively the same; however, several districts were realigned and a 13th district was added. The FY17 transfer is intended to close out the TIF Fund. Subsequent years in the forecast show the transfer from the MIF Fund. Lacking historical data, and based on the similarity to TIF collections, the transfer is estimated at the FY16 TIF Fund transfer amount.

Beginning in FY18 through FY21, $200,000 annually will be transferred from the Airport Fund to the Capital Fund as reimbursement of funding for the Airport fiber optic cabling project associated with the Gateway Expressway.

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 FY17 Adopted Budget document for expenditure highlights of the One-Year CIP and the Ten-Year CIP.

Transfers

The FY17 Capital Fund budget includes transfers to the General Fund and the Business Technology Services (BTS) Fund for two projects: funding of $5.0M for Sheriff's vehicle replacement will be transferred to the General Fund; and $800,000 is estimated to be transferred to the BTS Fund for the Airport fiber optic cabling project associated with the Gateway Expressway.

Six-Year Forecast

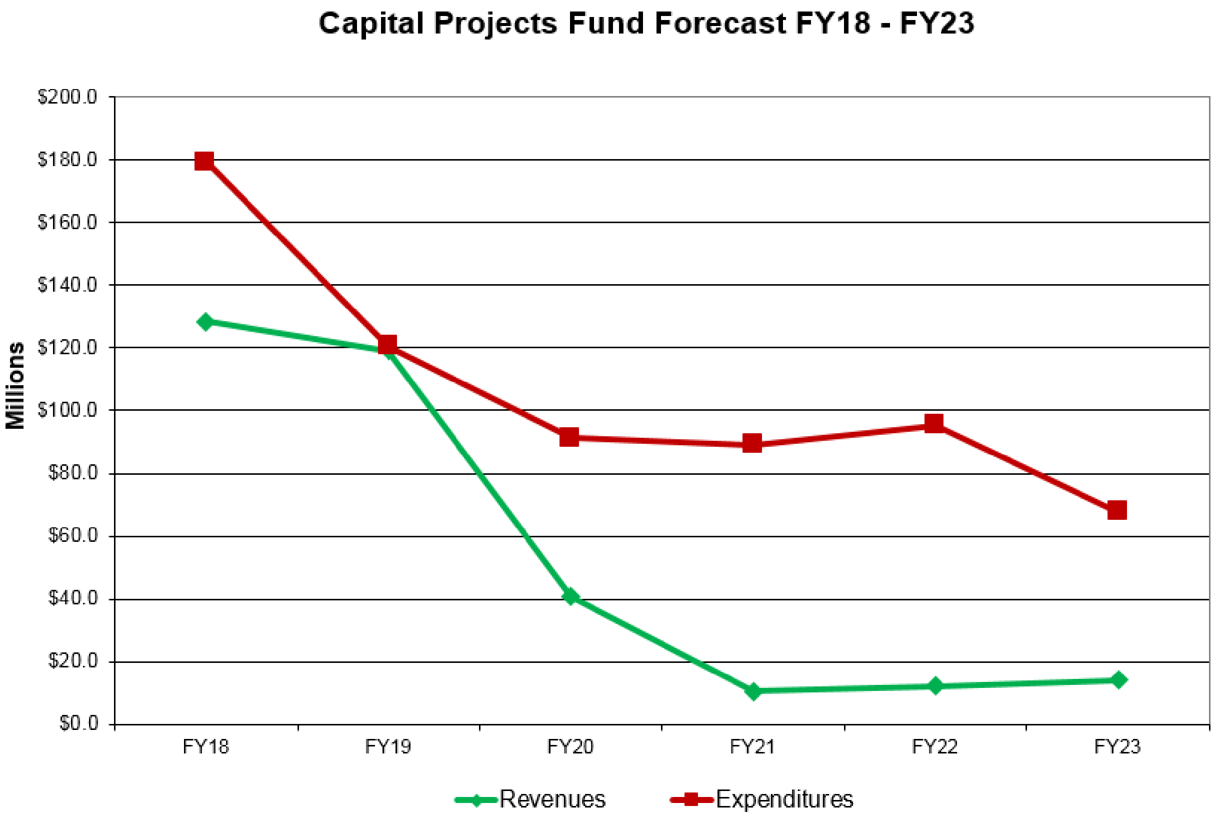
Key Assumptions

The revenue assumptions for the overall Penny sales tax are consistent with the Half-Cent Sales Tax in the General Fund at 4.0% in FY18, 3.5% in FY19 and FY20, and 2.5% from FY21 to FY23. However, the growth rate in the Capital Projects Fund for the Penny sales tax is less at 3.0% in FY18 and FY19, and 2.5% in FY20. This is because the Courts & Jail allocation is a fixed amount that does not grow over time resulting in a slightly smaller growth rate for the County's overall share of the Penny. The current Penny expires December 31, 2019, the first quarter of FY20.

Key Results

With the planned use of fund balance, the forecast for the Capital Projects Fund shows that the Fund is balanced through FY20. Each year of the forecast, expenditures exceed revenues due to project schedules and the expiration of the current Penny on December 31, 2019. The graph includes revenues projected to be received each year; however, existing fund balance is also a source of funding projects.

CAPITAL PROJECTS FUND



Note: Current Penny revenue ends December 31, 2019.

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. The current “Penny for Pinellas” one-cent local option sales tax ends December 31, 2019. At that time, projects that would need to continue such as sidewalks, paving, and bridges are shown in the forecast as “unfunded” in FY20 – FY23 and funding for these projects would need to be identified. The Board plans to bring forward a referendum in November 2017 to consider renewal of the Penny for another 10-year period.

CAPITAL PROJECTS FUND FORECAST
Fund 3001

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Infrastructure Sales Tax	3.0%	3.0%	2.5%			
Transfer from TDC Fund	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%
Interest Rate	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%

CAPITAL PROJECTS FUND FORECAST

Fund 3001

(in $ thousands)	Actual FY16	Budget FY17	FORECAST (@100% Revenue) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE	**102,007.3**	**151,441.9**	**151,441.9**	**91,716.4**	**40,275.2**	**40,134.6**	**(9,344.2)**	**(87,050.4)**	**(169,080.9)**
REVENUES									
Infrastructure Sales Tax (Penny for Pinellas)	92,989.6	93,326.5	95,866.0	98,742.0	101,704.2	26,061.7	-	-	-
Grants	19,118.7	23,539.9	23,539.9	18,095.6	6,772.5	3,654.0	1,600.8	3,475.0	5,081.5
Ninth Cent Gas Tax (Transfer from Transportation Trust Fund)	1,753.9	1,598.6	1,598.6	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)	1,535.6	3,600.0	3,600.0						
Multi-Modal Impact Fees				1,535.6	1,535.6	1,535.6	1,535.6	1,535.6	1,535.6
Transfer from General Fund	-	2,650.0	2,650.0	2,150.0	2,150.0	2,230.4	650.0	650.0	650.0
Transfer from TDC Fund	3,550.4	3,980.3	3,980.3	3,980.3	4,845.9	5,015.5	5,191.0	5,372.7	5,560.8
Transfer from Airport Fund				200.0	200.0	200.0	200.0		
Compensation for Loss		-	900.0	-	-	-	-	-	-
Interest @ 95%	845.9	586.7	604.9	960.4	956.5	886.8			
Interest Adjusted to 97%			12.7	20.2	20.1	18.7	-	-	-
Other revenues	4.4	495.6	495.6	505.5	515.6	525.9	536.5	547.2	558.1
TOTAL REVENUES	**119,798.5**	**129,777.6**	**133,248.0**	**127,889.6**	**120,400.5**	**41,828.6**	**11,413.9**	**13,280.5**	**15,086.0**
% vs prior year	15.6%	5.2%	11.2%	-4.0%	-5.9%	-65.3%	-72.7%	16.4%	13.6%
TOTAL RESOURCES	**221,805.8**	**281,219.5**	**284,689.9**	**219,606.1**	**160,675.6**	**81,963.3**	**2,069.7**	**(73,769.9)**	**(153,994.9)**
EXPENDITURES									
Capital Projects	70,313.9	207,970.6	187,173.5	179,330.9	120,541.0	44,672.2	9,770.1	13,136.0	12,105.0
Transfer to General Fund	50.0	5,000.0	5,000.0						
Transfer to BTS Fund		950.0	800.0						
Unfunded		-	-	-	-	46,635.3	79,350.0	82,175.0	55,770.0
TOTAL EXPENDITURES	**70,363.9**	**213,920.6**	**192,973.5**	**179,330.9**	**120,541.0**	**91,307.5**	**89,120.1**	**95,311.0**	**67,875.0**
% vs prior year	-8.1%	45.4%	174.3%	-7.6%	-48.8%	-32.0%	-2.5%	6.5%	-40.4%
ENDING FUND BALANCE	**151,441.9**	**67,298.9**	**91,716.4**	**40,275.2**	**40,134.6**	**(9,344.2)**	**(87,050.4)**	**(169,080.9)**	**(221,869.9)**
Ending balance as % of Resources	68.3%	23.9%	32.2%	18.3%	25.0%	N/A	N/A	N/A	N/A
TOTAL REQUIREMENTS	**221,805.8**	**281,219.5**	**284,689.9**	**219,606.1**	**160,675.6**	**81,963.3**	**2,069.7**	**(73,769.9)**	**(153,994.9)**
REVENUE minus EXPENDITURES (NOT cumulative)	49,434.6	(84,143.0)	(59,725.5)	(51,441.3)	(140.5)	(49,478.9)	(77,706.2)	(82,030.5)	(52,789.0)
net recurring rev- exp	**49,434.6**	**(84,143.0)**	**(59,725.5)**	**(51,441.3)**	**(140.5)**	**(49,478.9)**	**(77,706.2)**	**(82,030.5)**	**(52,789.0)**

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

EMERGENCY MEDICAL SERVICE FUND

Description

The Emergency Medical Service (EMS) Fund is a special revenue fund established by referendum in 1980, which allows up to 1.5 mills to be levied annually on a county-wide basis to finance the operation of a comprehensive 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 FY14 through FY17, and with continued economic recovery, property tax revenue is projected to increase 5.0% in FY18.

The current millage of 0.9158 is projected to support the current service delivery system and allow the fund to remain above the Board-adopted reserve target of 25.0% through FY22. The fund reserve is projected at 27.1% in FY17 and decreases to 24.2% by FY23. From FY17 to FY23, the fund balance is projected to increase by $4.0M. However, the reserve (fund balance as a percentage of expenditures) decreases to 24.2% as the level of expenditures increases $30.4M by FY23. The potential for maintaining the 25.0% reserve without a future millage rate increase will be affected by: the ambulance service contract; changes in property values; potential changes to Medicare/Medicaid reimbursements; and adjustments in future service agreements with the first responders.

First responder contracts are currently funded based on actual first responder costs as defined in Board Resolution 09-38. Projected expenses for FY17 reflect the current negotiated agreements with the 18 providers. For FY18 and FY19, this forecast projects first responder expense growth at 3.7% and 3.9%, reflecting the assumption for annual growth in the Tampa Bay Regional CPI (2.7% and 2.9%) plus a potential additional 1.0% for qualified expenses. The forecast projects adjustments for first responder agreements at 5.0% in FY20, and 4.4% per year from FY21 through FY23. 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 $707 per transport in FY17. The County bills Medicare, Medicaid, private insurance, and various other payors for transport service. Billing for the service is done by Pinellas County. The County provides transports for non-emergencies and mental health transports as well. The County utilizes the 9-1-1 System to dispatch calls for the proper response to the call. Ambulance user fee revenue is projected to reach $55.0M in FY17, increase 5% in FY18, and then increase by 4.0% annually 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 3.1% in FY14, 2.1% in FY15, 0% in FY16, and 8.7% in FY17, but a retail rate increase has no impact on Medicare and Medicaid, which are approximately 63.0% of the payor mix. The County also offers an ambulance user fee membership program that citizens can join to minimize out of pocket expenses associated with the cost of EMS transports. Consistent with average receipts for the past five years, membership revenue is projected to generate $234,200 per year through the forecast period.

Property Taxes

Property taxes are used to fund the First Responder Program. Property tax revenues decreased significantly from FY08 to FY11 due to legislative rollbacks, the passage of Amendment One, the decline in the real estate market, and the recession. As the countywide EMS millage rate remained flat at 0.5832 during this period, actual ad valorem revenue decreased each year, from $42.6M in FY08 to $30.6M in FY11. The 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.

Emergency Medical Service Fund
Ad Valorem Revenue & Millage History

Fiscal Year	Millage	Revenue
2012	0.8506	$42,211,153
2013	0.9158	$44,527,638
2014	0.9158	$46,016,970
2015	0.9158	$49,090,649
2016	0.9158	$52,528,490
2017	0.9158	$55,590,830
Note: 2017 amount is budgeted Ad Valorem revenue.		

Expenditures

The Emergency Medical Service Fund supports budgeted expenditures totaling $113.0M in FY17. The primary expenditures in the fund are $51.5M for payments to the ambulance contractor, which includes $1.5M for medical supplies used by the first responder units, and $46.5M for contractual payments and capital reimbursement to the first responders. Program support expenditures total $13.1M for contract management, training, quality assurance, capital purchases, and billing of ambulance claims. Other expenditures include $1.6M for transfers to the Property Appraiser and Tax Collector and $262,400 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. FY17 expense, including medical supplies for first responder units, is budgeted at $51.5M. The forecast includes an expenditure increase of 5.0% in FY18 and up to 4.0% per year from FY19 through FY23 based on projected annual increases in the CPI and transport volume.

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. FY17 expense is budgeted at $45.1M for operations and $1.4M for capital outlay. The County also has an agreement with Eckerd College for basic life support water rescue. First responder service levels increased in the FY16 budget, with five (5) priority additions totaling $1.6M. The additions included 49th Street Corridor support; St. Pete Beach Rescue 22 support; an administrative coordinator in Clearwater; an additional Tierra Verde response vehicle; and reinstatement of Squad 26 to serve Indian Shores, Redington Shores, and North Redington Beach. First responder allocations increased by another $1.9M in FY17 to fund five (5) additional service response priorities. The additions included support for ALS Engine 45 in Clearwater; ALS Truck 42 in

Largo; ALS Engine 18 in Lealman; ALS Truck 33 in Pinellas Park; and two (2) Medic Units for peak hour staffing in St. Petersburg. With the exception the Tierra Verde response vehicle, all additions in the FY16 and FY17 budgets continue as a recurring expense through the forecast period.

