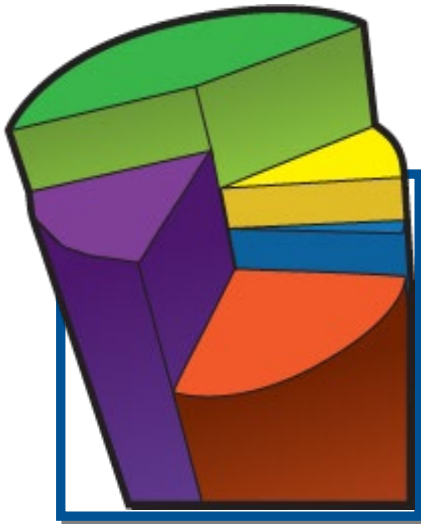


Budget Forecast FY24 – FY29



Pinellas County, Florida
Office of Management & Budget



Introduction

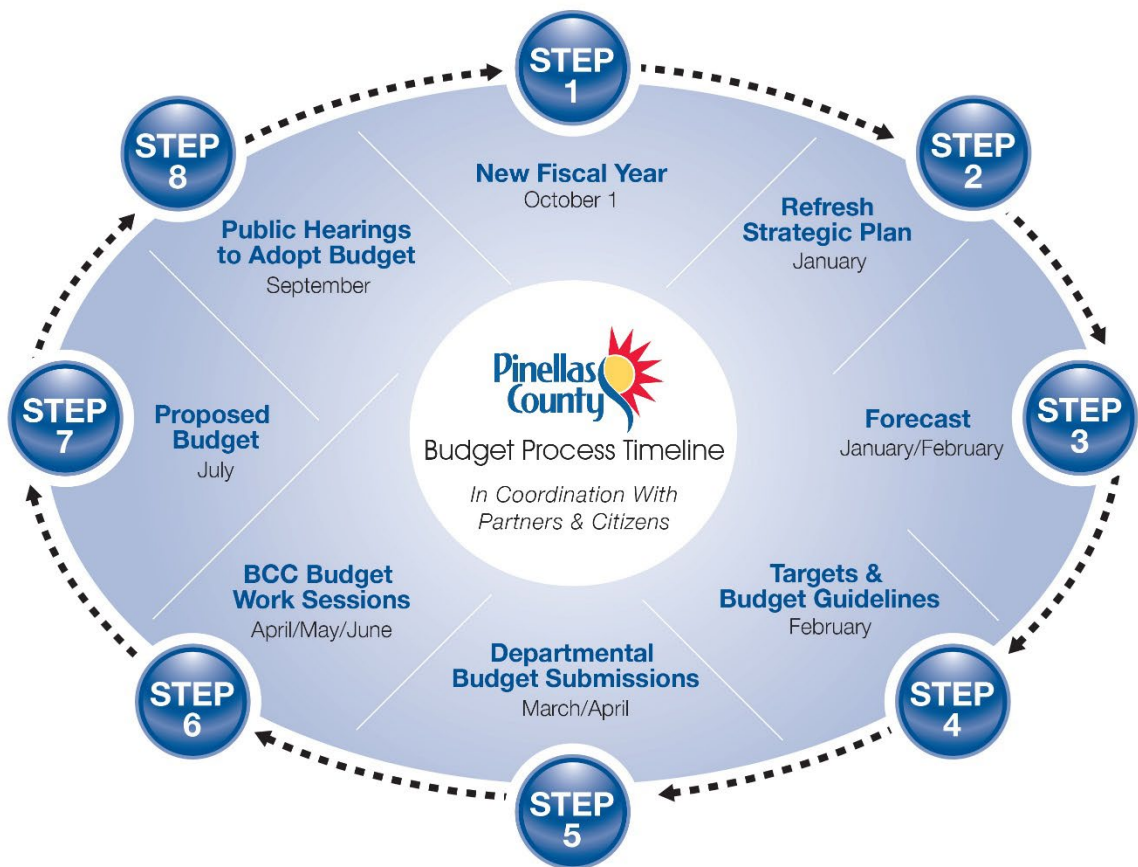
INTRODUCTION

The *Introduction* section of the Budget Forecast: FY24 – FY29 discusses how the Forecast dovetails with the annual budget process, how the Forecast is developed, and how the Forecast can be used as a planning tool to enhance decision-making. It includes the following sections:

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

Forecasting and the Annual Budget Process

After the Board of County Commissioners (Board or BCC) refreshes the strategic plan, the first step in the annual budget process is to update the Forecast in order to develop the budget guidelines for the FY24 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.

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Development of Budget Guidelines

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

Updating the Forecast

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

Purpose of the Forecast

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

Long-Term Fiscal Sustainability

One of the key purposes of developing a multi-year fund forecast is to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure fiscal sustainability. Forecasting over a six-year horizon can serve as a window into the future to diagnose potential future opportunities and challenges. For example, if a major capital project (i.e. jail expansion) will have a significant impact on the operating budget, that impact can be anticipated several years in advance, and strategies can be developed and implemented to manage the impact to the budget. Conversely, if debt service on a bond is due to expire in the near future, additional funds may become available to increase service levels for certain programs or other uses.

Enhanced Decision-Making

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

Developing the Forecast

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

INTRODUCTION

Developing Projections

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

The process for developing the Forecast includes replacing the projections for FY22 with actual revenue and expenditure information following the close out of the fiscal year as of September 30, 2022. At the same time, the current FY23 revenues and expenditures are projected on a preliminary basis by analyzing the actual revenues and expenditures to date and projecting the remaining months left in the fiscal year. These projections are further refined later in the budget development process as departments provide their projections. The coming FY24 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 FY29 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 adjustments, expenditure adjustments, or a mix of both.

Using This Document

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

Executive Summary

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Introduction

This is the 14th year that the Budget Forecast has been produced as 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 FY24 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.

General Fund Forecast

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. Property Tax revenue remains strong in FY23 and is projected to grow another 7.0% FY24. Half Cent Sales tax revenue is projected to remain relatively flat in FY23 after a strong recovery of the economy in late 2020 and is projected to increase just 0.3% in FY24. State Revenue Sharing revenue is projected to remain flat as well, increasing 0.3% in FY24 to \$25.5M. Communication Service Taxes are projected to continue the decline experienced for the last decade, dropping an estimated \$200,000 in FY24 to \$7.5M.

The forecast projects that the General Fund is balanced throughout the forecast period and maintains sufficient reserves without a millage increase.

Emergency Medical Services Fund Forecast

The EMS Fund is sensitive to property values as, in addition to ambulance user fee revenues, it is funded by ad valorem (property) tax revenue collected from property owners countywide. Taxable values have risen each year from FY14 through FY23 and have had a positive effect on the fund balance. With a high level of demand, rising home prices, and turnover of property in the past year, growth in taxable value is expected to generate a 7.0% increase in ad valorem tax revenue for FY24. The remainder of the forecast period projects continued growth in value, with the annual increase gradually lowering to 3.1% in FY29. Throughout the forecast period, the fund's millage rate is projected to remain flat at 0.8850 mil. The EMS Fund's millage rate is actively managed and reviewed on an annual basis.

The current millage rate is projected to support the service delivery system and allow the fund to remain above the Board-adopted reserve target of 25.0% through FY29. The fund reserve is budgeted at 48.4% in FY23 and is projected to be 44.4% in FY29. From FY23 through FY29, the ending fund balance is projected to increase by \$15.2M. As the reserve balance (fund balance as a percentage of expenditures) increases, the level of expenditures increases \$48.9M by FY29. The ability to maintain the 25.0% reserve level will be affected by: the ambulance service contract; changes in property values; potential changes to Medicare/Medicaid reimbursements; and adjustments in future service agreements with the first responders.

First responder contracts are currently funded based on actual first responder costs as defined in Board Resolution 09-38. Estimated expenses for FY23 reflect the current negotiated agreements with the 18 providers. The forecast projects a 4.5% increase per year for first responder costs through FY29.

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The County negotiated a new ambulance service contract with Paramedics Logistics, LLC for a 5-year term beginning FY16. In FY21, a contract amendment was executed with a three (3) year term through FY24. This amendment also allows for a two-year renewal option through FY26. Over the past few years, progress in containing costs, combined with better than anticipated growth in revenue, has improved the outlook for the EMS Fund. Long-term sustainability will require continued growth in revenue and diligent management of system costs.

Surface Water Special Assessment Fund Forecast

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

The forecast for the Surface Water Utility Fund indicates the fund is not balanced throughout the forecast period. From FY24 to FY29, revenues will not be enough to cover new resources and inflationary increases for ongoing expenditures; therefore, accumulated fund balance will be used to offset the variance. It is expected, however, that by FY25 Surface Water program expenditures will decrease as the ten-year level of service for corrugated metal pipes is achieved. Inflationary increases will continue driving expenditures upward in FY27 – FY28.

Tourist Development Tax Fund Forecast

The Tourist Development Tax Fund is funded by the Tourist Development Tax, a revenue that is sensitive to general economic conditions. Tourist Development Tax revenue had been steadily increasing since Spring 2010, with record-setting revenue from FY13 – FY19. Following the dramatic downturn in FY20 due to the COVID-19 shutdown, TDT revenue quickly rebounded to pre-pandemic levels. Since March 2021, Pinellas County has returned to record-setting collections leading to FY21 collections of \$73.2M and FY22 revenues increasing to \$95.4M, \$28.3M above budget. The strong collections are projected to continue in FY23 and beyond, with TDT revenues increasing \$4.8M over budget in FY23 and \$9.6M in FY24 above the FY23 budget to \$100.6M.

Total expenditures, excluding reserves, are projected to increase \$3.0M (7.1%) in FY24 compared to FY23 budget. Personal services, which includes salaries and benefits, increase \$203,600 (3.5%). Operating expenses, which includes the departments advertising and marketing contracts, are projected to increase \$2.7M (7.7%). The Capital Projects Funding Program, which provides reimbursement grants to eligible projects in Pinellas County along with transfers to the Capital Projects Fund for beach renourishment projects, are projected to increase \$1.0M (10.8%) as the County's commitment to the Holocaust Museum ends during FY23 and transfers for beach projects increases to match increasing dedicated revenue.

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

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Transportation Trust Fund Forecast

The Transportation Trust Fund has historically primarily been funded by state and local fuel taxes, but in FY23 supplements to this fund from the General Fund have overtaken gasoline taxes as the primary form of revenue. Gasoline taxes are projected to show a gradual incline but not keep pace with inflationary increases for expenditures in this fund. The growth of revenue is limited by more efficient cars and fuel conservation efforts, as well as restrictions imposed by state laws that do not allow indexing fuel taxes for inflation.

Over the preceding years, the forecast for the Transportation Trust Fund indicated that expenditures were exceeding revenues. This was due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Gasoline usage declined during the COVID-19 pandemic and the anticipated decline in future commuting will likely place further constraints on this revenue growth. The fund balance was used each year to cover the gap until FY22, when a designated millage of .1279 mills was added to the fund from the General Fund. In FY22, this resulted in a \$12.0M subsidy. This designated millage continued to grow alongside of property taxes resulting in a \$13.3M subsidy in FY23, this designated millage will continue to stabilize the fund for the next several years. Additionally, the County applied another designated millage of .1752 mills in FY23 totaling \$18.3M. This millage is designated in the fund to address level-of-service improvements in both operating and resurfacing areas over the next ten years. The total amount will also grow alongside property taxes.

Capital Projects Fund Forecast

The overall Fund is forecasted to be balanced for FY24 and FY25. The first year of the CIP, FY23, was balanced as part of the adoption of the annual budget in October 2022. The Fund will be revisited and rebalanced each year during the budget process based upon actual activity and prioritization of projects. The Fund is forecasted to be balanced again by FY29. Within the Capital Projects Fund, balancing at a program level must be done based on the revenues and transfers from other funds that are restricted for use on a specific purpose. The expenditures shown on the proforma are broken out by the programs that must be balanced within their respective funding source: Economic Development Capital Projects and Housing must be balanced within the 8.3% Penny for Pinellas countywide investment specified in the interlocal agreement with the municipalities; Jail and Court Facilities projects must be balanced within the 3.0% countywide investment specified in the interlocal agreement; County Penny projects must be balanced within the Penny distribution specifically for Pinellas County (each municipality gets their own distribution); Advanced Transportation Management Systems (ATMS) projects must be balanced within the transfer received from the Transportation Trust Fund from the Local Option Fuel Tax 9th cent; and the Beach Nourishment projects must be balanced within the transfer received from the Tourist Development Tax fund.

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

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Airport Revenue and Operating Fund

The Airport Revenue and Operating Fund is an enterprise fund that accounts for all revenues and expenditures at the Airport. This includes management of passenger airline operations, military, and general aviation, along with commercial and industrial airport property. The Airport is entirely self-supporting, meaning that no property tax 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. After the COVID-19 recovery period in FY22 and FY23, airline revenues are forecasted to increase on average 1.7% and concession, lease, and rent revenues are forecasted to increase on average 3.5% per year over the forecast period based on the Airport's agreement with Allegiant, the retail/food/beverage concessionaire agreement awarded in FY19, and 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 for those capital projects that are eligible for Federal Aviation Administration (FAA) or Florida Department of Transportation (FDOT) funding.

The forecast for the Airport Revenue and Operating Fund shows that the fund is 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.

Sewer Funds Forecast

The forecast for the Sewer System Funds shows that the multi-year 9.5% rate increases approved in May of 2019 for FY20 through FY23 will not provide sufficient revenues to maintain reserves and fund capital replacement needs beyond FY24. With an assumption of unchanged sewer rates, projected expenditures exceed revenues in each fiscal year. Fund balance would be used to complete major capital projects and be depleted during FY25.

Solid Waste Funds Forecast

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

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

Water Funds Forecast

Pinellas County Water System Funds are not balanced through the forecast period. The forecast shows that the multi-year 1.0% rate increases approved in May of 2019 for FY20 through FY23 will not provide sufficient revenues to maintain reserves and fund capital replacement needs beyond FY24. With an assumption of unchanged water rates, projected expenditures exceed revenues in each fiscal year. Fund balance would be used to complete major capital projects and

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be depleted during FY26. Debt payments owed by Tampa Bay Water (TBW) to Pinellas County Utilities (PCU) for assets transferred to the regional water system will end in FY28. TBW's monthly payments of \$364,866 applied as credit toward PCU's purchased water expense will end, so the forecast reflects an additional \$4.4M in the full annual cost beginning in FY29.

Economic Overview

ECONOMIC OVERVIEW

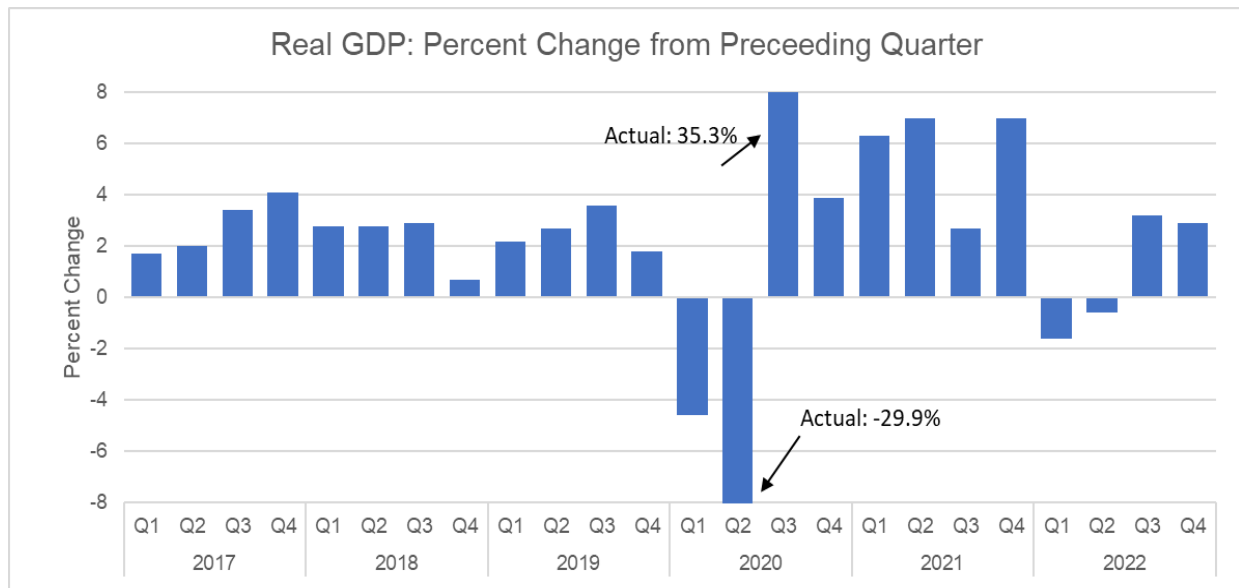
The *Economic Overview* section of the Budget Forecast: FY24 – FY29 provides important context for the various forecasts in this document and includes the following sections:

- Overall Economic Outlook
 - Economic Growth
 - Inflation
 - Fuel Prices
 - Population growth
- Employment & Wages
 - Job Growth Recovers
- Housing Trends
 - Home sales volume and median prices
 - Property Insurance
 - Taxable property values
- Summary

Overall Economic Outlook

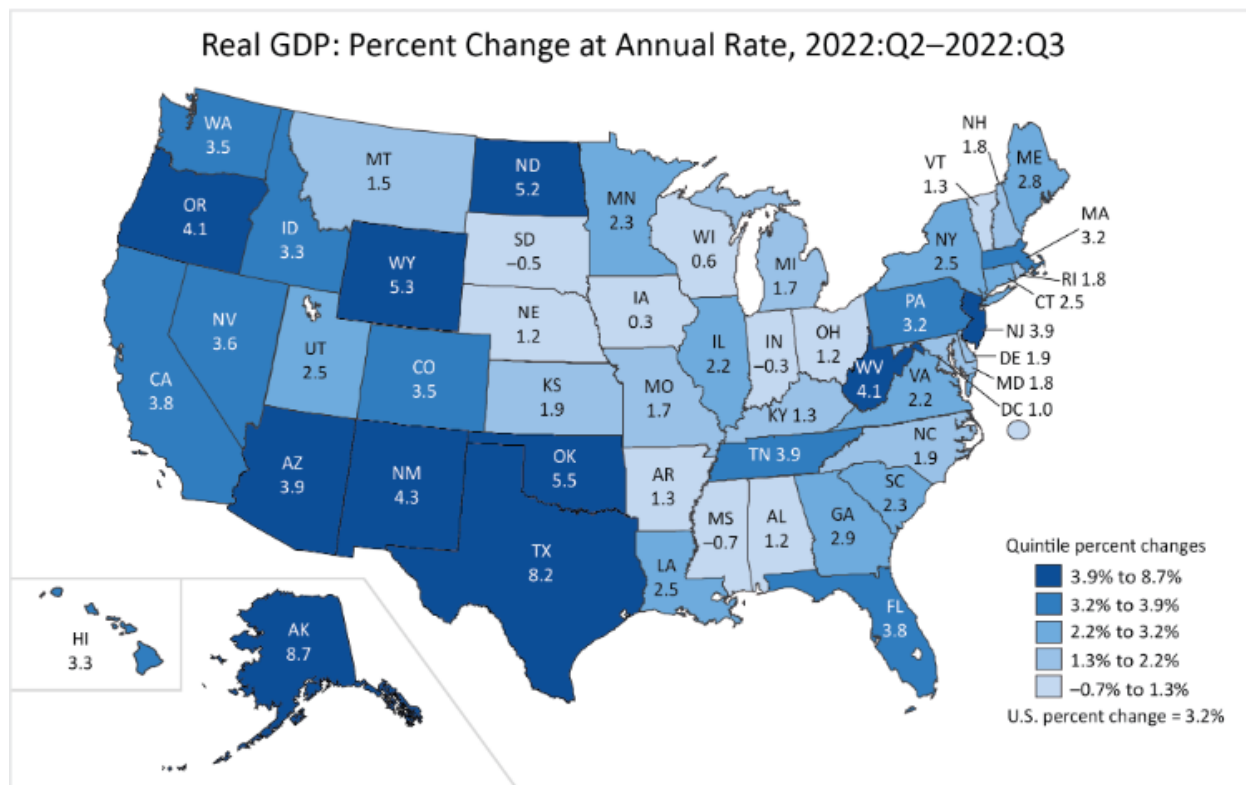
Economic Growth

The U.S. economy continues to fight the effects of the COVID-19 recession. The Real GDP, which is the inflation adjusted value of the goods and services produced by labor and property located in the United States, grew by 5.9% in 2021 and 2.1% in 2022. The growth in 2021 was in response to the 2.8% contraction of the economy in 2020 as businesses slowly adapted to the ‘new normal’ of work-from-home, a tighter labor market, pent-up consumer demand, and increasing costs due to rising inflation.



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Following the rebound growth in 2021, 2022 opened with consecutive quarters of contraction as the rising inflation rate began to slow consumer demand. The first quarter of 2022 showed GDP falling 1.6%, while the second quarter fell 0.6%. The generally accepted definition of a recession is two consecutive quarters of declining Real GDP, meaning the U.S. was officially in a recession during the summer of 2022, but the economy quickly recovered as inflation began to moderate from a high of 9.1% in June 2022. The economy grew 3.2% during the third quarter and another 2.9% during the fourth quarter.



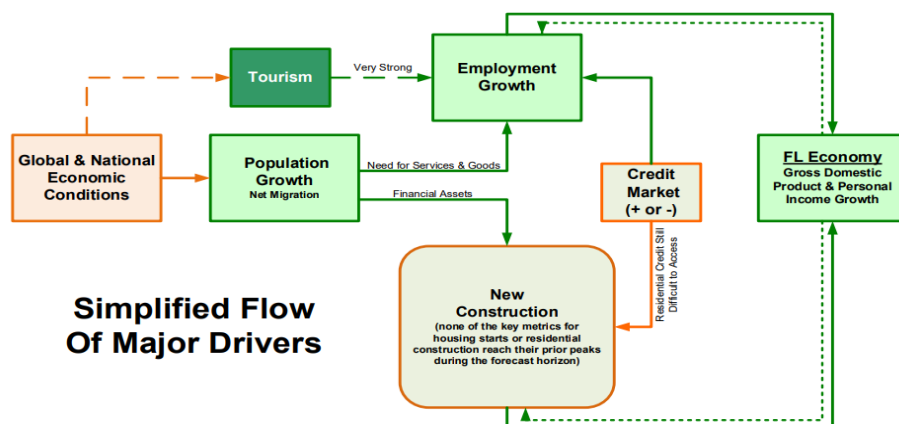
Source: U.S. Bureau of Economic Analysis

In terms of size, Florida's economy is the fourth largest in the United States, representing 5.4% of the total annualized economic output of the country at almost \$1.1T during the third quarter of 2022. This represents a 3.8% increase, the 13th best rate in the U.S.

In Pinellas County, 2021 (the most recent data available) GDP was \$48.6B, the 7th largest in the state. During 2021, the economy grew by 6.9%, the 30th fastest of Florida's 67 counties.