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 ($13.1M). A staff of 39 employees provides ambulance billing and financial services. Other costs include the Medical Director's contract, Continuing Medical Education training expenses for all County Paramedics and Emergency Medical Technicians (EMTs), the purchase and maintenance of communication and Electrocardiogram (EKG) equipment, capital outlay, and contract administration. The budget also includes $225,600 in recurring expense to support training for specialized tactical operations.

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. FY17 costs for this function are $1.6M. 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 FY16, actual revenue came in $2.3M lower than expenses, and the year ended with the reserve at 29.3%. 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 27.1% for the end of FY17. Based on current assumptions, revenues are expected to exceed expenses each year from FY18 through FY22, with a small gap in FY23. The beginning fund balance is projected to grow from $31.0M in FY17 to $34.7M by FY23, but as the level of expenditures increases each year, the fund balance as a percent of expenditures (reserve) decreases from 27.1% to 24.2% over the forecast period.

Six-Year Forecast

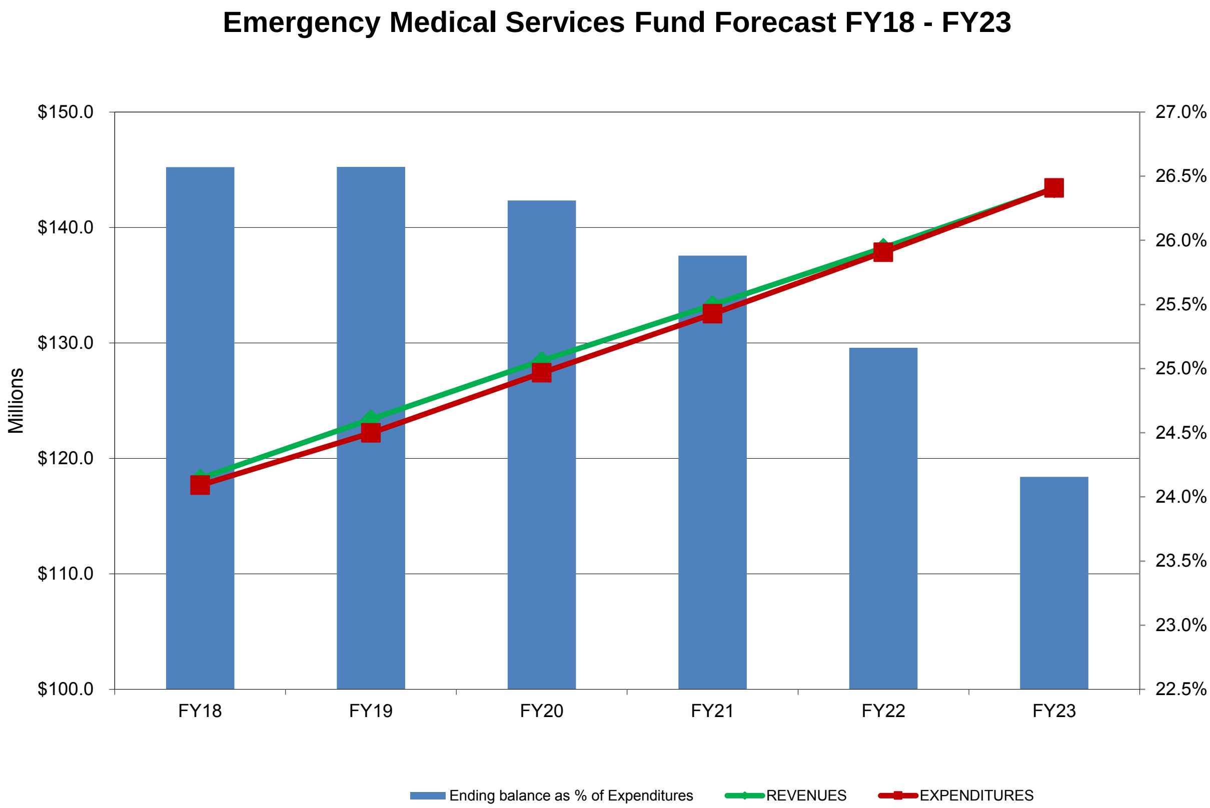
Key Assumptions

The EMS countywide millage is assumed to remain at the adopted FY17 rate of 0.9158 mills through the forecast period. Ad valorem tax revenue is projected to grow 5.0% in FY18, 4.5% in FY19, 4.0% in FY20, and continue with a 3.5% annual growth factor from FY21 to FY23. During the forecast period, ambulance user fee revenues are estimated to increase by 5.0% in FY18 and 4.0% each year through FY23, which trends 1.0% less than projected increases to transport volume.

Contractual payments for ambulance service are projected to increase by 5.0% for FY18 and 4.0% through the remaining forecast period due to increased transport volume and increases in the CPI. The County will work with the provider to manage expenses while still maintaining quality service.

The current first responder service agreements provide for potential contract extensions in FY18 and FY19, with the annual increase tied to the lesser of percentage increase in the Tampa Bay regional CPI or 125.0% of the percentage increase in taxable property value. The forecast assumes annual growth in the regional CPI at 2.7% in FY18 and 2.9% in FY19. An additional 1.0% may be approved for qualified expenses, allowing an increase of up to 3.7% in FY18 and 3.9% FY19. Beginning in FY20, the forecast assumes annual increases reflecting 125% of the projected growth in ad valorem tax revenue, which is 5.0% in FY20 and the 4.4% each year through FY23.

EMERGENCY MEDICAL SERVICE FUND



Key Results

In the previous chart for the total EMS Fund, the forecast shows revenues exceeding expenditures, but at a declining amount from $1.2M in FY19 to $390,900 in FY22. Based on current assumptions, the reserve stays above the target of 25.0% until it decreases to 24.2% in FY23 and expenses exceed revenue by $46,500.

Potential Risks

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

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

Balancing Strategies

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

EMERGENCY MEDICAL SERVICES FUND FORECAST
Fund 1006

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Ad Valorem Revenue	5.0%	4.5%	4.0%	3.5%	3.5%	3.5%
Ambulance Service Fees	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Ambulance Annual Members Fees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Revenue (EMS Trust Fund)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cty Off Fees (TC & PA)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
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%	2.2%	2.2%	2.2%
Ambulance Contract	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
EMS Trust Fund Grant Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants & Aids (First Responder Agmts)	3.7%	3.9%	5.0%	4.4%	4.4%	4.4%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Regional Consumer Price Index, % change	2.7%	2.9%	2.7%	2.7%	2.7%	2.7%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

EMERGENCY MEDICAL SERVICES FUND FORECAST
Fund 1006

(in $ thousands)	Actual FY16	Budget FY17	FORECAST (@ 96% Ad Valorem Revenue and @100% Ambulance Revenue) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE	**33,351.6**	**32,897.3**	**31,019.7**	**30,679.3**	**31,268.2**	**32,470.7**	**33,521.8**	**34,298.1**	**34,689.0**
REVENUES									
Ad Valorem Revenue @95%	52,528.5	55,590.8	55,590.8	58,370.4	60,997.0	63,436.9	65,657.2	67,955.2	70,333.6
Ambulance Service Fees @ 95%	49,792.6	52,196.0	52,196.0	54,805.8	56,998.1	59,278.0	61,649.1	64,115.1	66,679.7
Ambulance Annual Members Fees	229.9	234.2	234.2	234.2	234.2	234.2	234.2	234.2	234.2
Grant Revenue (EMS Trust Fund)	97.6	262.4	262.4	262.4	262.4	262.4	262.4	262.4	262.4
Cty Off Fees (TC & PA)	357.2	339.4	339.4	342.8	346.2	349.7	353.2	356.7	360.3
Interest	284.7	218.5	330.8	613.6	781.7	974.1	1,072.7	1,097.5	1,110.0
Refund of prior yrs exp	132.1	-	359.4	100.0	100.0	100.0	100.0	100.0	100.0
Other revenues	23.3	-	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Adjust Tax Revenues to 96%		-	585.2	614.4	642.1	667.8	691.1	715.3	740.4
Adjust Ambulance Revenues to 100%		-	2,759.5	2,896.8	3,012.2	3,132.2	3,257.0	3,386.8	3,521.8
TOTAL REVENUES	**103,446.0**	**108,841.4**	**112,682.7**	**118,265.5**	**123,398.9**	**128,460.3**	**133,302.0**	**138,248.3**	**143,367.4**
% vs prior year	3.1%	9.0%	8.9%	5.0%	4.3%	4.1%	3.8%	3.7%	3.7%
TOTAL RESOURCES	**136,797.6**	**141,738.7**	**143,702.5**	**148,944.8**	**154,667.1**	**160,931.0**	**166,823.8**	**172,546.4**	**178,056.4**
EXPENDITURES									
Personal Services	3,556.4	4,258.3	4,258.3	4,450.0	4,650.2	4,864.1	5,092.7	5,337.2	5,598.7
Operating Expenses	6,012.4	6,884.5	6,884.5	7,035.9	7,204.8	7,363.3	7,525.3	7,690.9	7,860.1
Operating Expenses - Ambulance Contract (First Responder Medical Supplies)	1,544.9	1,476.0	1,476.0	1,520.3	1,565.9	1,612.9	1,661.3	1,711.1	1,762.4
Capital Outlay *	1,344.0	1,998.3	1,998.3	2,042.2	2,091.2	2,137.2	2,184.3	2,232.3	2,281.4
Ambulance Contract	49,040.0	50,024.0	50,024.0	52,525.2	54,626.2	56,811.3	59,083.7	61,447.1	63,904.9
EMS Trust Fund Grant Expenditures	97.6	262.4	262.4	262.4	262.4	262.4	262.4	262.4	262.4
Grants & Aids (First Responder Agmts)	41,895.0	45,102.8	45,102.8	47,206.6	49,047.7	51,500.1	53,753.2	56,104.9	58,559.5
Grants & Aids (First Responder Capital)**	753.5	1,370.0	1,370.0	904.8	941.0	978.6	1,017.8	1,058.5	1,100.8
Trfrs to PA & TC	1,534.0	1,646.8	1,646.8	1,729.2	1,807.0	1,879.3	1,945.0	2,013.1	2,083.6
TOTAL EXPENDITURES	**105,777.8**	**113,023.1**	**113,023.1**	**117,676.6**	**122,196.4**	**127,409.2**	**132,525.7**	**137,857.4**	**143,413.9**
% vs prior year	11.9%	10.5%	6.8%	4.1%	3.8%	4.3%	4.0%	4.0%	4.0%
ENDING FUND BALANCE	**31,019.7**	**28,715.6**	**30,679.3**	**31,268.2**	**32,470.7**	**33,521.8**	**34,298.1**	**34,689.0**	**34,642.5**
Ending balance as % of Expenditures	29.3%	25.4%	27.1%	26.6%	26.6%	26.3%	25.9%	25.2%	24.2%
TOTAL REQUIREMENTS	**136,797.6**	**141,738.7**	**143,702.5**	**148,944.8**	**154,667.1**	**160,931.0**	**166,823.8**	**172,546.4**	**178,056.4**
REVENUE minus EXPENDITURES (NOT cumulative)	(2,331.9)	(4,181.8)	(340.4)	588.8	1,202.5	1,051.1	776.3	390.9	(46.5)

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

** FY17 First Responder Capital includes a one-time allocation of $500,000 for the Water Rescue program. FY18 returns to the normal level of annual reimbursement for First Responder capital expense.

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 (e.g. administration, operating, and maintenance expenses) are included in this fund. Also included are airport capital improvements, which typically receive federal and state grant funding of up to 95.0% of costs, depending on the type of project, with some projects funded 100.0% when Passenger Facility Charges are included.

The Airport realized an 11.6% increase in airline passengers in 2016 by serving 1,837,035 passengers in the calendar year. Allegiant Airlines continues to be the Airport's largest airline, representing 98.3% of passengers served. The airline added four new cities in 2016. Allegiant now flies non-stop to 53 destinations, with three more cities beginning service in February, 2017. Other commercial airlines operating are Sun Country Airlines, Beau Rivage Charter, and Sunwing Airlines. In November 2016, the Airport celebrated 10 years of service with Allegiant and Sunwing Airlines.

Summary

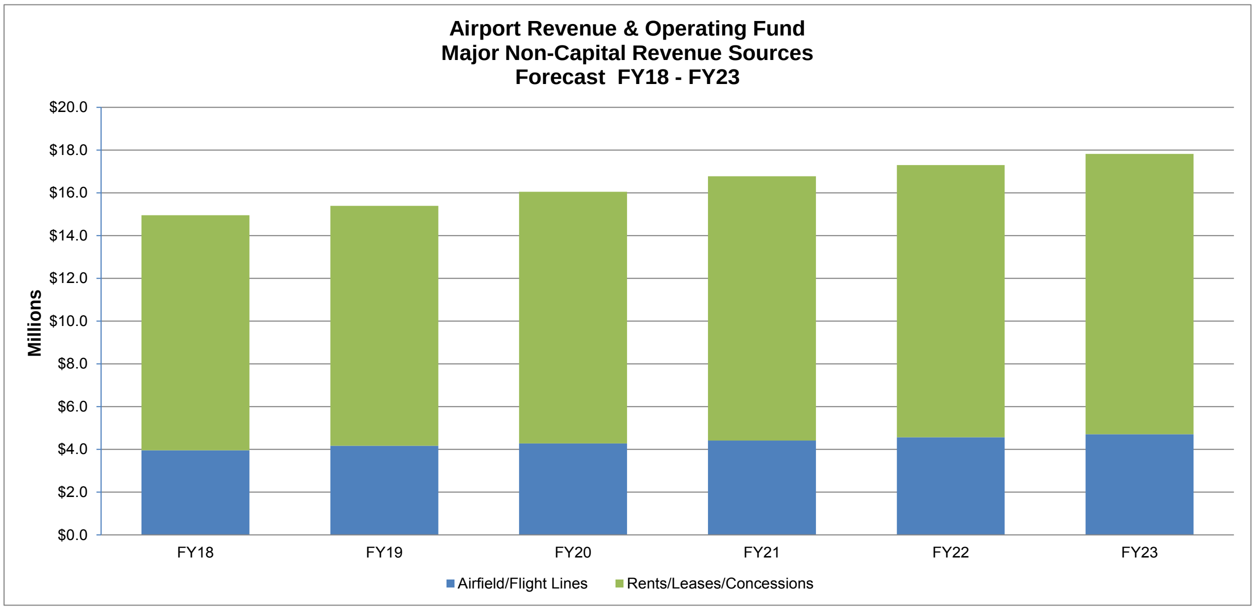
The Airport Revenue and Operating Fund is an enterprise fund that accounts for all revenues and expenditures at the Airport. This includes management of passenger and cargo airline operations, military, and general aviation, along with commercial and industrial airport property. The Airport is entirely 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 3.6% 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 two major funding sources supporting the Airport Revenue and Operating Fund during the forecast period are Rentals, Leases, and Concessions income and Airfield and Flight Line Fees. 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 US Coast Guard fees, airline landing and fuel flowage fees, and general aviation rent/fees.



Rentals/Leases/Concessions

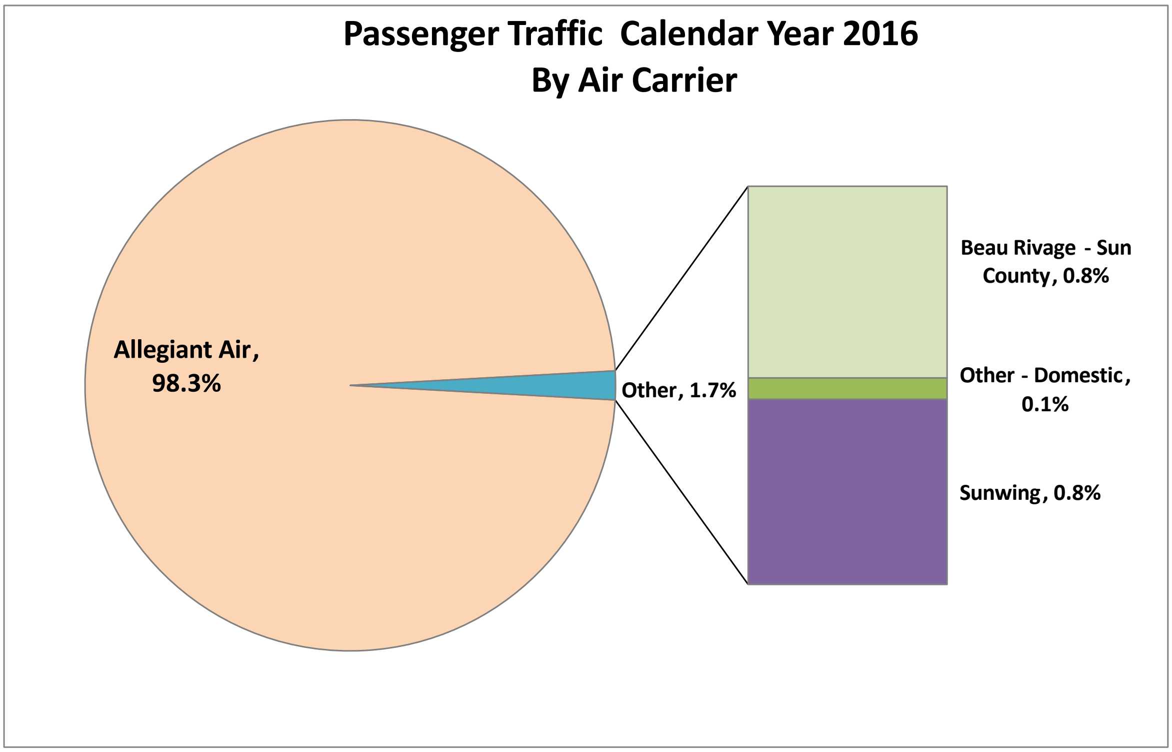
St. Petersburg-Clearwater International Airport, which is classified as a small-hub airport by the Federal Aviation Administration (FAA), provides commercial and private aviation services for the community. The Airport also has a significant amount of land which is under long-term ground leases, and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

Airfield/Flight Line

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

The following chart illustrates passenger traffic for the 2016 calendar year. The chart shows that Allegiant Airlines represents 98.3% 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 2015, airline passenger traffic for 2016 increased 11.6%.



Capital Contributions and Grants

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

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

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. The Airport currently plans to use CFC receipts for capital improvements that will benefit rental car customers.

Expenditures

In FY17, the Airport Revenue and Operating Fund supports budgeted expenditures and reserves totaling $71.1M of which $25.8M is allocated for capital projects and $33.2M for reserves. Also, in FY17, $400,000 was budgeted to be transferred to the General Fund in connection with revenues received from the Florida Department of Transportation due to the Gateway Expressway project's damages and cures. There remains another transfer of funds to the General Fund of $200,000 for four years equaling $800,000, due to the Gateway Expressway Project's fiber relocation and the necessity to give the Airport fiber redundancy.

<u>Airport Programs</u>

Of the remaining $11.8M budgeted for operating expenditures, 95.5% supports the Aviation Services program and 4.5% the Airport Real Estate program. The Aviation Services program consists of all facets of day-to-day aviation activities. The Airport Real Estate program oversees and negotiates leases with tenants and future development at the Airport to ensure compliance with FAA lease requirements.

<u>Personal Services</u>

Personal Services expenses are for the salaries and benefits of the 61.5 full-time equivalent positions needed to operate both programs at the Airport. Budgeted Personal Services expenditures in FY17 total $5.2M.

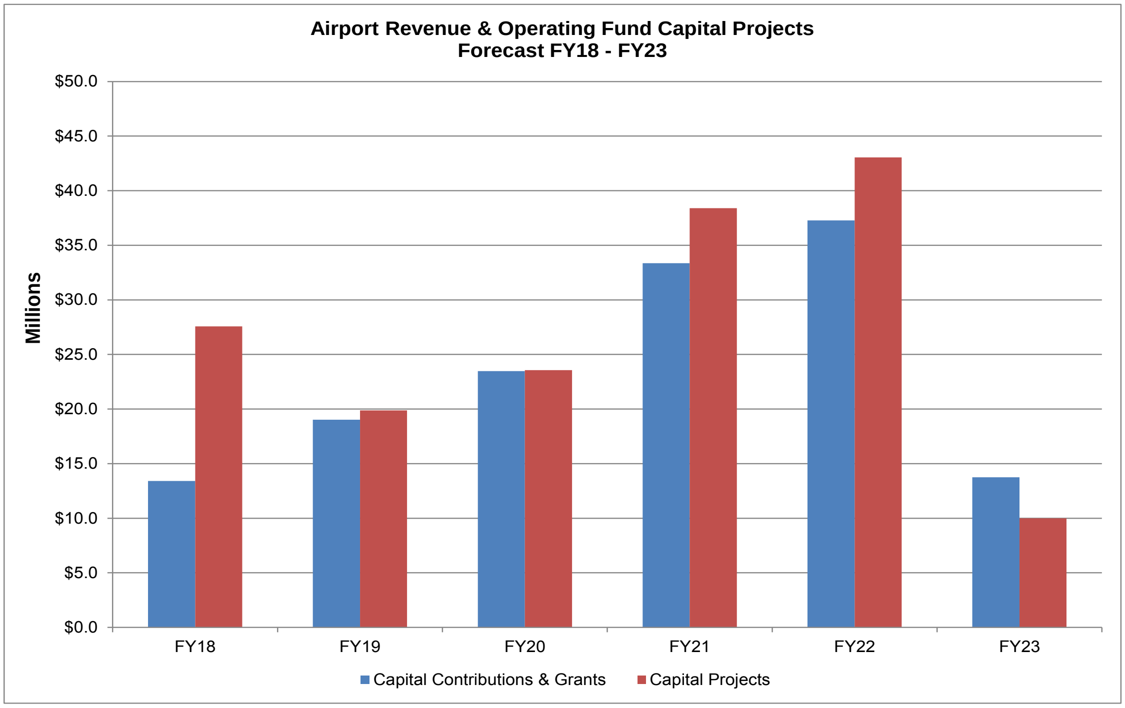
<u>Capital Projects</u>

The FY17 budget for Capital Projects is $25.8M. These projects receive partial funding in the form of grants from the FAA and FDOT. Passenger Facility Charge revenue may also be used when state or federal funds are unavailable. These projects will only commence when the appropriate grant funding is received from the funding agencies. The following chart shows the relationship between the scheduling of the revenues and the expenditures of capital projects. When additional funds are needed, Reserves may be used. Other outside revenues may be planned, such as private investment funds, but these sources are not included in the revenue forecast for Capital Projects.

In FY17 through FY19, capital projects include internal terminal drive circulation re-configuration and additional parking areas, a security system upgrade, a new airport maintenance facility, the second phase of airfield taxiway rehabilitation, an update to the Airport Master Plan, and an inline baggage handling system. The FY17 Airport Master Plan will be an important update, with BCC policy decisions, on the level and sources of investment for future capital improvements.

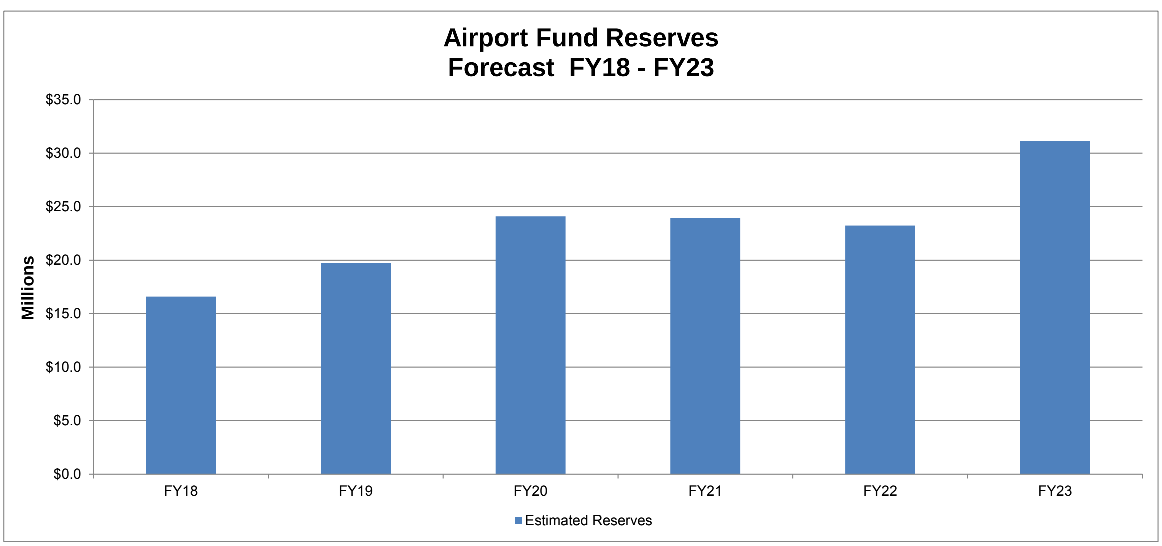
The scheduled capital projects in the outer years of the forecast period include construction of new taxiways and ramps to the former Airco parcel, a parking garage, construction of new T-Hangars, airfield lighting rehabilitation, a new fire-fighting vehicle, and construction of a new airport fire station.

AIRPORT FUND



Reserves

The total reserve level in the Airport Revenue and Operating fund is budgeted at $33.2M (64.1%) for FY17. The Airport built reserves over the past several years from the increased passenger airline service revenues and conservative operating expenditures, which resulted in increased annual operating profits. The reserves are available in the event of unanticipated revenue shortfalls as well as to support future capital funding needs. During the last eight fiscal years except in FY09, this drawdown on fund balance has only occurred to fund CIP projects. The Airport reserves also include the projected cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual on the financial statements. The amount of OPEB for the Airport Fund in the FY15 Comprehensive Annual Financial Report, Proprietary Funds Statement of Net Position is $2.4M.