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Shifting in Key Economic Variables

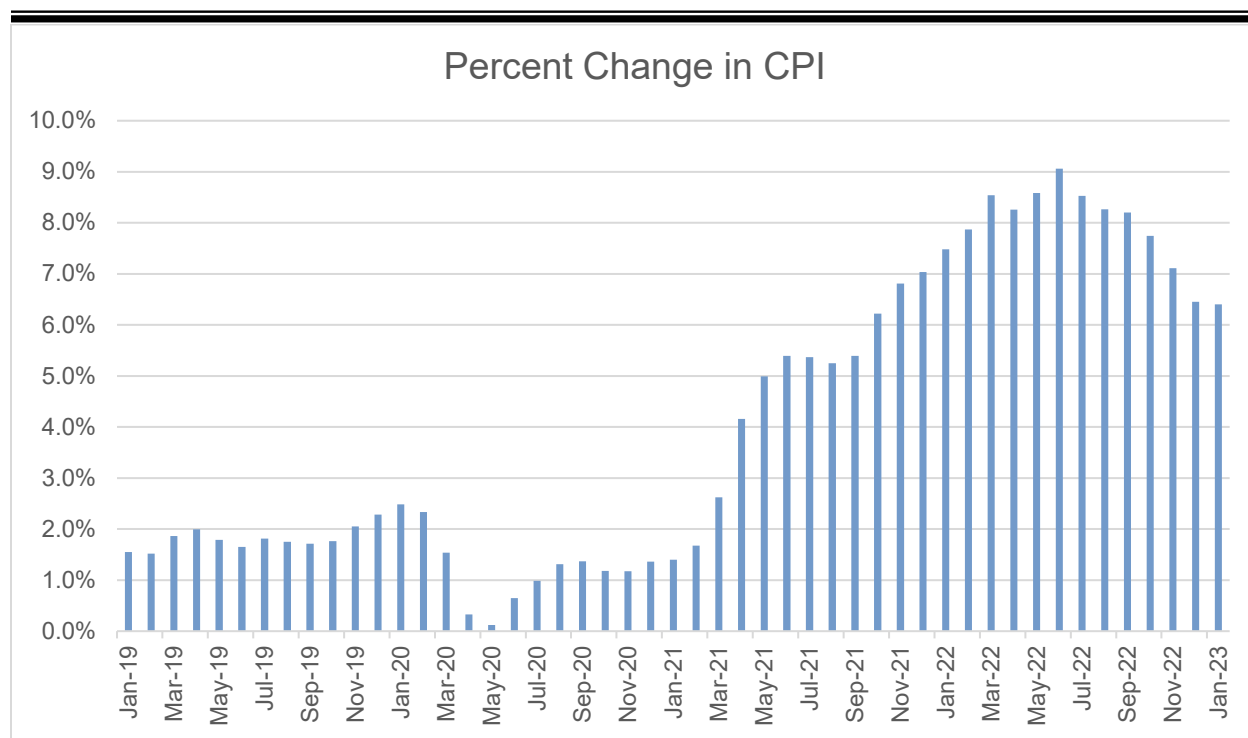


Source: Florida Legislature Office of Economic and Demographic Research

Inflation

Inflation also impacts the outlook for consumer spending. As the economy heats up, inflation tends to accelerate as goods and services become more difficult to produce due to increased demand from consumers. During COVID-19, many manufacturing facilities reduced output as social distancing and other restrictions and mandates were implemented to protect workers. With restrictions lifted, consumers have returned to the market, but inventories still have not returned to pre-pandemic levels for many products and services. Add to this the shortage of workers in the workforce, and prices have accelerated at their highest pace in more than 40 years. The Consumer Price Index (CPI), the generally accepted measure of overall inflation, began to increase above the 'normal' level of increase seen since 2009 in April 2021. Due to a return to normalcy for consumers, tight labor market, and depleted stock, inflation increase 4.2% compared to April 2020, the beginning of the pandemic in the U.S. Above normal increases have continued, leading to an average increase of 4.7% in 2021 and 8.0% in 2022. Inflation reached a high of 9.1% in June 2022, with the last seven months seeing lower increases than the previous month. The inflation rate sits at 6.4% in January 2023, still higher than recent levels but considerable lower than the heights reached during the summer of 2022.

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Source: Bureau of Labor Statistics

According to the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* and the State of Florida's *National Economic Estimating Conference*, projections for the CPI range from an annual increase of 2.8% to 7.7% during the forecast period.

Between June 2009 and December 2015, the Federal Reserve maintained the Federal Funds target rate between 0.0% - 0.25% as they tried to stimulate the economy out of the Great Recession. The rate gradually rose to a recent high range of 2.00% - 2.25% in September 2018, as the economy began to improve from the slow growth following the Great Recession of 2007 – 2009. On March 15, 2020, the Federal Reserve dramatically lowered rates from the 1.00% - 1.25% range to 0.00% - 0.25% as the economy entered recession and many businesses closed or severely trimmed operations when COVID-19 began to spread throughout many parts of the country. According to projections from the State of Florida's *National Economic Estimating Conference*, projections for increase from their current level of 2.7% to 3.3% during the forecast period.

Fuel Prices

The average price per gallon of unleaded gasoline nationwide is \$3.416 (as of February 13, 2023), down slightly from 2022. While higher than pre-pandemic levels, it is much lower than the average of \$5.016 per gallon recorded on Jun 14, 2022. Diesel fuel currently averages \$4.549, higher than a year ago when the average was \$3.888, but still lower than the highest average of \$5.816 recorded on June 19, 2022. These higher prices have contributed to the inflation experienced over the last two year.

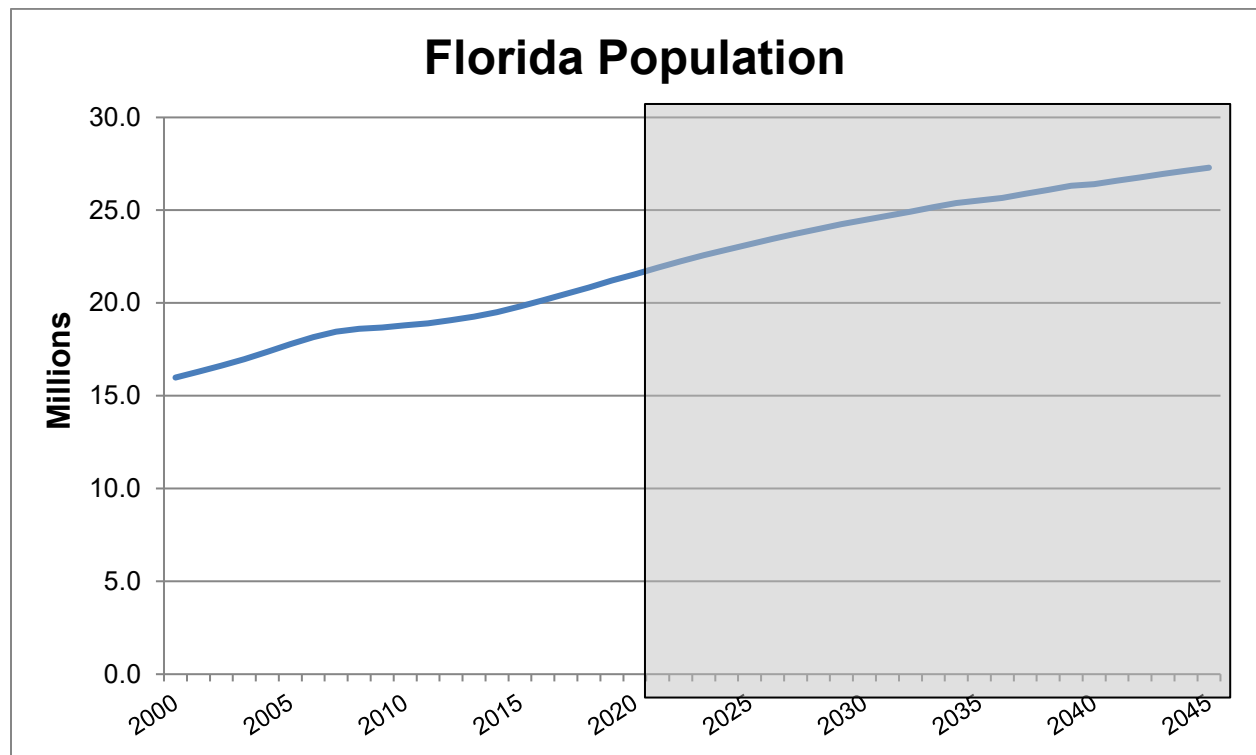
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Population Growth

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 2020 Census indicated Florida had 21,538,187 permanent residents, a figure slightly lower than anticipated. The lower figure was impacted by the COVID-19 pandemic and other changes made to the Census taking process. This lower figure negatively impacted the number of congressional seats apportioned to Florida for the next ten years. Based on preliminary projections, Florida was expected to gain two seats due to the growth in population experienced over the previous decade. Between 2010 and 2020, Florida's population grew about 2.7M people, a 14.6% increase.

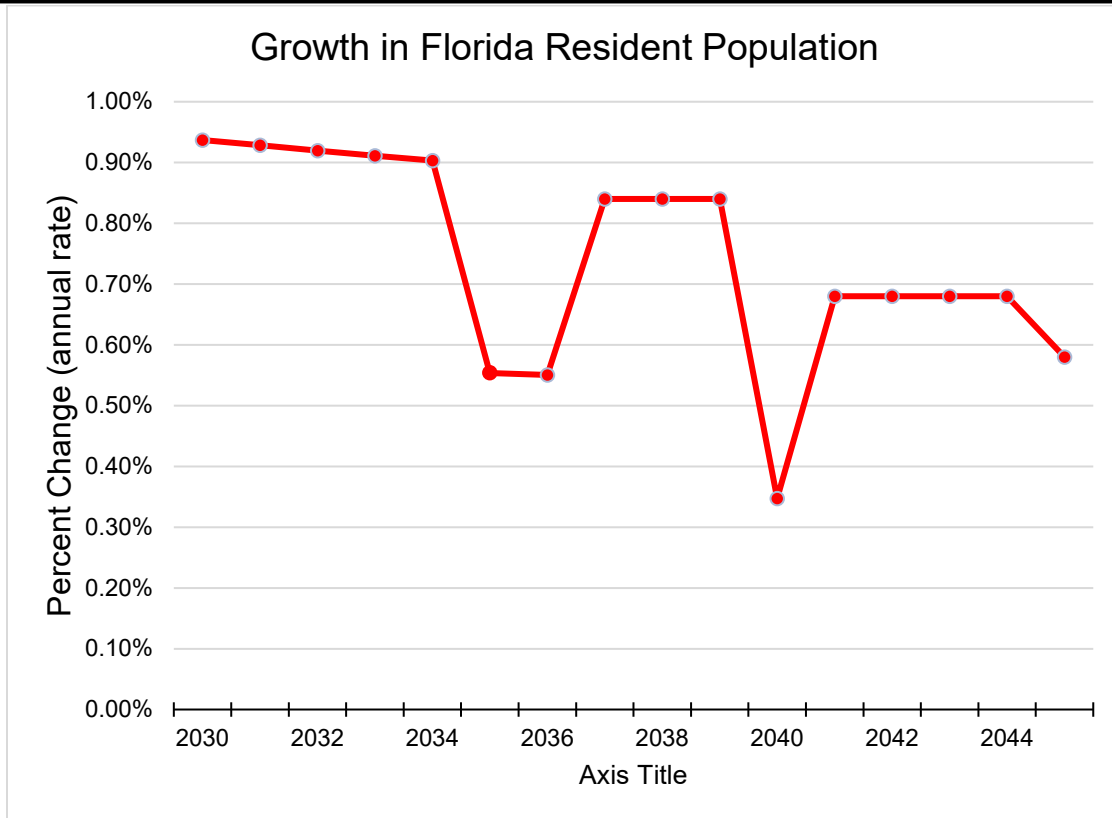
Between 2020 and 2040, Florida's population is projected to grow by 4.9M, to 26.4M total residents. After recently passing New York, Florida is now the third most populous state in the United States, behind California and Texas.