Six-Year Forecast

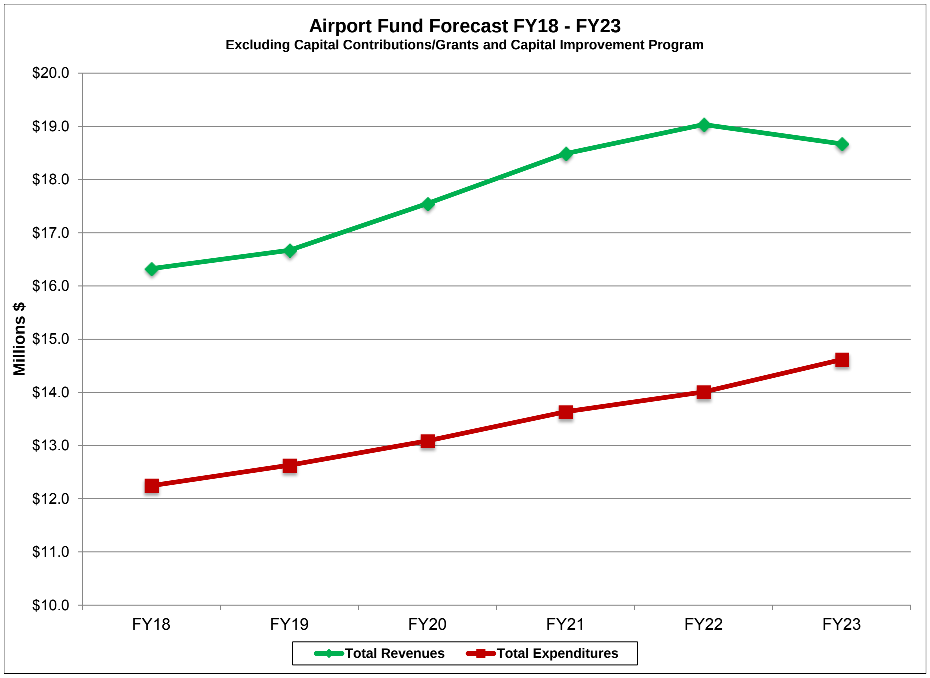
Key Assumptions

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

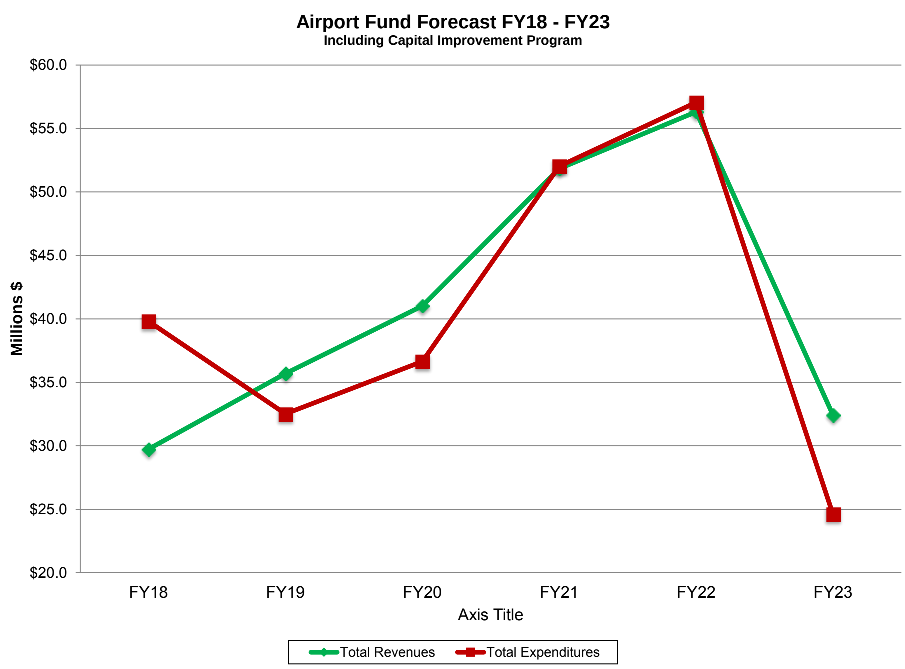
- Operating revenues and expenditures assume the following:
  - FY17 – Estimated at 1.8M total passengers
  - FY18 – Estimated at 1.9M total passengers
  - FY19 – FY23 –2.0% average annual passenger growth which equates to an average passenger growth of 40,000 total passengers each year
  - A new contract with Allegiant is ratified in FY19
  - Operating expenditures are forecasted to increase an average 3.2% over the forecast period due to traffic growth, or new Federal mandates
  - Rental revenues are adjusted for inflation
  - Most airport industrial land that can be leased is currently leased, so no growth in acreage leased is projected except for the former golf course area
  - Reduced revenue from U.S. Coast Guard due to “sequestration” impacts from Washington (approximately $500,000).
  - New city destination growth forecasted at two cities each year for passenger airlines
  - Largest sources of concession revenue are paid parking and car rental income − Both of these revenues may see a temporary decrease due to the capital improvement projects
  - If needed in the future, expenditures will be adjusted to reflect changes in airline service and revenues

No significant new revenue from commercial or industrial development on the former golf course acreage is projected in the forecast until FY20; however, due to recent interest in the Airco property, that project may need to be fast-tracked. New property development will depend on factors such as site restrictions and future economic conditions. An FAA-required Environmental Assessment is being performed the summer of 2017 for the Airco property, and its results will dictate what happens with the property and how fast development can begin. 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 $4.0M.

AIRPORT FUND



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



AIRPORT FUND

Key Results

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

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

Potential Risks

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

The Gateway Expressway project could become a concern if its financial impact to the Airport is significantly greater than what is currently anticipated.

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

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.

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	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Airfield/Flight Lines	3.2%	5.5%	2.5%	3.1%	3.5%	3.1%
Rents/Leases/Concessions	2.0%	2.0%	5.0%	5.0%	3.0%	3.0%
Capital Contributions inc. PFCs	-55.1%	41.9%	23.4%	42.1%	11.8%	-63.1%
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.0%	2.0%	3.0%	4.0%	4.0%	4.0%
Capital Outlay	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Grants & Aids	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

AIRPORT FUND FORECAST
Fund 4001

(in $ thousands)	Estimated FY16	Budget FY17	FORECAST (@100% Revenue) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE	**22,391.5**	**19,407.7**	**19,407.7**	**26,735.0**	**16,652.6**	**19,837.4**	**24,214.3**	**24,026.9**	**23,284.7**
REVENUES									
Airfield/Flight Lines *	3,653.7	3,834.7	3,834.7	3,957.4	4,175.1	4,279.4	4,412.1	4,566.5	4,708.1
Rents/Leases/Concessions *	9,736.5	10,779.7	10,779.7	10,995.3	11,215.2	11,776.0	12,364.8	12,735.7	13,117.8
Grants-Operating	88.2	88.2	88.2	90.0	91.8	93.6	95.5	97.4	99.3
Capital Contributions includes PFCs & CFCs****	19,938.3	36,739.2	29,881.0	13,404.1	19,027.0	23,472.0	33,353.7	37,281.3	13,748.3
Interest	112.0	284.7	284.7	534.7	416.3	595.1	774.9	768.9	745.1
Other revenues	0.9	1.7	1.7	1.7	1.8	1.8	1.8	1.9	1.9
Adjust Operating Revenues to 100.0%			1,310.5	747.6	769.5	802.8	838.8	865.1	891.3
TOTAL REVENUES	**33,529.6**	**51,728.2**	**46,180.5**	**29,730.8**	**35,696.7**	**41,020.8**	**51,841.7**	**56,316.9**	**32,420.6**
% vs prior year		82.6%	37.7%	-35.6%	20.1%	14.9%	26.4%	8.6%	-42.4%
TOTAL RESOURCES	**55,921.1**	**71,135.9**	**65,588.2**	**56,465.8**	**52,349.3**	**60,858.2**	**76,056.0**	**80,343.8**	**55,705.4**
EXPENDITURES									
Personal Services	4,788.8	5,244.7	5,244.7	5,480.7	5,727.3	5,990.8	6,272.4	6,573.4	6,895.5
Operating Expenses **	5,541.7	5,782.9	5,782.9	5,898.6	6,016.5	6,197.0	6,444.9	6,702.7	6,970.8
Capital Outlay	140.2	146.3	146.3	152.2	158.2	164.6	171.2	178.0	185.1
Full Cost Allocation	447.8	617.2	617.2	630.8	645.9	660.1	674.7	689.5	704.7
Debt Service	-	-	-	-	-	-	-	-	-
Non-recurring CIP expenditures	25,594.9	25,763.6	26,773.9	27,566.3	19,882.9	23,554.9	38,394.9	43,050.0	10,000.0
Transfer to Other Fund(s)	-	400.0	400.0	200.0	200.0	200.0	200.0	-	-
Expenditure Lapse 1% ***			(111.7)	(115.3)	(119.0)	(123.5)	(128.9)	(134.5)	(140.5)
TOTAL EXPENDITURES	**36,513.4**	**37,954.7**	**38,853.3**	**39,813.2**	**32,511.9**	**36,643.9**	**52,029.1**	**57,059.1**	**24,615.6**
% vs prior year	33%	2.8%	6.4%	2.5%	-18.3%	12.7%	42.0%	9.7%	-56.9%
ENDING FUND BALANCE	**19,407.7**	**33,181.2**	**26,735.0**	**16,652.6**	**19,837.4**	**24,214.3**	**24,026.9**	**23,284.7**	**31,089.7**
Ending balance as % of Revenue	57.9%	64.1%	57.9%	56.0%	55.6%	59.0%	46.3%	41.3%	95.9%
TOTAL REQUIREMENTS	**55,921.1**	**71,135.9**	**65,588.2**	**56,465.8**	**52,349.3**	**60,858.2**	**76,056.0**	**80,343.8**	**55,705.4**
REVENUE minus EXPENDITURES	(2,983.8)	13,773.5	7,327.3	(10,082.3)	3,184.8	4,376.9	(187.4)	(742.2)	7,805.0
note: non-recurring CIP expenditures		**25,763.6**	**26,773.9**	**27,566.3**	**19,882.9**	**23,554.9**	**38,394.9**	**43,050.0**	**10,000.0**
non-recurring revenue (capital contributions)		**(36,739.2)**	**(29,881.0)**	**(13,404.1)**	**(19,027.0)**	**(23,472.0)**	**(33,353.7)**	**(37,281.3)**	**(13,748.3)**
net recurring rev- exp		**2,797.9**	**4,220.2**	**4,079.9**	**4,040.7**	**4,459.8**	**4,853.8**	**5,026.5**	**4,056.7**

* Operating Revenues
** Operating Expenses net of Full Cost Allocation
*** Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.
**** Customer Facility Charge (CFC) implemented in FY17.

WATER FUNDS

Description

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

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

Summary

The 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 FY23. The Water Funds are structurally balanced through the forecast period.

Revenues

The Water Funds are projected to generate revenues in FY17 totaling $90.1M. The Water Funds have two primary funding sources: retail water sales of $69.9M and wholesale water sales of $13.2M.

Retail Water Sales

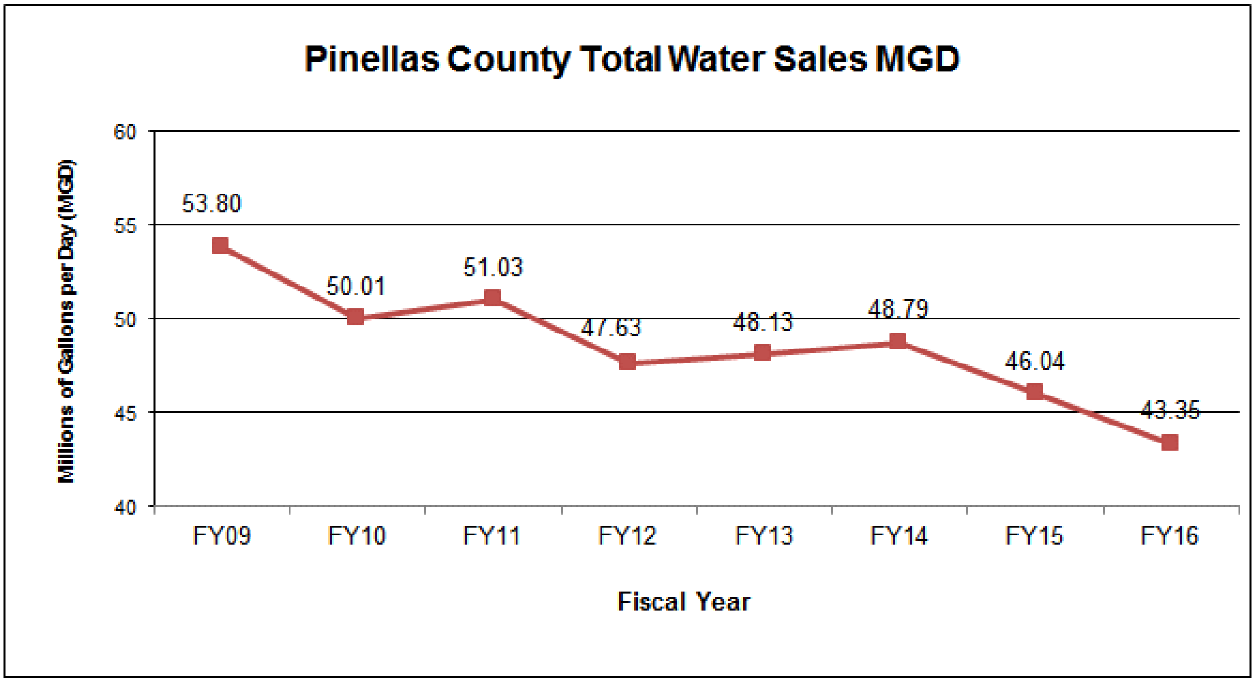
The Water System charges $6.57 per month base rate and $4.95 per 1,000 gallons for retail water service in FY17, an overall increase of $0.20 per month from FY16. The customer base for retail water sales is both commercial and residential properties in the Pinellas County Water service area. The volume of water sold has declined 7.0% from FY09 to FY16. The amount of water sold can be affected by economic conditions, housing and commercial vacancies, rainfall, and levels of water conservation.

Wholesale Water Sales

The Water System rate for FY17 is $3.9919 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 has declined 45.3% from FY09 through FY16, which can be attributed to the development of independent water sources by wholesale customers (Clearwater, Tarpon Springs, and Oldsmar), and the same economic and conservation pressures as those seen in retail water sales. Beginning in FY16, wholesale water sales volume is projected to be at a steady level.

WATER FUNDS

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



Source: Pinellas County Utilities Department

Expenditures

The Water Funds support budgeted expenditures in FY17 totaling $91.0M. The primary expenditures in the fund are $41.2M for the purchase of water, $14.8M for personal services, $16.4M for operating expenses (excluding the purchase of water), and $18.6M for capital outlay.

<u>Purchase of Water</u>

Under Section 373.1963 of the Florida Statutes, the Water System is required to purchase water from Tampa Bay Water, the regional water supply authority. In 1997, an 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.

<u>Personal Services</u>

The Water System is budgeted for 182.3 full-time equivalent employees in FY17. The Personal Services expenses of $14.8M are for the salaries and benefits of those positions needed to operate the Water System. Water System benefits include the $883,000 cost of Other Post-Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

Operating Expenses

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

Capital Outlay

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

Reserves

The reserve level in the Water System is estimated at 79.5% in FY17. As a self-supporting enterprise, the Water System maintains $40.0M of budgeted reserves for cash flows and emergencies and $24.2M to fund future capital needs.

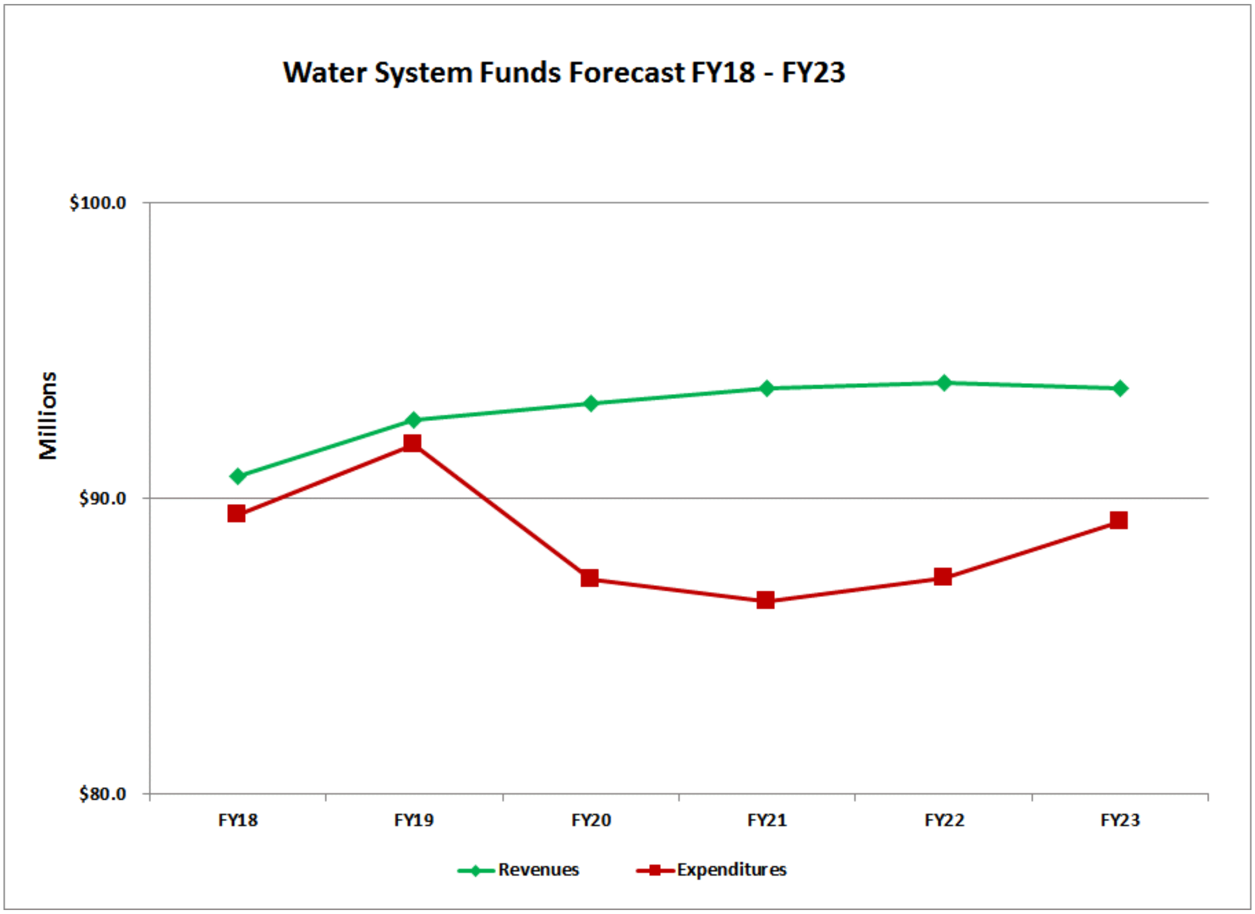
Six-Year Forecast

Key Assumptions

The forecast assumes that FY18 to FY22 revenues will increase 0.2% to 2.1% per year. FY23 revenues will decrease by 0.2% from FY22. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The change in the Purchase of Water costs is derived from the FY17 Tampa Bay Water five-year budget through FY22, then assumes an increase of 1.5% for FY23. Electricity and chemical costs are projected to increase 5.0% and 7.0% respectively per year through the forecast period, based on historical trends. The capital outlay forecast reflects the construction and purchase needs as estimated by the engineering staff.

To balance revenues with projected expenditures, the forecast includes rate increases through FY19 of 1.75% per year for both retail and wholesale water, approved as part of the FY16 budget.

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.

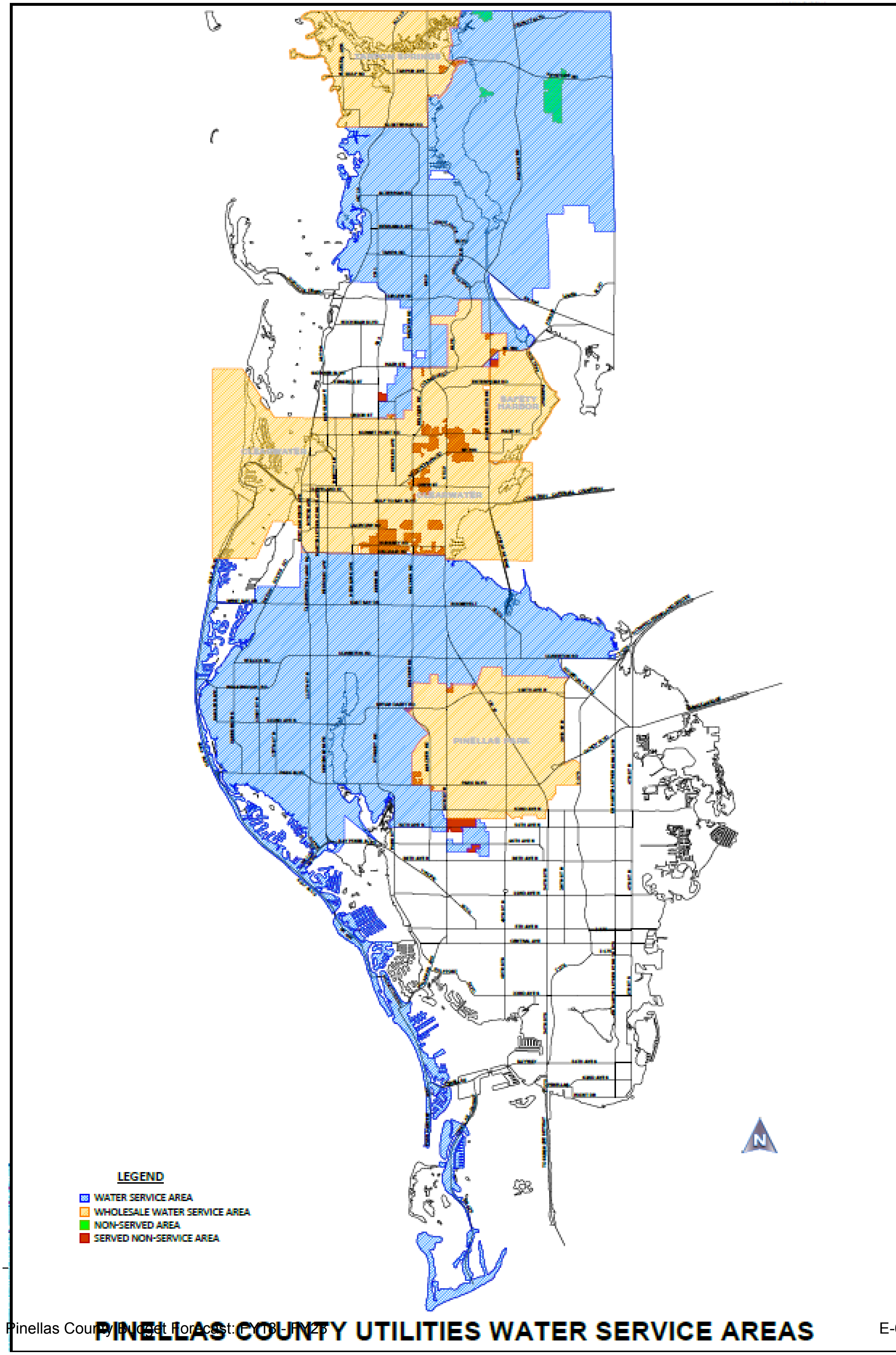
Potential Risks

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. The Water System could experience a need for more maintenance than anticipated, causing increased operating and capital costs. Regulatory pressures could cause an increase of expenditures to maintain the system.

Balancing Strategies

With the multi-year rate increases approved during the FY16 budget process, the Water System is balanced over the forecast period. 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
PINELLAS COUNTY UTILITIES WATER SERVICE AREAS

WATER FUNDS FORECAST
Fund 4031, 4034, & 4036

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Water Sales-Retail	1.9%	1.9%	0.2%	0.2%	0.2%	0.2%
Water Sales-Wholesale	-3.2%	1.8%	0.0%	0.0%	0.0%	0.0%
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	-19.1%	-1.4%	0.3%	0.6%	-2.9%	-10.2%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
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%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

WATER FUNDS FORECAST
Fund 4031, 4034, & 4036

(in $ thousands)	Actual FY16	Budget FY17	FORECAST (@100%) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated 2022	Estimated FY23
BEGINNING FUND BALANCE*	**60,778.9**	**69,831.4**	**69,831.4**	**71,683.5**	**72,982.9**	**73,824.5**	**79,750.2**	**86,944.0**	**93,542.9**
REVENUES									
Water Sales - Retail	67,784.5	66,409.1	69,904.3	71,253.9	72,629.4	72,760.1	72,891.1	73,022.3	73,153.7
Water Sales - Wholesale	13,694.3	12,499.9	13,157.8	12,735.7	12,958.5	12,958.5	12,958.5	12,958.5	12,958.5
Interest	462.2	280.3	462.2	1,433.7	1,824.6	2,214.7	2,552.0	2,782.2	2,993.4
Other Revenues	7,030.9	6,264.1	6,593.8	5,334.2	5,260.3	5,278.6	5,308.2	5,153.6	4,629.8
TOTAL REVENUES	**88,971.9**	**85,453.3**	**90,118.1**	**90,757.5**	**92,672.7**	**93,211.9**	**93,709.8**	**93,916.6**	**93,735.4**
% vs prior year	-0.8%	6.9%	1.3%	0.7%	2.1%	0.6%	0.5%	0.2%	-0.2%
TOTAL RESOURCES	**149,750.8**	**155,284.8**	**159,949.6**	**162,441.0**	**165,655.6**	**167,036.4**	**173,460.0**	**180,860.6**	**187,278.3**
EXPENDITURES									
Personal Services	11,459.3	13,967.1	13,967.1	14,595.6	15,252.4	15,954.0	16,703.8	17,505.6	18,363.4
OPEB	881.7	882.7	882.7	922.4	963.9	1,008.3	1,055.7	1,106.3	1,160.6
Operating Expenses	6,522.8	7,612.3	7,612.3	7,779.8	7,966.5	8,141.8	8,320.9	8,503.9	8,691.0
Purchase of Water	41,363.9	41,200.0	41,200.0	41,818.0	42,445.3	43,081.9	43,728.2	44,384.1	45,049.9
Power	777.6	1,450.9	1,030.9	1,082.4	1,136.5	1,193.3	1,253.0	1,315.7	1,381.5
Chemicals	608.4	869.2	650.0	695.5	744.2	796.3	852.0	911.7	975.5
Grants & Aids	-	-	-	-	-	-	-	-	-
Cost Allocation	5,546.6	6,465.1	6,465.1	6,607.3	6,765.9	6,914.8	7,066.9	7,222.4	7,381.2
Expenditure Lapse**			(2,127.8)	(2,177.4)	(2,229.3)	(2,282.5)	(2,337.7)	(2,395.3)	(2,455.3)
Debt Service	1.8	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Capital Equipment	2,029.9	1,563.9	1,563.9	1,147.9	1,147.9	1,147.9	1,147.9	1,147.9	1,147.9
Capital Outlay	10,727.5	17,010.9	17,010.9	16,975.5	17,626.9	11,319.4	8,714.4	7,604.4	7,510.4
TOTAL EXPENDITURES	**79,919.4**	**91,033.1**	**88,266.1**	**89,458.1**	**91,831.2**	**87,286.2**	**86,516.0**	**87,317.7**	**89,217.0**
% vs prior year	-0.6%	-3.0%	10.4%	1.4%	2.7%	-4.9%	-0.9%	0.9%	2.2%
TOTAL ENDING FUND BALANCE	**69,831.4**	**64,251.7**	**71,683.5**	**72,982.9**	**73,824.5**	**79,750.2**	**86,944.0**	**93,542.9**	**98,061.3**
Ending balance as % of Revenue	78.5%	75.2%	79.5%	80.4%	79.7%	85.6%	92.8%	99.6%	104.6%
TOTAL REQUIREMENTS	**149,750.8**	**155,284.8**	**159,949.6**	**162,441.0**	**165,655.6**	**167,036.4**	**173,460.0**	**180,860.6**	**187,278.3**
REVENUE minus EXPENDITURES (NOT cumulative)	9,052.5	(5,579.8)	1,852.0	1,299.4	841.6	5,925.7	7,193.7	6,599.0	4,518.3

* Includes OPEB Impact.
** Expenditure lapse of 1.0% is calculated on all expenses excluding OPEB, Debt Service, Capital Equipment, and Capital Outlay.
Revenues reflect the combined impact of changes in rates and/or levels of consumption.

SEWER FUNDS

Description

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

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

Summary

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

The forecast for the Sewer System Funds shows that the multi-year rate increases approved as part of the FY16 budget process will provide sufficient revenues to maintain reserves, sustain the targeted debt service coverage ratio of 1.50x, and fund capital replacement needs through FY19. In FY17 through FY23, expenditures will exceed revenues as fund balance is used to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

Revenues

The Sewer Funds are projected to generate revenues in FY17 totaling $75.6M. The Sewer Funds have three primary funding sources: retail sewer charges of $61.5M, wholesale sewer charges of $7.0M, and retail reclaimed water charges of $5.0M.