Source: Florida Demographic Estimating Conference, July 18, 2022 (shaded area indicates projections)

By 2045, Florida's population is expected to grow by almost 5.0M people from the current level, to over 27.0M people. There are many factors that can greatly impact the projected growth. With the increase in intensity of natural disasters, humanitarian migration may cause a surge in population from one year to the next. As we experienced after Hurricane Maria devastated Puerto Rico, these unexpected events can have an immediate and long-lasting impact on migration. An estimated 53,134 people permanently moved to Florida because of the natural disasters of 2017.

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Source: Florida Demographic Estimating Conference, July 18, 2022

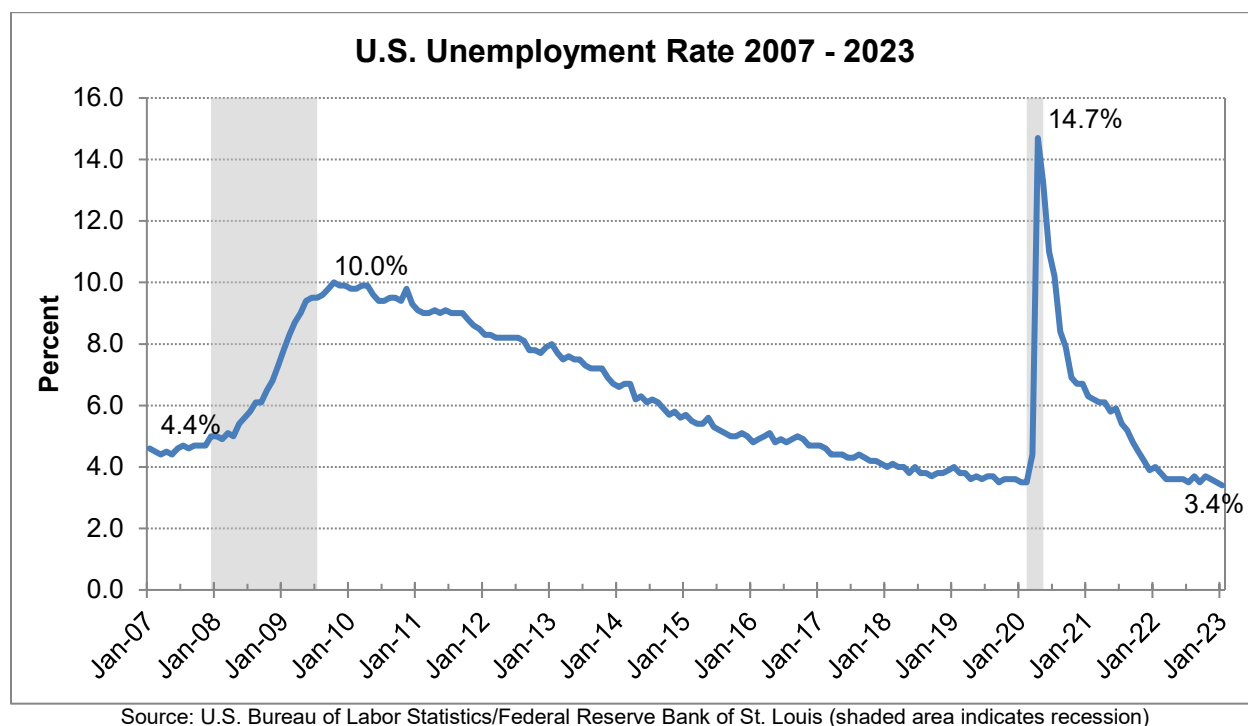
Employment & Wages

Job Growth Recovers

After 113 consecutive months of job growth, March 2020 experienced 1.5M jobs lost while April 2020 showed an additional 20.5M, the largest job loss in a single month. As a comparison, between October 2010 and February 2020, the economy added 22.1M jobs. In essence, the jobs gained during the consecutive months of job growth were eliminated in two months due to the COVID-19 economic shut down. Since the initial shock to the job market early in the pandemic, 24.6M jobs have been added through January 2023.

The national unemployment rate, which measures the percentage of those age 16 and older actively looking for employment, dropped to a record low 3.5% in February 2020. However, with the arrival of the pandemic, the unemployment rate increased to 14.7% in April 2020, a rate higher than any point dating back to at least 1948. The rate has steadily decreased since May 2020, dropping to the current rate of 3.4% in January 2023.

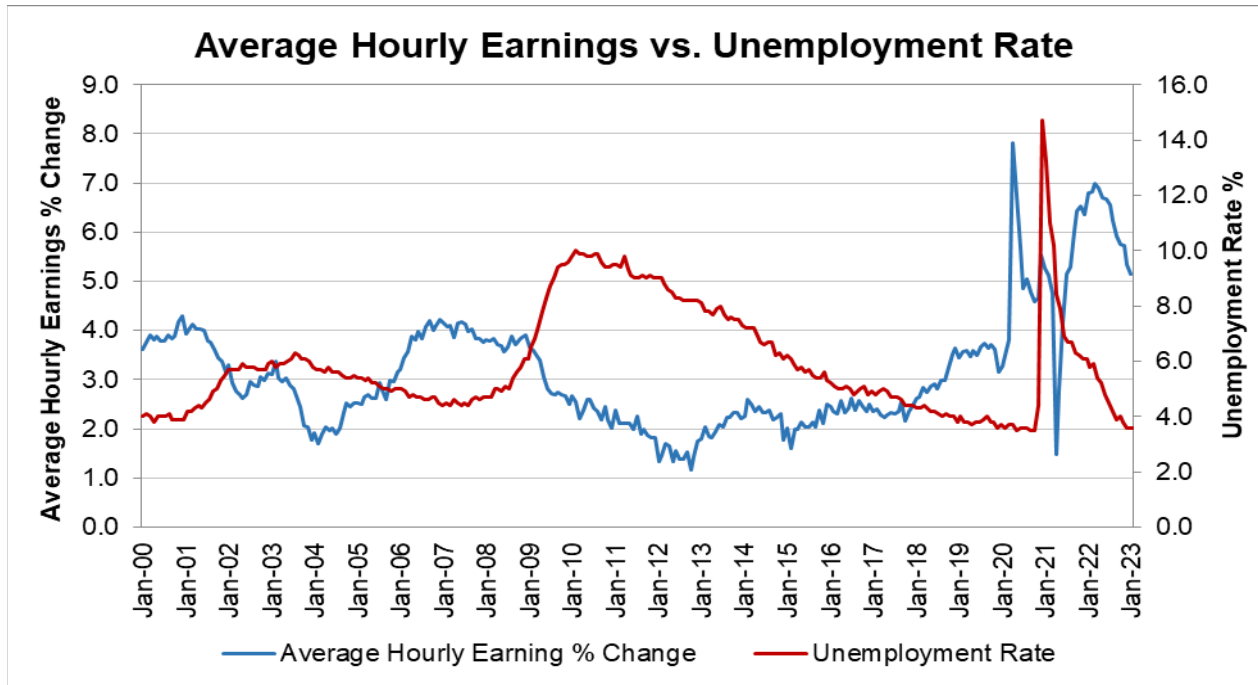
ECONOMIC OVERVIEW



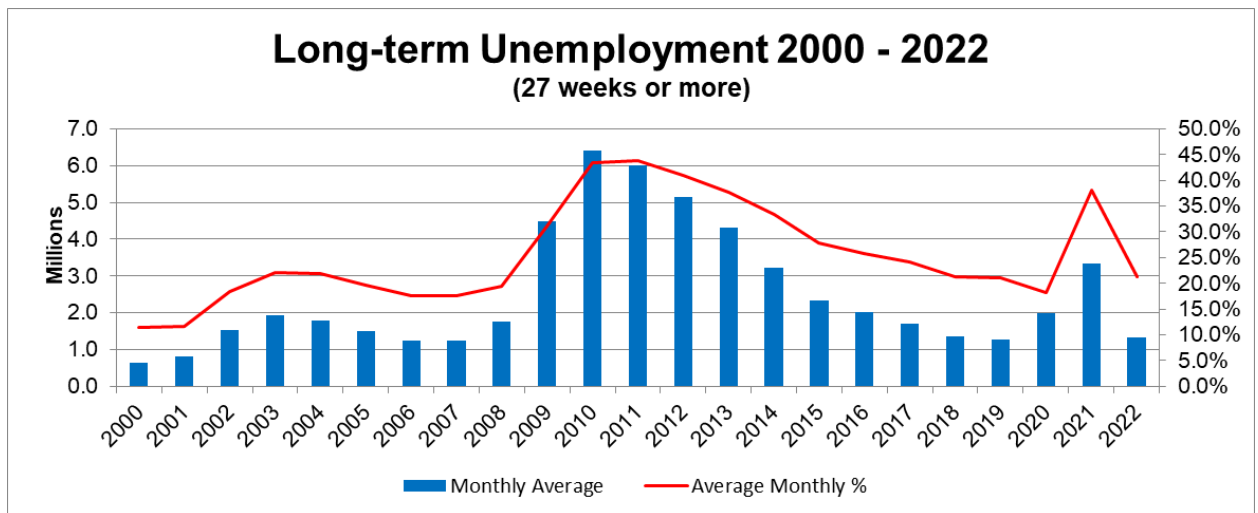
According to the Florida Office of Economic Demographic Research's *National Economic Estimating Conference* (July 22, 2022), unemployment is projected to remain in the 3.1% to 4.2% range through 2032.