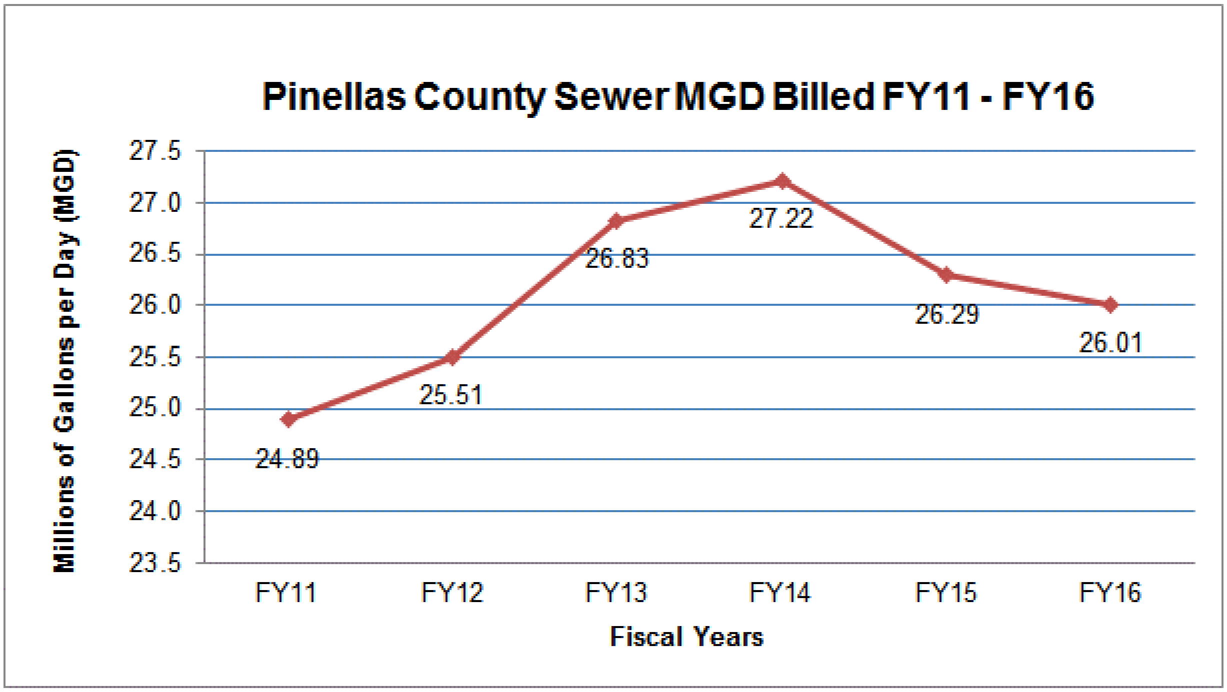
Retail Sewer Charges

The Sewer System charges $13.39 per month base rate and $4.89 per 1,000 gallons for retail sewer service in FY17, an overall increase of $0.18 per month from FY16. The customer base for retail sewer service is both commercial and residential properties in the Pinellas County Sewer service area. The amount of waste processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

Wholesale Sewer Sales

The Sewer System charges $4.2201 per 1,000 gallons for wholesale sewer service in FY17. 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. The amount of waste processed is affected by economic conditions, housing and commercial vacancies, and levels of water conservation.

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



Source: Pinellas County Utilities Department

Retail Reclaimed Water Charges

The Reclaimed Water System charges 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, with most paying only the flat monthly rate.

Wholesale Reclaimed Water Charges

The Reclaimed Water System charges volumetric rates by contract for wholesale reclaimed water service. Wholesale customers are four 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 FY17 totaling $84.8M. The primary expenditures in the funds are $18.4M for personal services costs, $27.2M for operating expenses, $14.3M for debt service, and $24.8M for capital outlay.

Personal Services

The Sewer System is budgeted for 217.1 full-time equivalent employees in FY17. The Personal Services expenses of $18.4M are for the salaries and benefits of those positions needed to operate the Sewer System. Sewer System benefits include the $1.0M cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual. This cost is included in the calculation of the debt service coverage ratio.

Debt Service

The Sewer System has $154.9M of bond principal outstanding as of September 30, 2016. 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 FY17 through FY28, the debt service requirement is between $14.3M and $14.7M. From FY29 through FY32, debt service payments fall to between $5.0M and $5.5M. The bonds mature between 2017 and 2032.

Operating Expenses

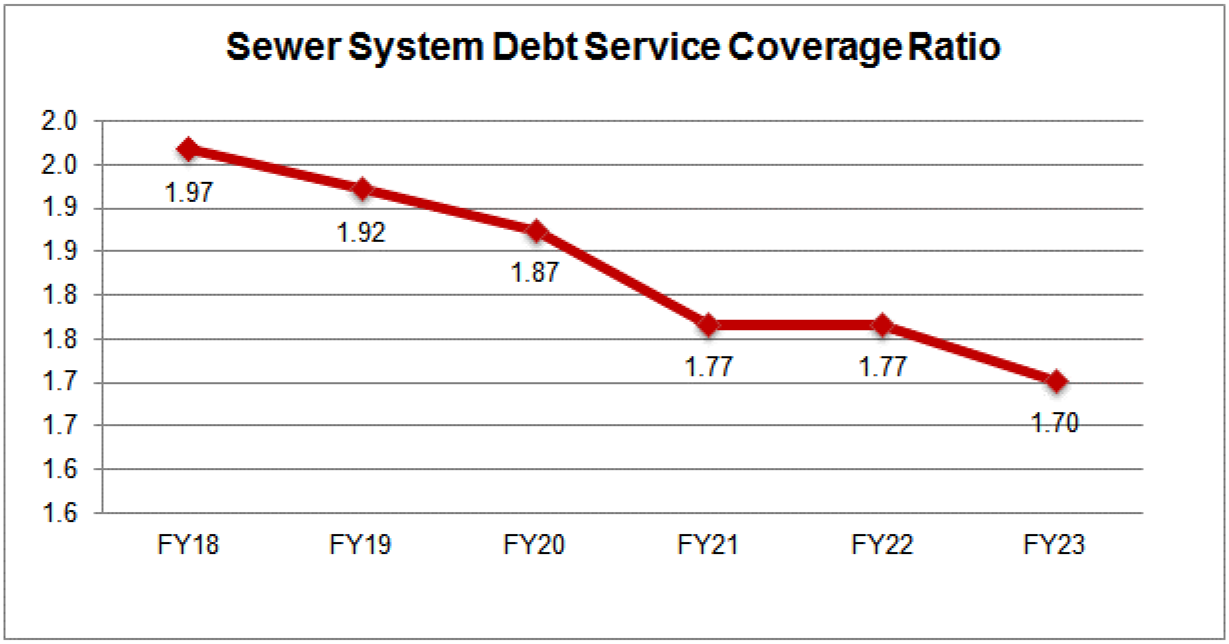
The Sewer System incurs annual recurring costs for repair and maintenance, supplies, fuel, and communications. In addition, utilities to run the facilities and chemicals to treat the waste are major components of the Sewer System's operating expenses.

Capital Outlay

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

Reserves

The estimated reserve level in the Sewer System is 95.0% in FY17, which is higher than the goal of 15.0% reserve level. As a self-supporting enterprise, the Sewer System maintains $25.9M of budgeted reserves for cash flow and emergencies and $38.8M to fund future capital needs. In addition, the 2008 bond issue requires a debt service reserve of $1.2M.



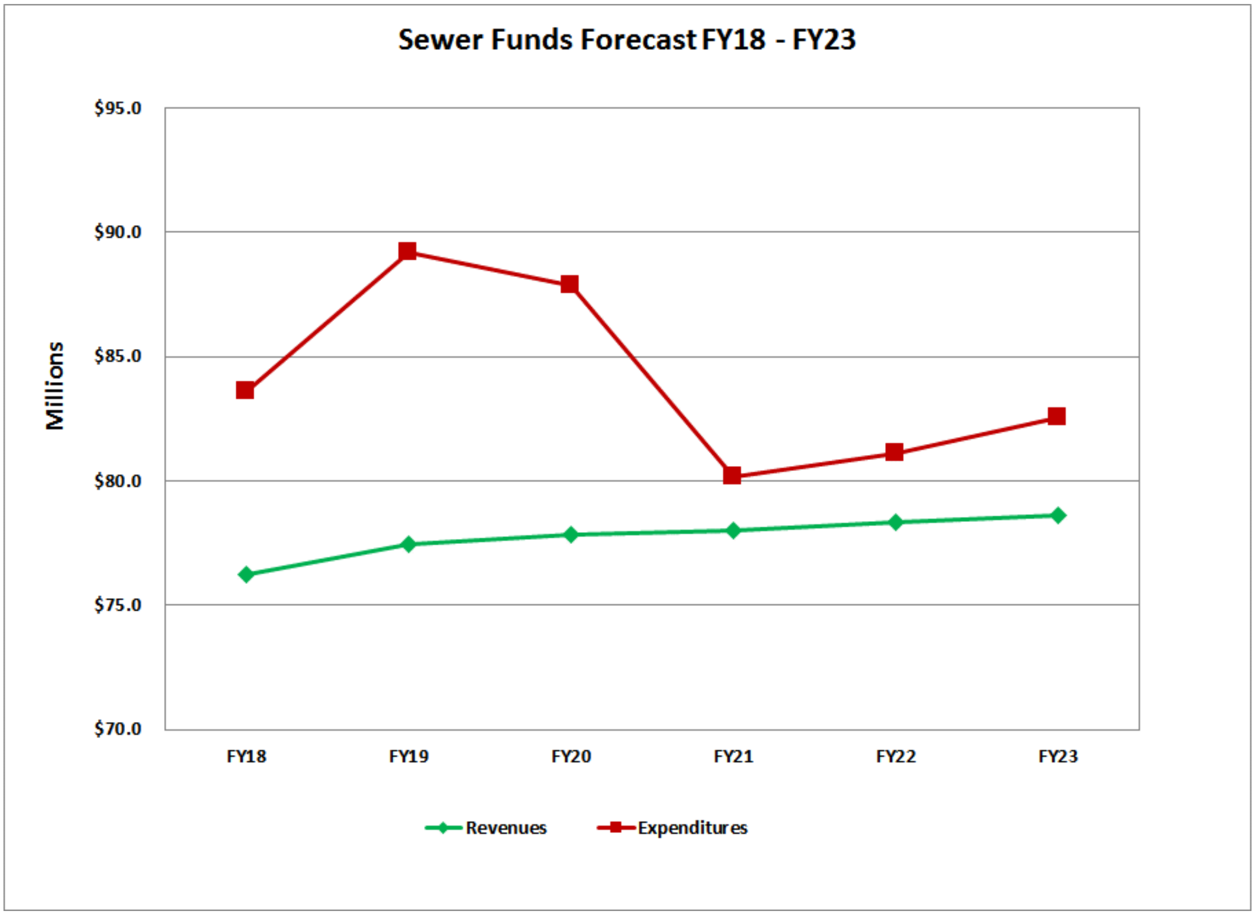
Six-Year Forecast

Key Assumptions

The forecast assumes that FY18 to FY23 revenues will increase 0.2% to 1.6% each year, due to the expected slow growth in the economy. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. Electricity and chemical costs are projected to increase 5.0% and 7.0% respectively per year through the forecast period, based on historical trends. The capital outlay forecast reflects the construction and purchase needs as estimated by the engineering staff.

To balance revenues with projected expenditures, multi-year rate increases were approved during the FY16 budget process for both retail and wholesale rates. Burton and Associates, independent consultants, 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.

SEWER FUNDS



Key Results

The forecast for the Sewer System Funds shows that the multi-year rate increases approved in FY16 will provide sufficient revenues to maintain reserves, sustain the recommended debt service coverage ratio of 1.50x, and fund capital replacement needs over the forecast period. In FY18 through FY23, expenditures will exceed revenues as fund balance is drawn down to complete major capital projects. The Sewer Funds are structurally balanced through the forecast period.

Potential Risks

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

Balancing Strategies

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

SEWER FUNDS FORECAST
Fund 4051, 4052, & 4053

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Sewer Charges - Retail	-0.8%	1.2%	0.2%	0.2%	0.2%	0.2%
Sewer Charges - Wholesale	1.2%	1.2%	0.2%	0.2%	0.2%	0.2%
Reclaimed - Retail	2.2%	4.5%	4.3%	4.2%	4.0%	3.8%
Reclaimed - Wholesale	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	-2.5%	0.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURE						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
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%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

SEWER FUNDS FORECAST
Fund 4051, 4052, & 4053

(in $ thousands)	Actual FY16	Budget FY17	FORECAST (@100%) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
BEGINNING FUND BALANCE*	**72,589.5**	**78,237.2**	**78,237.2**	**71,782.0**	**64,441.1**	**52,714.6**	**42,682.7**	**40,540.2**	**37,747.8**
REVENUES									
Sewer Charges - Retail	60,772.1	59,094.8	61,486.0	60,992.0	61,708.4	61,838.0	61,967.9	62,098.0	62,228.4
Sewer Charges - Wholesale	7,439.2	6,616.8	6,965.0	7,049.3	7,134.6	7,149.5	7,164.6	7,179.6	7,194.7
Reclaimed - Retail	4,755.6	4,876.4	4,971.8	5,081.3	5,312.3	5,543.2	5,774.2	6,005.2	6,236.1
Reclaimed - Wholesale	272.3	257.4	271.0	286.0	299.0	312.0	325.0	338.0	351.0
Interest	456.5	284.3	456.5	1,435.6	1,611.0	1,581.4	1,365.8	1,297.3	1,207.9
Other Revenues	2,586.7	1,374.5	1,446.9	1,410.2	1,410.2	1,410.2	1,410.2	1,410.2	1,410.2
TOTAL REVENUES	**76,282.5**	**72,504.1**	**75,597.1**	**76,254.4**	**77,475.5**	**77,834.5**	**78,007.7**	**78,328.3**	**78,628.4**
% vs prior year		-4.2%	-0.9%	0.9%	1.6%	0.5%	0.2%	0.4%	0.4%
TOTAL RESOURCES	**148,871.9**	**150,741.3**	**153,834.4**	**148,036.4**	**141,916.6**	**130,549.1**	**120,690.4**	**118,868.6**	**116,376.2**
EXPENDITURES									
Personal Services	14,961.2	17,393.5	17,393.5	18,176.2	18,994.1	19,867.8	20,801.6	21,800.1	22,868.3
OPEB	982.3	1,026.5	1,026.5	1,072.7	1,121.0	1,172.6	1,227.7	1,286.6	1,349.6
Operating Expenses	12,324.6	13,254.6	13,254.6	13,546.2	13,871.3	14,176.4	14,488.3	14,807.1	15,132.8
Power	3,672.8	5,047.4	4,040.1	4,242.1	4,454.2	4,676.9	4,910.7	5,156.3	5,414.1
Chemicals	2,839.2	4,026.7	3,599.7	3,851.7	4,121.3	4,409.8	4,718.5	5,048.8	5,402.2
Cost Allocation	6,024.4	4,900.2	4,900.2	5,008.0	5,128.2	5,241.0	5,356.3	5,474.2	5,594.6
Expenditure Lapse**			(1,295.6)	(1,344.7)	(1,397.1)	(1,451.2)	(1,508.3)	(1,568.6)	(1,632.4)
Transfer from Water	-	-	-	-	-	-	-	-	-
Debt Service	14,380.3	14,310.1	14,310.1	14,629.3	14,635.9	14,641.4	14,623.7	14,619.8	14,615.0
Capital Equipment	3,206.9	2,303.7	2,303.7	2,432.4	2,432.4	2,432.4	2,432.4	2,432.4	2,432.4
Capital Outlay	12,242.9	22,519.7	22,519.7	21,981.5	25,840.7	22,699.2	13,099.2	12,064.2	11,354.2
TOTAL EXPENDITURES	**70,634.7**	**84,782.4**	**82,052.4**	**83,595.3**	**89,202.0**	**87,866.4**	**80,150.2**	**81,120.7**	**82,530.9**
% vs prior year		32.4%	16.2%	1.9%	6.7%	-1.5%	-8.8%	1.2%	1.7%
TOTAL ENDING FUND BALANCE	**78,237.2**	**65,958.9**	**71,782.0**	**64,441.1**	**52,714.6**	**42,682.7**	**40,540.2**	**37,747.8**	**33,845.4**
Ending balance as % of Revenue	102.6%	91.0%	95.0%	84.5%	68.0%	54.8%	52.0%	48.2%	43.0%
TOTAL REQUIREMENTS	**148,871.9**	**150,741.3**	**153,834.4**	**148,036.4**	**141,916.6**	**130,549.1**	**120,690.4**	**118,868.6**	**116,376.2**
Debt Service Coverage	**2.41**	**1.83**	**2.23**	**2.04**	**2.00**	**1.90**	**1.80**	**1.69**	**1.57**
REVENUE minus EXPENDITURES (NOT cumulative)	5,647.8	(12,278.3)	(6,455.3)	(7,340.9)	(11,726.5)	(10,031.9)	(2,142.5)	(2,792.4)	(3,902.4)

* Includes OPEB Impact.
** Expenditure lapse of 1.0% is calculated on all expenses excluding OPEB, Debt Service, Capital Equipment, and Capital Outlay
Revenues reflect the combined impact of changes in rate and/or levels of consumption.

SOLID WASTE FUNDS

Description

Pinellas County Solid Waste provides safe and environmentally sound integrated solid waste services to all citizens of Pinellas County. These services emphasize public awareness and communication that enable citizens to make educated choices concerning responsible management of their solid waste. In support of that mission, Solid Waste operates the landfill, the waste to energy (WTE) plant, household hazardous waste collection, waste reduction, and other solid waste management related functions.

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 propriety 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 during the forecasted six-year period.

Revenues

The Solid Waste Funds are projected to generate revenues in FY17 totaling $97.1M. The Solid Waste Funds consist almost exclusively of two primary funding sources: tipping fees of $34.8M and electrical capacity and electricity sales of $60.3M.

<u>Tipping Fees</u>

Solid Waste charges $37.50 per ton for all waste brought to the Solid Waste Facility. The rate has not changed since 1988. No rate increase is proposed for FY18, and no rate increases are included in this forecast. A multi-year rate study was conducted by an outside consultant with the potential to build a rate stabilization fund to minimize impacts of anticipated future increases in fees. This rate study will be reevaluated in the coming years to determine any potential future fee modifications. The volume of waste brought to the Solid Waste Facility is expected to increase slightly during the forecast period. The amount of waste brought to the facility is affected by economic conditions and levels of recycling.

<u>Electrical Capacity and Electricity Sales</u>

Solid Waste and Duke Energy have a contract 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.

Capacity revenue escalates at a fixed rate each year (6.4%) per the contract and is affected by the operating capacity of the plant. Electricity Sales are affected by the amount of waste received by the plant. A 2.0% and 3.0% increase in Electricity Sales revenue is anticipated in FY19 and FY20, respectively, due to increased waste processing after the WTE plant restoration work is completed. Thereafter, this revenue is forecast to increase by 1.0% per year throughout the forecast period.

Recycling Revenue

Solid Waste receives revenue for contract sales of recyclable materials that are brought to the Solid Waste Facility. Due to 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.

Total Annual Solid Waste Tons

Source: Pinellas County Solid Waste

Expenditures

The Solid Waste Funds support budgeted expenditures for FY17 totaling $166.7M. The expenditures in the fund are $91.5M for capital outlay and equipment, $37.2M for the WTE service contract, $11.5M for the landfill service contract, $19.7M for all other operating expenses, and $6.9M for personal services.

Capital Outlay and Equipment

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

Waste-to-Energy Service Contract

Solid Waste is under contract with Covanta Projects, LLC (Covanta) to operate the WTE plant. This contract began December 2014 and has a 10-year term. In FY18, these costs are expected to decrease due to anticipated completion of WTE plant renovation projects.

Landfill Service Contract

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

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 78.0 full-time equivalent employees in FY17. The Personal Services expenses of $6.9M are for the salaries and benefits of those positions needed to operate the Solid Waste System. Benefits include the cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual.

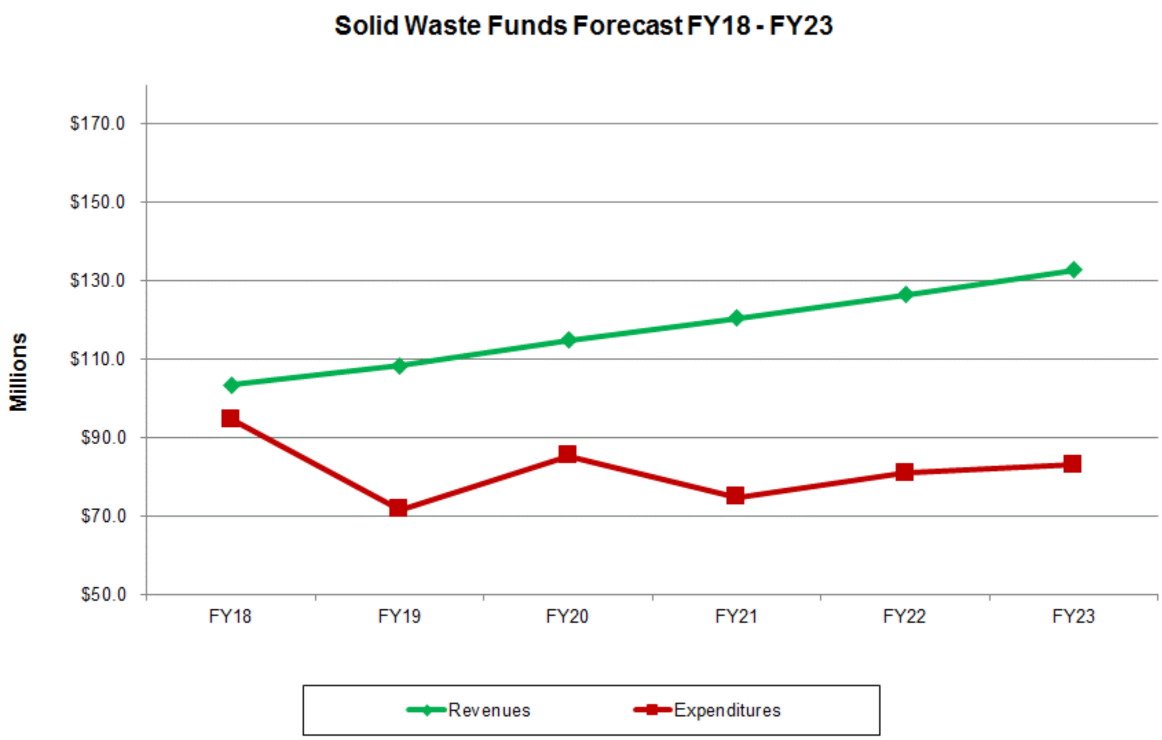
Reserves

The budgeted FY17 reserve level in the Solid Waste System is 182.2% of fund revenues, which is above the 40.3% target reserve level. Solid Waste maintains the following reserves: $6.0M required reserves per the contract with Covanta, $11.0M for insurance deductibles, $19.3M for three months of operating expenses, $1.9M for continued funding of the vehicle replacement program, and the remaining $134.5M 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.

Six-Year Forecast

Key Assumptions

The revenue forecast assumes a 2.0% and 3.0% increase in electricity sales in FY19 and FY20, respectively, a 1.0% 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 Expense reflect the forecast trends described in the Key Assumptions section of this document. The capital outlay forecast reflects the construction and purchase needs based on condition assessments, permit or regulatory requirements, and recommendations from consultants. There are large capital needs forecasted through FY18 in anticipation of tighter regulatory requirements and additional required improvements to the WTE plant.



Key Results

The forecast for the Solid Waste Funds shows that revenues are sufficient to provide for expenditures over the forecast period, while still maintaining sufficient reserves. Solid waste expenditures exceed revenues in FY17. In FY16 through FY18, expenditures reflect non-recurring costs associated with additional capital improvements and restorations. Reserves are not anticipated to drop below 179.0% of revenues at any time during the forecast period, and are anticipated to exceed 200.0% in five of the forecast years.

Solid Waste conducted a multi-year rate study via an outside consultant. This rate study will be reevaluated in the coming years to determine any potential future fee modifications. The results of this rate study may suggest building a rate stabilization fund to minimize impacts of anticipated future 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 FY18 budget process.

Potential Risks

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

Additionally, the current electrical capacity contract with Duke Energy expires in 2024. If no contract extensions or supplemental contracts are negotiated to sell WTE power for revenue, the Solid Waste Funds will have a significant gap in revenue and expenditures starting in FY25. Lack of waste and/or increased facility downtime 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	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Tipping Fees	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Electricity Sales	0.0%	2.0%	3.0%	1.0%	1.0%	1.0%
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	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
WTE Service Fee	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Landfill Service Fee	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Grants & Aids	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

SOLID WASTE FUNDS FORECAST
Fund 4021 & 4023

			FORECAST (@100% Revenue)						
(in $ thousands)	**Actual FY16**	**Budget FY17**	**Estimated FY17**	**Estimated FY18**	**Estimated FY19**	**Estimated FY20**	**Estimated FY21**	**Estimated FY22**	**Estimated FY23**
BEGINNING FUND BALANCE *	**248,805.4**	**244,644.7**	**244,644.7**	**177,291.7**	**186,058.6**	**222,855.8**	**252,218.1**	**297,845.8**	**343,399.7**
REVENUES									
Tipping Fees	38,695.7	33,083.1	34,824.3	35,520.8	35,876.0	36,234.8	36,597.1	36,963.1	37,332.7
Electricity Sales	8,970.4	9,544.7	10,047.0	10,047.0	10,248.0	10,555.4	10,660.9	10,767.6	10,875.2
Electrical Capacity	47,212.0	50,219.4	50,219.4	53,412.5	56,814.1	60,432.5	64,277.6	68,372.3	72,728.3
Recycling Revenue	607.6	823.7	867.1	867.1	867.1	867.1	867.1	867.1	867.1
Interest	1,624.9	1,051.5	1,106.9	3,545.8	4,651.5	6,685.7	8,071.0	9,531.1	10,988.8
Other revenues	120.7	64.8	67.8	69.1	70.5	71.9	73.3	74.8	76.3
TOTAL REVENUES	**97,320.3**	**94,787.2**	**97,132.5**	**103,462.3**	**108,527.1**	**114,847.3**	**120,547.0**	**126,575.9**	**132,868.4**
% vs prior year	-10.6%	1.6%	-0.2%	6.5%	4.9%	5.8%	5.0%	5.0%	5.0%
TOTAL RESOURCES	**346,125.7**	**339,431.9**	**341,777.2**	**280,754.0**	**294,585.7**	**337,703.1**	**372,765.2**	**424,421.7**	**476,268.0**
EXPENDITURES									
Personal Services	5,208.7	6,430.3	6,430.3	6,719.7	7,022.1	7,345.1	7,690.3	8,059.5	8,454.4
OPEB	407.3	425.2	425.2	444.4	464.4	485.7	508.5	533.0	559.1
Operating Expenses	8,689.3	14,511.1	14,511.1	14,830.3	15,186.3	15,520.3	15,861.8	16,210.8	16,567.4
WTE Contract Service	33,223.2	37,209.5	37,209.5	28,025.8	28,866.6	29,732.6	30,624.5	31,543.3	32,489.6
Landfill Contract Service	9,392.8	11,456.2	11,456.2	11,799.9	12,153.9	12,518.5	12,894.1	13,280.9	13,679.3
Grants & Aids	498.1	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Cost Allocations	5,225.1	4,730.9	4,730.9	4,835.0	4,951.1	5,060.0	5,171.3	5,285.1	5,401.3
Capital Equipment	647.9	1,929.9	1,929.9	661.6	661.6	661.6	661.6	661.6	661.6
Capital Outlay	38,188.6	89,537.4	89,537.4	28,880.0	3,984.4	15,781.4	3,189.4	7,194.4	7,201.4
Expenditure Lapse **	0.0	0.0	(2,245.1)	(2,001.3)	(2,060.4)	(2,120.3)	(2,182.3)	(2,246.4)	(2,312.8)
TOTAL EXPENDITURES	**101,481.0**	**166,730.6**	**164,485.5**	**94,695.4**	**71,729.9**	**85,485.0**	**74,919.4**	**81,022.1**	**83,201.4**
% vs prior year	5.0%	-9.1%	62.1%	-42.4%	-24.3%	19.2%	-12.4%	8.1%	2.7%
TOTAL ENDING FUND BALANCE	**244,644.7**	**172,701.3**	**177,291.7**	**186,058.6**	**222,855.8**	**252,218.1**	**297,845.8**	**343,399.7**	**393,066.7**
Ending balance as % of Revenue	251.4%	182.2%	182.5%	179.8%	205.3%	219.6%	247.1%	271.3%	295.8%
TOTAL REQUIREMENTS	**346,125.7**	**339,431.9**	**341,777.2**	**280,754.0**	**294,585.7**	**337,703.1**	**372,765.2**	**424,421.7**	**476,268.0**
REVENUE minus EXPENDITURES (NOT cumulative)	**(4,160.7)**	**(71,943.4)**	**(67,353.0)**	**8,766.9**	**36,797.2**	**29,362.3**	**45,627.7**	**45,553.9**	**49,667.0**

* Includes OPEB impact

** Expenditure lapse of 3.0% is calculated on all expenses excluding OPEB, Capital Equipment, and Capital Outlay.

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

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, 2016, the Board adopted the rate of $117.74 per Equivalent Residential Unit (ERU) per year to fund the Surface Water program. The rate is unchanged from the FY16 rate and is estimated to bring in approximately $18.7M for FY17.