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

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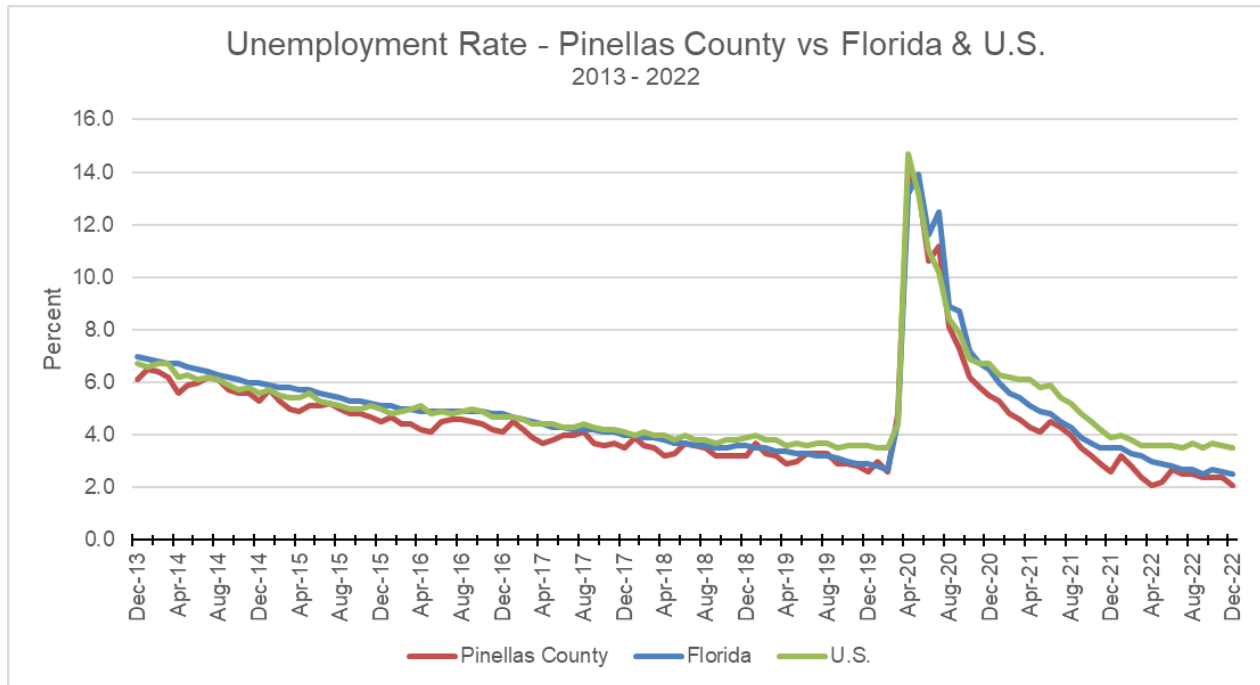


These numbers do not paint what many believe is the true employment picture. Long-term unemployment, which is unemployment lasting 27 weeks or longer, continues to plague the labor market. Following the recession of 1981-1982, long-term unemployment topped out at 26.0% of total unemployment seven months after the recession ended. Following the recession of 2001, long-term unemployment topped out at 15.9% one year out. The Great Recession of 2008 had lingering effects, as long-term unemployment remained above the historical levels seen prior to the recession, averaging 38.2% of all unemployed in 2021. However, the jobs lost due to the COVID-19 economic shut down caused the long-term monthly rate to drop to 4.1% in April as the large number of people newly unemployed outweighed the smaller number of those unemployed at least 27 weeks. The monthly average has returned to pre-pandemic 2019 levels.



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

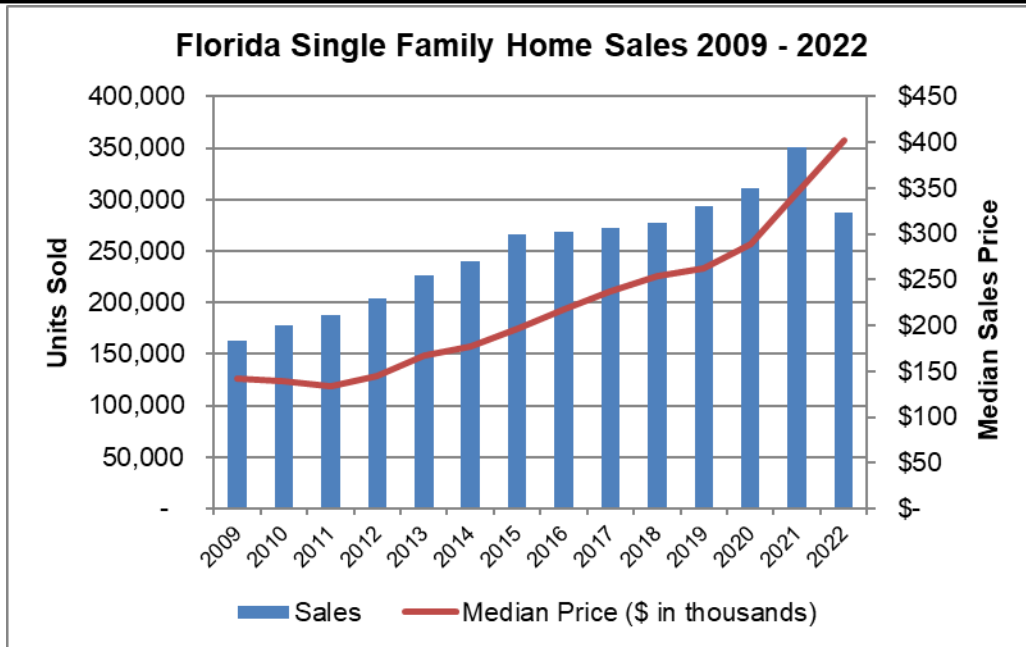


Housing Trends

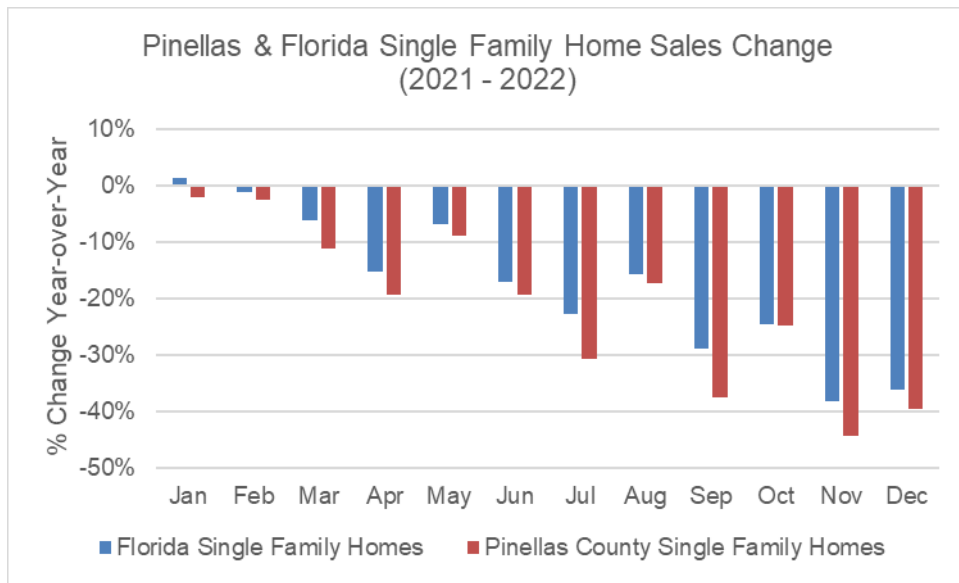
Home Sales Volume and Median Prices

From 2009 through 2022, single family home sales in Florida increased by 76.1%, while median sales prices increased by 182.3%. Florida's single family home market had a year-over-year decrease in 2022 of 18.0%, with median prices up 16.8% to \$402,500. Sales volume fell as the market cooled from the surge in sales during the two years of pandemic buying as well as increasing interest rates on mortgage.

ECONOMIC OVERVIEW

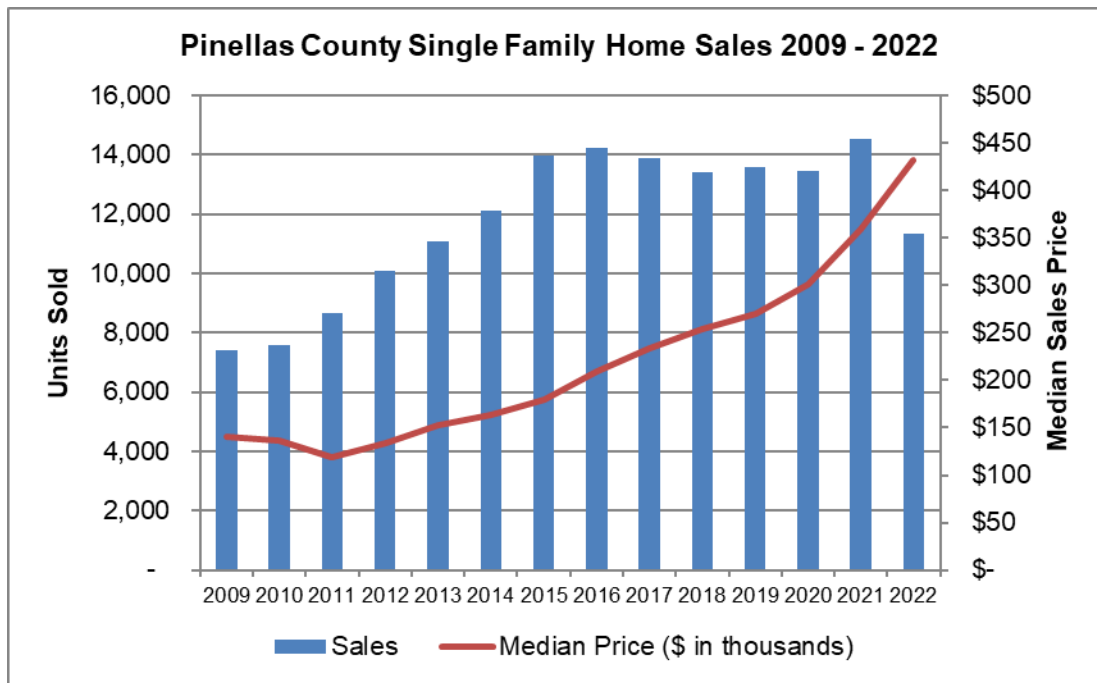


In Pinellas County, single family home sales have increased 53.4% since 2009, with median sales prices increasing 206.2%.



During 2022, sales volume decreased 21.9% in Pinellas County, with median sales prices increasing 20.2% to \$432,992.

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Property Insurance

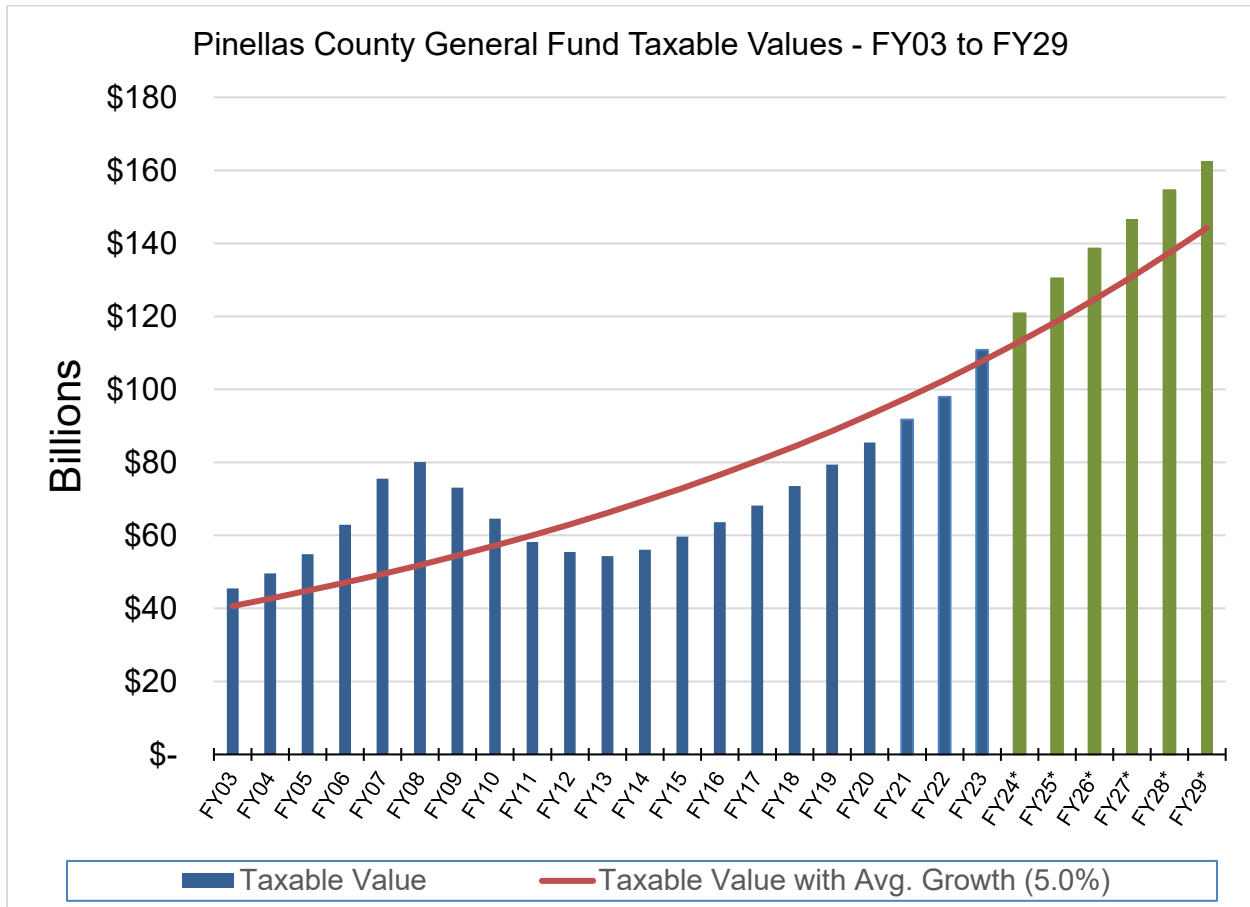
One aspect affecting both new home buyers and existing homeowners is the on-going property insurance crisis in Florida. According to the Insurance Information Institute, on average, property insurance premiums are increasing 25.0% year-over-year, with many policies doubling or more from the previous year. The average cost of homeowner's insurance in Florida was \$3,600 in 2021, double the rate for the rest of the country. In addition to the increased premiums, many policies are being canceled outright, forcing many homeowners to rely on the state's insurer of last resort, Citizens, Florida's state-run, non-profit insurer. In October 2019, Citizens held 420,000 policies, but has more than doubled their policies and is expected to pass 1.0M soon. If a large hurricane, or several smaller hurricanes, hits Florida, the premium- and taxpayer-funded insurer could quickly deplete its reserves, leaving the taxpayers responsible to make up the difference. A Special Session of the Florida Legislature has been called to address the crisis, with a focus on issues such as roof-damage claims, litigation, and reinsurance. As Florida heads into the 2023 Hurricane Season, the strength of Florida's housing market may depend on the actions of the state's political leadership.

Taxable Property Values

The taxable value of properties in Pinellas County has increased ten years in a row, following five years of decreasing values due to the collapse of the real estate market during the Great Recession. As the following chart shows, the county experienced dramatic year-over-year increases beginning in FY05, when taxable values increased by 10.5%, followed by increases of 14.6% in FY06 and 20.1% in FY07. These increases put the values well above the trend line, which represents an average increase of 5.0% annually from FY03 to FY23. 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

ECONOMIC OVERVIEW

Appraiser dated October 11, 2022, taxable property values increased to \$110.83B, a 13.1% increase from FY22 to FY23. Taxable values are projected to increase another 7.0% in FY24 as the local housing market remains a seller's market with demand exceeding supply.



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

Summary

- The U.S. economy's growth slowed in 2022 compared to 2021. The Gross Domestic Product (GDP) grew by 2.1% in 2022, compared to 5.9% in the previous year.
- Florida's economic growth ranked 13th best among the 50 states during the 3rd quarter of 2022, growing by 3.8%, better than the national growth rate of 3.2%.
- With the growing economy came historically high inflation. Inflation increased by 9.1% in June 2022, the highest level seen in more than 40 years, before slowly coming down to the current (January 2023) level of 6.4%.
- Fuel prices continue to climb across the county, reaching \$5.016 per gallon of gasoline on June 14, 2022, before falling to the current (February 13, 2023) price of \$3.416 per gallon.
- Since the initial months of the pandemic that saw 22.0M jobs lost in two months, 24.6M jobs have been added through January 2023.
- The national unemployment rate has consistently improved since reaching 14.7% in April 2020, falling to 3.4% in January 2023.
- In Pinellas County, the unemployment rate is fallen to 2.1%, after reaching 13.9% in April 2020, doing better than both the national (3.4%) and state rate (2.5%).

ECONOMIC OVERVIEW

- Florida's housing markets for single family home sales decreased 18.0% in 2022.
- Florida's median sales price increased 16.6% in 2022 to \$401,934.
- In Pinellas County, single family home sales decreased by 21.9% in 2022. Median sales price increased by 20.3% to \$431,992.
- The reduced availability and affordability of property insurance in Florida has put pressure on lawmakers to address the issues facing both property owners and insurance companies.
- Taxable property values in Pinellas County have risen each of the last ten years, following the dramatic decreases through the previous five years. Taxable values increased 13.1% in FY23, to \$110.8B and are projected to increase another 7.0% in FY23 to \$120.8B in FY24.

Key Assumptions

KEY ASSUMPTIONS

The *Key Assumptions* section of the Budget Forecast: FY24 – FY29 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
 - Key Assumptions
 - Supporting Information
- Expenditure Assumptions
 - Key Assumptions
 - Supporting Information
- Other Forecast Considerations

Assumptions and Forecasting

The forecast is a key component for maintaining fiscal sustainability in support of the County's Mission, Vision, and Values. Although we have attempted to use the best data and methodologies possible, economic forecasting remains an art, not a science. There is no way to accurately predict the cumulative impact of the market decisions of tens of millions of individuals who have complex and changing motivations for their actions. Unforeseen external events such as war or turmoil in foreign lands can also radically change the economic environment. As was seen with the COVID-19 pandemic, changes can take place virtually overnight that have a drastic impact on the economy. 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 considering their potential impact on the fiscal health of the County in the years to come.

We have not attempted to project significant future events such as recessions, oil embargos, or natural disasters. However, in each of the fund reviews, we have identified the known risks to the forecast that could significantly impact the projections.

In establishing revenue and expenditure assumptions, data and forecasts were reviewed from a variety of economists, government agencies, industry associations, and other sources. In particular, we frequently referenced the State of Florida's Revenue Estimating Conferences. The State utilizes a professional, nonpartisan consensus process involving the Legislature, the Governor's Office, and the State's Office of Economic and Demographic Research in developing national and state economic forecasts that are used in all state planning and budgeting actions.

We also reference federal agencies such as the Bureau of Labor Statistics, the Census Bureau, the Congressional Budget Office, and several Federal Reserve banks; as well as private research firms and educational institutions, such as The Conference Board, Wells Fargo, the University of Central Florida, and the University of Florida. The County is not required to use this data, but it provides useful background information for projecting changes in revenues and expenditures. County department and agency staff provided valuable input and review of the assumptions to

KEY ASSUMPTIONS

help ensure that they are reasonable, consistent, and reflect the best judgment of those most familiar with the subject areas.

Revenue Assumptions

Key Assumptions

Countywide General Fund taxable values have increased each year since FY14, with an increase of 13.1% in FY23. The countywide taxable value, which is the net value after all exemptions are applied, is the basis for determining the ad valorem tax revenue in the General Fund and Emergency Medical Services Fund. Although tangible personal property is not subject to assessment of the Emergency Medical Services property tax, for the purposes of this forecast, the FY24 through FY29 percentage change in taxable value for the Emergency Medical Service Fund is assumed to be the same as the countywide taxable value change.

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

Change in Countywide Property Tax Revenue

FY24	FY25	FY26	FY27	FY28	FY29
7.0%	5.9%	4.3%	3.9%	3.4%	3.1%

Change in MSTU Property Tax Revenue

FY24	FY25	FY26	FY27	FY28	FY29
5.5%	4.4%	2.8%	2.4%	1.9%	1.6%

Supporting Information

The overall increase of 13.1% in countywide taxable values for FY23 reflected differing changes in the major components of the tax base. Within these categories, changes in individual properties may vary significantly due to many factors, including location (for example, beach vs. inland) or use (for example, hotel vs. retail). According to the State Ad Valorem Estimating Conference's August 3, 2022 report, statewide taxable values are projected to increase 9.6% for FY24, 8.8% for FY25, and between 5.8% and 7.1% for FY26 – FY29. The same report projects an increase of 9.0% for FY24 in Pinellas County, 7.9% for FY25, and between 5.1% and 6.3% for FY26 – FY29.

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

KEY ASSUMPTIONS

Taxable Value excluding New Construction (\$ in B)

FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$55.1	\$54.1	\$55.9	\$59.4	\$63.0	\$67.6	\$72.7	\$78.4	\$84.4	\$90.8	\$92.2
-4.7%	-1.9%	3.4%	6.2%	6.1%	7.4%	7.6%	7.8%	7.6%	7.6%	1.5%

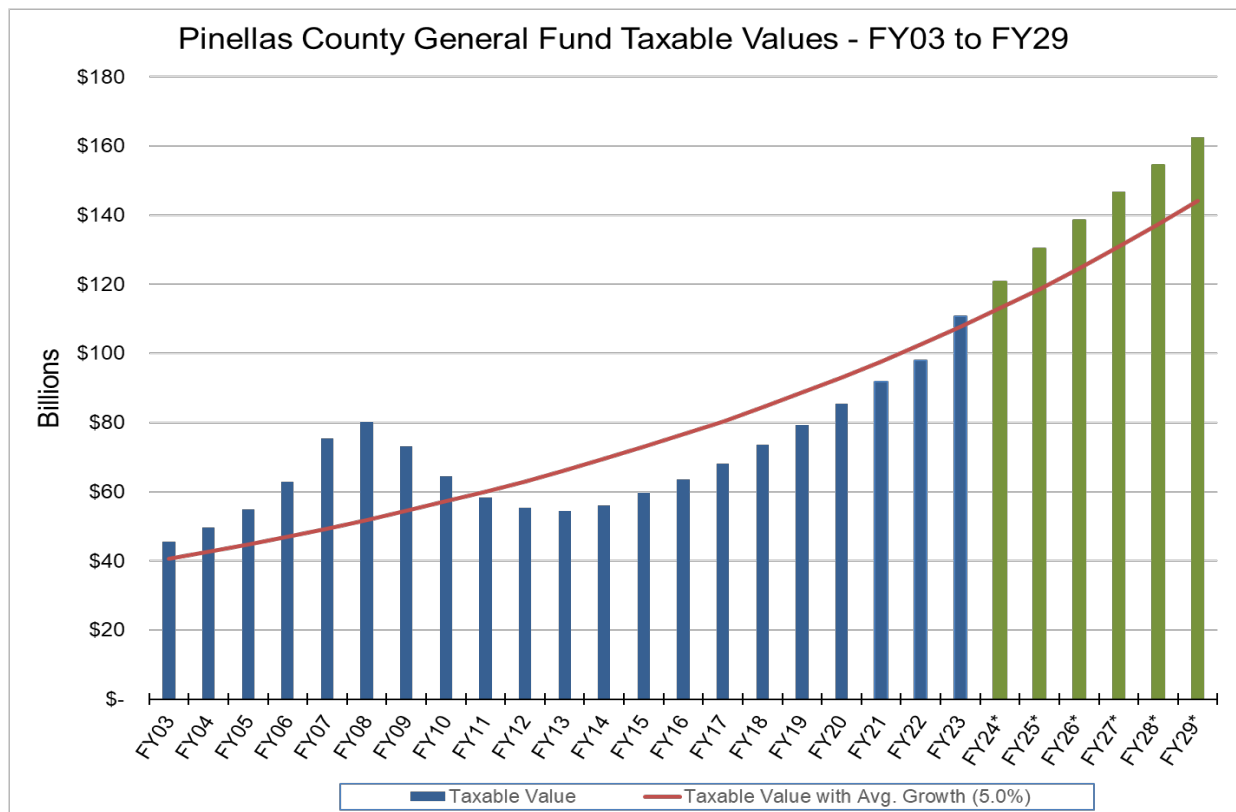
Taxable Value of New Construction (\$ in M)

FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$346.8	\$290.6	\$202.3	\$301.3	\$634.8	\$560.1	\$767.4	\$955.9	\$964.7	\$972.8	\$844.0

On the other hand, redevelopment efforts, particularly in the community redevelopment areas (CRAs), will have a positive impact on the tax base, but revenue growth for the County General Fund will be limited by the established Tax Increment Financing (TIF) districts, which capture between 75% and 95% of the increased tax revenue. In FY22, \$22.8M is budgeted to be paid to the nine cities that have CRAs and the Lealman unincorporated area CRA. Since FY91, the County has paid out almost \$191.0M to various cities with TIF districts.