Summary

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

The forecast for the Surface Water Special Assessment Fund indicates the fund is not balanced throughout the forecast period. Beginning in FY18, revenues will not be enough to cover estimated inflationary increases for expenditures. Fund balance is used each year to offset this variance in the fund. It is expected that planned program expenditure savings will be needed to address projected deficits and to maintain adequate reserve levels throughout the forecast period.

Revenues

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

The County originally approved the fee for unincorporated properties in FY14. Surface water assessments are based upon the estimated amount of 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 decrease by 0.5% annually throughout the forecast due to future annexation efforts which would reduce the number of ERUs that contribute to the Surface Water Special Assessment Fund. The revenue is budgeted at 95% and, therefore, based on 166,928.3 ERUs, the FY17 assessment revenue is $18.7M. Additionally, mitigation credits further reduce the total revenue for the Surface Water Fund. Some developed properties maintain onsite stormwater management systems that reduce stormwater runoff impacts from the property to the County system. Mitigation credits are intended to reduce the assessed property by a percentage corresponding to the reduction in impact to the County system. For FY17, the reduction in revenue from mitigation credits is estimated at $195,000.

Based on the original analysis of the surface water program, for Pinellas County to achieve and maintain a Level of Service (LOS) B-, the cost per ERU for the first year was calculated at $116.00 per ERU, or $9.67 per month. The rate was recommended to increase annually by a percentage based on the CPI. The annual rate only increases if adopted by the Board and if required to sustain the growth in fund expenditures. It was increased in FY16 to $117.74 per ERU per year which included a 1.5% increase based on CPI. However, the rate remained unchanged for FY17.

For the overall level of Service B- to be achieved, all the sub-programs under surface water program must be meeting their individual level of service (LOS) requirements. The overall level of Service B- is not expected to be achieved during FY17 due to issues in two programs. The level of service (LOS) for the operations and maintenance of pipes is currently not at the 10-year schedule; however, program changes are currently in the process of being implemented to ensure the LOS is met in FY18. The LOS was also not met in the 10-year corrugated metal pipe program due to a lack of performance from the contractors hired to provide the services. Program changes are being implemented to ensure this level of service is met in FY17 and beyond. The level of service in the operations and maintenance of stormwater ditches and structures is currently meeting the 10 year level.

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 FY17 totaling $20.6M for its operational plan. The primary expenditures in the fund are $6.7M for personal services expenditures, and $13.9M 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 appraisal and collection of the assessment pursuant to Florida Statutes. FY17 budgeted costs for this function are $291,000.

<u>Reserves</u>

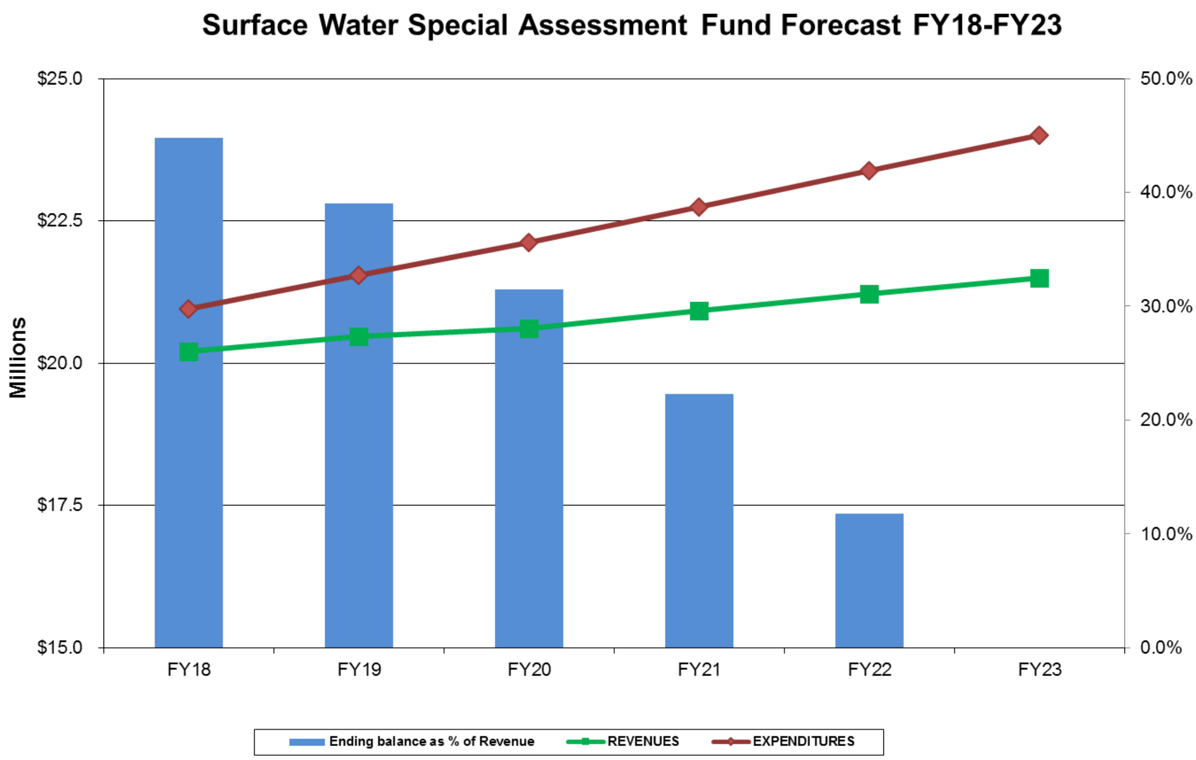
The reserves in this fund are required to meet cash flow needs. During the first two months of the fiscal year, expenditures exceed revenues because most of the special assessment revenue is not received until December. As a result, targeted reserve levels for this fund are equal to two months of operating expenditures. The FY17 reserve level of $7.8M in the Surface Water Special Assessment Fund exceeds that target and is approximately 39.5%.

Six-Year Forecast:

Key Assumptions

In the forecasted years, ERU growth may be negatively impacted by potential annexations and mitigation credits; therefore, growth is estimated to decrease by 0.5% annually from FY18 through FY23. The cost per ERU is $117.74 through FY18 and it increases based on CPI thereafter.

Expenditure assumptions are anticipated to follow the inflationary expense growth factors expected for other funds. Beginning in FY18, revenues will not be enough to cover estimated inflationary increases for expenditures. It is expected that planned program expenditure reductions will be needed to address projected deficits and to maintain adequate reserve levels by the end of the forecast period.



Key Results

In the chart above, the forecast shows revenues are less than expenditures beginning in FY18 as inflationary pressures on expenditures outpace revenues. Program expenditures will need to be decreased during the forecast period for the fund to remain in balance. This will impact the ability to maintain the adopted LOS. Permit requirements dictate that certain areas of the surface water program, such as the pipe, ditch, and pond programs, adhere to a minimum ten-year maintenance cycle; therefore, delaying these program costs could result in non-compliance.

Potential Risks

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

The potential impact of the 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 out of balance beginning in FY18. With the estimated decrease in ERUs, assessment revenues will not be enough to cover inflationary increases for expenditures and to maintain the fund's reserve after FY22. In order to balance the fund, it is expected that expenditure reductions will be needed.

SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST
Fund 1094

Forecast Assumptions	FY18	FY19	FY20	FY21	FY22	FY23
REVENUES						
Surface Water Assessmt - ERU Growth	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Surface Water Assessmt - CPI incr	0.0%	2.4%	2.2%	2.2%	2.2%	2.2%
Surface Water Assessmt-Total incr	-0.5%	1.9%	1.7%	1.7%	1.7%	1.7%
ERU (excludes govt)	166,372	165,540	164,712	163,888	163,069	162,254
Interest	2.0%	2.5%	3.0%	3.2%	3.2%	3.2%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EXPENDITURES						
Personal Services	4.5%	4.5%	4.6%	4.7%	4.8%	4.9%
Operating Expenses	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Capital Outlay	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	2.2%	2.4%	2.2%	2.2%	2.2%	2.2%
FL Per Capita Personal Income Growth	1.0%	1.4%	1.5%	1.2%	1.3%	1.3%

SURFACE WATER SPECIAL ASSESSMENT FUND FORECAST
Fund 1094

(in $ thousands)	Actual FY16	Budget FY17	FORECAST (@100% Revenue) Estimated FY17	Estimated FY18	Estimated FY19	Estimated FY20	Estimated FY21	Estimated FY22	Estimated FY23
Annual Rate **	$117.74	$117.74	$117.74	$117.74	$120.56	$123.21	$125.92	$128.69	$131.52
BEGINNING FUND BALANCE	**6,515.0**	**8,973.6**	**9,402.4**	**9,798.0**	**9,059.8**	**7,994.4**	**6,481.3**	**4,664.1**	**2,492.2**
REVENUES									
Surface Water Assessment *									
Non-Ad Valorem Assessment @ 95%	18,316.3	18,671.4	18,708.4	18,609.2	18,959.6	19,279.5	19,604.9	19,936.1	20,272.7
Grants (fed/state/local)	547.7	892.8	892.8	349.3	213.0	-	-	-	-
Interest	85.6	47.8	47.8	196.0	226.5	239.8	207.4	149.3	79.8
Other revenues	124.0	111.1	111.1	113.3	115.5	117.8	120.2	122.6	125.1
Adjust Assessment Revenue to 100%			984.7	930.5	948.0	964.0	980.2	996.8	1,013.6
Adjust Non-Fee Revenue to 98%			18.7	9.8	10.8	11.3	10.3	8.6	6.5
TOTAL REVENUES	**19,073.5**	**19,723.0**	**20,763.3**	**20,207.9**	**20,473.4**	**20,612.4**	**20,923.1**	**21,213.3**	**21,497.6**
% vs prior year		-0.5%		-2.7%	1.3%	0.7%	1.5%	1.4%	1.3%
TOTAL RESOURCES	**25,588.5**	**28,696.5**	**30,165.7**	**30,005.9**	**29,533.3**	**28,606.8**	**27,404.4**	**25,877.4**	**23,989.8**
EXPENDITURES									
Personal Services	5,873.9	6,703.5	6,703.5	7,005.1	7,320.4	7,657.1	8,017.0	8,401.8	8,813.5
Operating Expenses	7,987.6	11,182.3	11,182.3	11,428.3	11,702.6	11,960.0	12,223.1	12,492.1	12,766.9
Capital Outlay	2,050.4	234.6	234.6	239.8	245.5	250.9	256.5	262.1	267.9
CIP		2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0	2,500.0
Constitutional Officer Transfers	274.2	291.0	291.0	293.9	299.5	304.5	309.7	314.9	320.2
Expenditure Lapse @3%			(543.6)	(560.2)	(578.1)	(596.0)	(614.9)	(634.7)	(655.4)
CIP Operating Impacts				39.1	49.0	49.0	49.0	49.0	
TOTAL EXPENDITURES	**16,186.1**	**20,911.4**	**20,367.8**	**20,946.0**	**21,538.9**	**22,125.5**	**22,740.3**	**23,385.2**	**24,013.0**
% vs prior year		23.2%		2.8%	2.8%	2.7%	2.8%	2.8%	2.7%
ENDING FUND BALANCE	**9,402.4**	**7,785.2**	**9,798.0**	**9,059.8**	**7,994.4**	**6,481.3**	**4,664.1**	**2,492.2**	**(23.2)**
Ending balance as % of Revenue	49.3%	39.5%	47.2%	44.8%	39.0%	31.4%	22.3%	11.7%	-0.1%
TOTAL REQUIREMENTS	**25,588.5**	**28,696.5**	**30,165.7**	**30,005.9**	**29,533.3**	**28,606.8**	**27,404.4**	**25,877.4**	**23,989.8**
REVENUE minus EXPENDITURES (NOT cumulative)	2,887.4	(1,188.4)	395.6	(738.1)	(1,065.4)	(1,513.1)	(1,817.2)	(2,171.8)	(2,515.4)
note: non-recurring expenditures		-	-	-	-	-	-	-	-
net recurring rev- exp		**(1,188.4)**	**395.6**	**(738.1)**	**(1,065.4)**	**(1,513.1)**	**(1,817.2)**	**(2,171.8)**	**(2,515.4)**

* Per Statute, revenue is budgeted at 95.0% of total calculated amount.
** Annual rate based on 166,928.3 ERU in FY17. Subsequent rate increases based on CPI and rounded down to nearest penny.
***Expenditure lapse of 3.0% is calculated on all expenses excluding CIP, CIP Operating Impacts, and Transfers.

Glossary

GLOSSARY

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

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

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.

GLOSSARY

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.