Taxable values

The taxable values for FY22 were certified by the Property Appraiser on October 8, 2021. The countywide General Fund taxable value increased by 6.8% compared to the FY21 values, the ninth consecutive year of tax base growth. The preceding five years of tax base decline were unprecedented. Prior to FY08, the tax base only decreased once since World War II, a small 0.6% dip in FY93. Since FY03, countywide General Fund taxable value has increased an average of 4.6% annually.



FY24 – FY29 projected Taxable Values based on 5.0% annual growth
 Source: Pinellas County Property Appraiser/Office of Management & Budget

KEY ASSUMPTIONS

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

Property Taxes are normally one of the most reliable revenue sources available to local governments. As a result, most cities, counties, and school districts have historically depended on the stability of property taxes to fund their budgets. Along with normally being a reliable revenue source, property tax revenue also represents the largest source of revenue in Pinellas County. In FY23, property tax revenue is 73.9% of the total General Fund revenue, with the County budgeting \$548.4M.

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

Sales Taxes Overview – General Fund and Capital Projects Fund

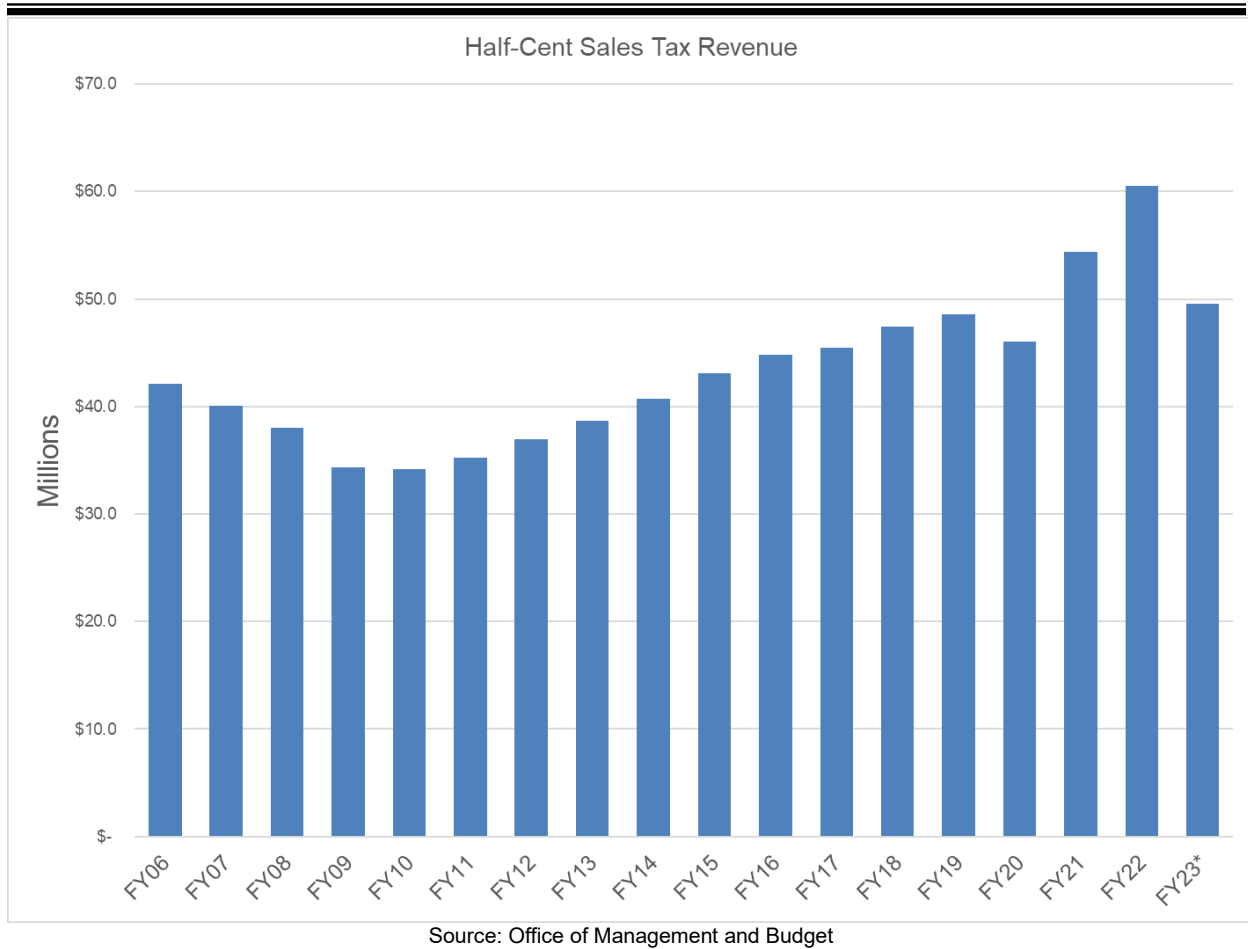
Sales tax revenues are highly elastic, increasing and falling with the health of the overall economy. In addition to food and medicine, certain other purchases are exempted from sales tax by legislation. The County receives two types of sales taxes: the Half-Cent Sales Tax and the Local Infrastructure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

Half-Cent Sales Tax

This General Fund revenue is a portion of the State's 6.0% sales tax that is shared with counties and cities. First authorized in 1982, the program generates the largest amount of revenue for local governments among the state-shared revenue sources currently authorized by the Legislature. In FY21, Half-Cent Sales Tax revenue is 7.0% of the total General Fund revenue. For additional information regarding the Half-Cent Sales Tax projections, refer to the Fund Review for the General Fund later in this document.

Pinellas County's share of Half-Cent Sales tax revenue grew by an average of 3.9% between FY14 – FY19. In FY20, COVID-19 severely impacted sales tax revenue statewide, resulting in a 5.2% decline in the County's share while the State revenue dropped 3.1% from FY19. In the previous five years, sales tax revenue averaged an annual increase of 5.2% statewide, and 3.6% in Pinellas County.

KEY ASSUMPTIONS



Local Infrastructure Sales Surtax (Penny for Pinellas)

The Penny for Pinellas is a 1.0% sales tax dedicated to capital improvement projects in Pinellas County, such as facilities, stormwater improvements, preservation land purchases, roads, bridges, public safety, and parks. As such, this revenue is accounted for within the Capital Projects Fund. In FY23, the Penny revenue is budgeted at \$117.2M, or 65.2% of the Capital Fund's revenue. Without this funding, it is estimated that property owners would have to pay another 2.1 mills per year on their county and municipal property taxes to generate the same amount of revenue to support these infrastructure projects. With this sales tax, an estimated one-third of the total Penny funds are paid by tourists and seasonal residents. In November 2017, Pinellas County voters approved an extension of the Penny for another ten years through 2029. Note that while the Penny for Pinellas is only applicable to the first \$5,000 of any taxable purchase (excluding groceries and medications), the growth assumption is assumed to be equivalent to the overall sales tax assumption.

Key Assumptions

From FY14 – FY19, the Half-Cent Sales Tax revenue grew by an average of 3.9%, while the state's sales tax revenue increased by an average of 5.5% during that same period. Our projection is based on the change in "Sales Tax/GR" revenue projection in the State Revenue Estimating Conference for General Revenue Fund on August 16, 2022.

KEY ASSUMPTIONS

Change in Statewide Sales Tax/GR Revenue

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$18.4	\$19.7	\$21.1	\$22.0	\$23.0	\$24.1	\$25.4	\$24.6	\$27.2	\$34.0
5.7%	7.0%	6.9%	4.4%	4.5%	5.0%	5.2%	-3.1%	10.4%	25.3%

Change in Statewide Sales Tax/GR Revenue – Projections (\$ in billions)

FY23	FY24	FY25	FY26	FY27	FY28
\$31.7	\$31.8	\$32.9	\$33.8	\$34.8	\$35.9
-6.7%	0.3%	3.3%	2.8%	2.9%	3.0%

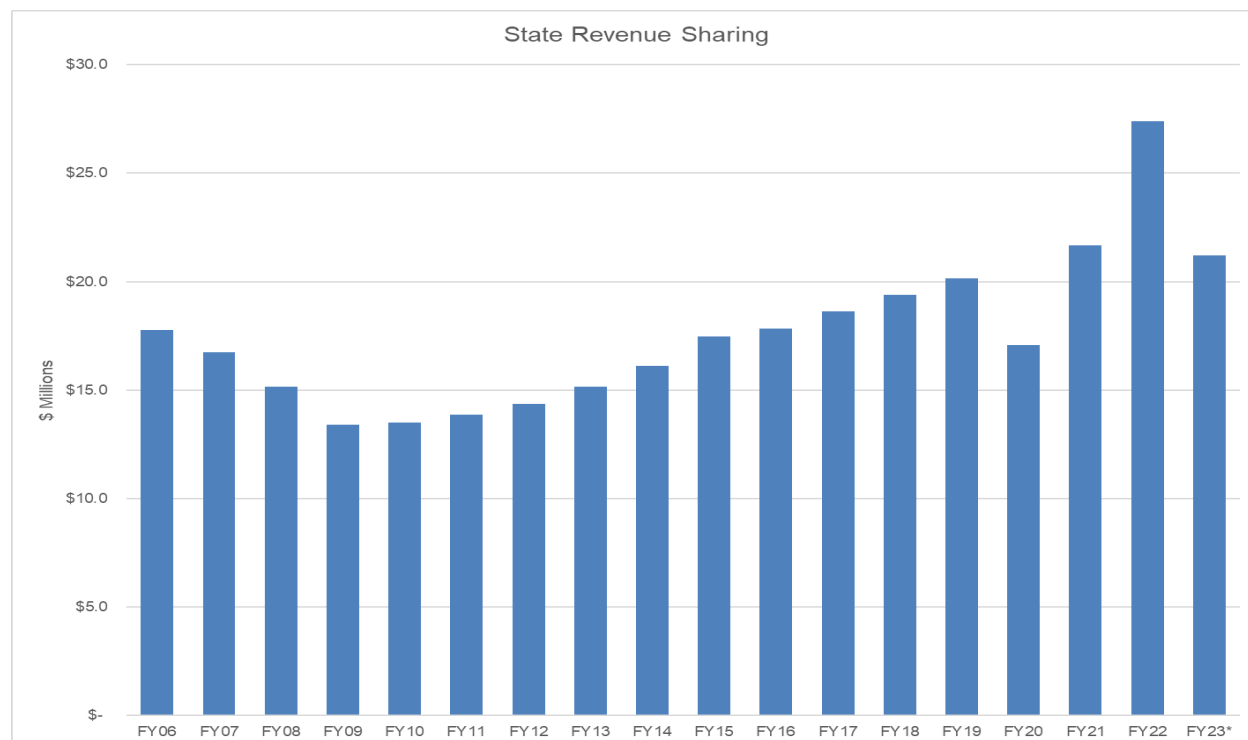
Change in Half-Cent Sales Tax and Penny for Pinellas Revenue

FY24	FY25	FY26	FY27	FY28	FY29
0.3	3.3%	2.8%	2.9%	3.0%	3.0%

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 was negatively impacted by the effects of COVID-19 on the economy. From FY10 – FY19, this revenue increased an average of 4.2% per year. The County's State Revenue Sharing revenue fell by 15.2% in FY20, before rebounding in FY22 increasing 26.8%. In the FY23 Adopted Budget, State Revenue Sharing is 2.9% of the total General Fund revenue. For additional information regarding the State Revenue Sharing projections, refer to the Fund Review for the General Fund later in this document.



Source: Office of Management and Budget

KEY ASSUMPTIONS

Key Assumptions

From FY14 – FY19, State Shared Revenue grew by 4.2%, but dropped by 15.2% in FY20 due to COVID-19. For State Revenue Sharing, a 0.3% growth rate is assumed for FY24, with increases ranging from 2.8% to 3.3% from FY25 – FY29. Our projection is based on the change in “Sales Tax/GR” revenue projection in the State Revenue Estimating Conference for General Revenue Fund on August 16, 2022.

Change in State Revenue Sharing Revenue

FY24	FY25	FY26	FY27	FY28	FY29
0.3	3.3%	2.8%	2.9%	3.0%	3.0%

Communications Services Tax Overview – General Fund

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

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

Key Assumptions

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

In recent years, the Legislature has approved changes to the CST statutes that have negatively impacted local revenues. The Legislature may continue to study the CST and recommend further structural changes that could lead to reductions in revenue from this source. Since FY13, CST revenue has fallen 31.8%. Due to changes in when revenue is received, revenue collection in FY20 increased 3.0% compared to FY19. Since FY13, CST revenue has decreased an average of 4.5% per year. In FY22, Communication Services Tax revenue is 1.0% of the total General Fund revenue. The Forecast projects a continued decrease of 4.0% per year during the forecast period.

Change in Communications Services Tax Revenue

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$10.6M	\$10.6M	\$10.3M	\$9.7M	\$9.4M	\$8.9M	\$8.7M	\$9.0M	\$7.2M	\$8.2M
	-0.5%	-2.8%	-5.8%	-2.7%	-5.5%	-2.4%	3.0%	-19.1%	13.9%

Change in Communications Services Tax Revenue

FY24	FY25	FY26	FY27	FY28	FY29
-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%

KEY ASSUMPTIONS

Interest Earnings Overview – All Funds

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

Key Assumptions

The forecast reflects the short-term outlook for improving earnings and the recent changes in short-term Federal Funds interest rates by the Federal Reserve. The projection is based on the State's "National Economic Estimating Conference" on July 15, 2022.

Total Interest Earned

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
\$2.1M	\$2.3M	\$3.5M	\$5.9M	\$9.9M	\$15.4M	\$24.2M	\$20.1M	\$11.3M

Rate of Interest Earned on Fund Balances

FY24	FY25	FY26	FY27	FY28	FY29
4.5%	3.9%	3.3%	3.3%	3.3%	3.3%

Other Revenue – All Funds

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

Change in Other Revenue (non-specific)

FY24	FY25	FY26	FY27	FY28	FY29
7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Key Assumptions for Other Funds - Specific Revenues

Tourist Development Tax- TDT Fund

Tourism is a key economic driver in Pinellas County. The County imposes a 6.0% Tourist Development Tax (TDT), also known as the 'bed tax', on rents collected for temporary lodgings. The revenue, highly sensitive to general economic and other conditions, is driven by several factors, including the number of visitors, the length of stay, and the Average Daily Rate (ADR) that hotels and other lodgings are able to collect for rentals.

According to the July 20, 2021 Florida Economic Estimating Conference, statewide projections for total visitors to Florida show an increase of 9.4% in FY23 from the post-COVID19 levels of FY21 and FY22, and increases of 6.3% in FY24, 5.0% in FY25, and 3.5% - 4.5% from FY26 –

KEY ASSUMPTIONS

FY28. While there has been exceptional growth in the County's bed tax collections during the last several years, with per percent collection increasing by 112.1% since FY12, the assumptions used in the forecast are lower than statewide projections due to Pinellas County's projected Average Daily Rate and the sensitivity of this revenue. Tourist Development Tax Revenue are approximately 99.5% of the TDT Fund's revenue and are projected to increase 6.0% in FY23, followed by 3.0% annual increases during the remainder of the forecast period. For additional information regarding the Tourist Development Tax, refer to the Fund Review for the Tourist Development Tax Fund later in this document.

Tourist Development Tax Revenue – per percentage point of TDT

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$6.2M	\$7.0M	\$7.9M	\$8.5M	\$9.1M	\$10.0M	\$10.5M	\$8.1M	\$12.2M	\$15.9
8.2%	12.7%	12.2%	8.4%	7.1%	9.0%	5.6%	-22.6%	49.9%	30.3%

Change in Tourist Development Tax Revenue

FY24	FY25	FY26	FY27	FY28	FY29
5.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Fuel Taxes - Transportation Trust Fund

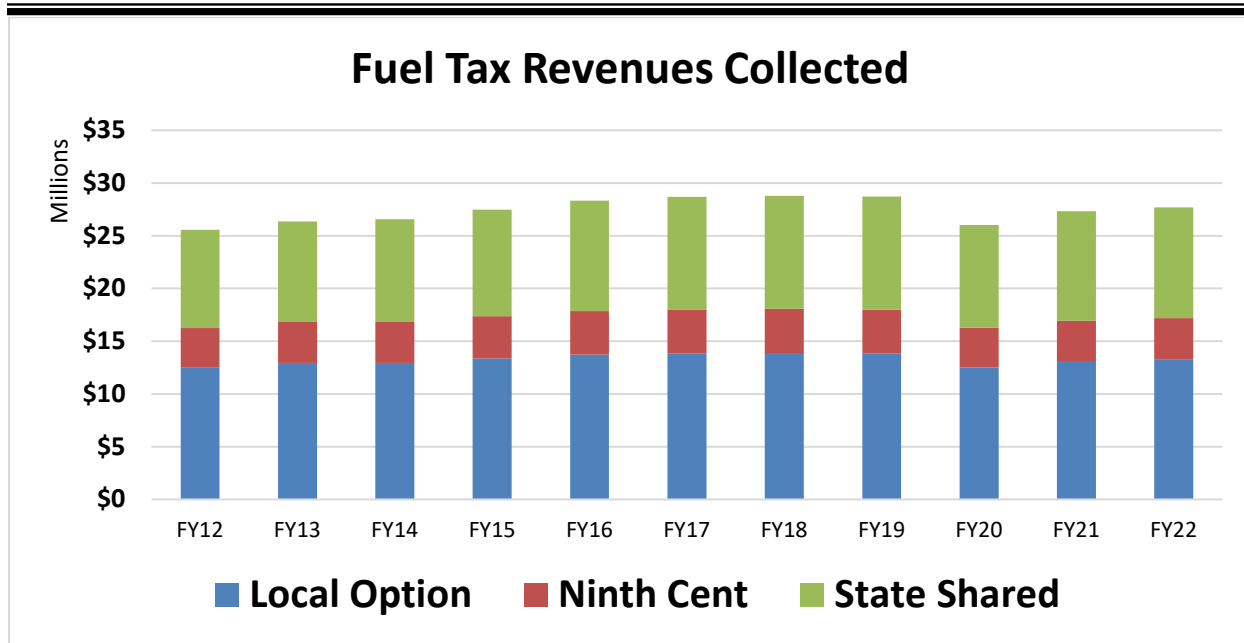
The County receives several types of gas tax, including State Shared Gas Taxes and Local Option Fuel Taxes. In FY23, the budgeted fuel tax revenues are approximately \$28.7M, or 47.6% of the Transportation Trust Fund's revenue. This is a substantial change in percentage of total Transportation Trust Fund revenue from FY22 due to the additional incorporated funds from a new designated millage for transportation expenses being implemented for the first time in FY23. These revenues, similar to the designated millage incorporated in FY22, are dedicated for transportation-related expenditures and are deposited in the County Transportation Trust Fund. The State Revenue Estimating Conference for Revenues to State Transportation Trust Fund on August 4, 2022 projects fuel consumption growth of 14.4% in FY23 and slower increases each year of the forecast period. This is a projection based on steep declines in FY22 related to gasoline prices and COVID-19. However, the county experienced declines in consumption related to COVID-19 during FY20 that surpassed statewide averages (-9.3%), with a recovery in FY21 greater than the state projected (4.8%) and a continued recovery that did not track state-wide averages. The timeline for return to normalcy being unknown, the County expects a conservative increase in revenue in FY24, with additional slow growth in the following years. Beyond FY25, Pinellas County's built out condition and future mandated vehicle fuel efficiency standards lead us to eventual stagnation, and possibly decline. Although the County has the potential to levy an additional 1 to 5 cents in Local Option Fuel taxes, there are no tax rate increases built into the forecast.

Change in Fuel Tax Revenues

FY24	FY25	FY26	FY27	FY28	FY29
0.7%	0.4%	0.2%	0.1%	0.0%	0.0%

As illustrated in the chart below, the total fuel tax revenues collected by Pinellas County from FY12 through FY22 have reflected minimal growth. The fuel tax revenues collected in FY20 declined 9.33% compared to the revenues collected in FY19 due to COVID-19 related decreases in consumption. The recovery is still occurring in the subsequent years.

KEY ASSUMPTIONS



Ambulance User Fee Revenue – EMS Fund

Ambulance user fee revenues are primarily driven by patient demand (transport volume). The average increase in transport volume over the past 5 years (FY18 to FY22) was 0.8%. The average increase over 10 years was 3.0%, ranging from -6.0% (FY20) to 8.7% (FY16). Ambulance Program Revenues are approximately \$68.5M for FY24, or 39.4% of the EMS Fund's revenue and are estimated to increase by 4.0% annually during the forecast period except for FY25 which increases to 10.0% to align with an anticipated increase to the ambulance contract. Changes in health care reform including the No Surprise Act (NSA), may negatively impact payments from Medicare, Medicaid, Commercial Insurance 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

FY24	FY25	FY26	FY27	FY28	FY29
4.0%	10.0%	4.0%	4.0%	4.0%	4.0%

Airport Revenues – Airport Fund

Airfield/Flight Line revenue is based on the current level of carriers and projected passenger numbers. Historically, passenger volume level has grown as the airport's main tenant, Allegiant Airlines, has added new cities to its offering for the past several years; however, that growth is appearing to plateau. Allegiant added six cities in FY21, and along with Sun Country Airlines and Swoop Airlines, added eight cities (Akron, Clarksburg (WV), Minneapolis, Key West, Wichita, Hamilton Ontario, Toronto Ontario, and Provo) in FY22. As the leisure-travel market continues to improve in a post-COVID-19 world, PIE has set records in FY22 for most months of the year. In FY22, PIE boarded 2,436,467 passengers, which was an increase of 32.5% over FY21 figures. Last year, PIE estimated that it would not be able to overtake FY19's 2,268,746 passenger count

KEY ASSUMPTIONS

until FY24, but this has occurred two years early. FY22 will now be PIE's "best" year," and will be used for benchmarking future years, leaving the COVID-19 years behind.

A 32.5% increase of passengers does not equate to a 32.5% increase in the Airfield/Flight Line revenue because revenue is based on other factors. The airline contract is based on the landing fees (how many aircraft land at PIE); fuel flowage fees based upon the number of gallons pumped each month (this is capped at 100,000 gallons per FBO); office rent; apron parking fees which are capped at \$116,800 per year; terminal usage fees which are based upon the internal estimated percentage of growth; \$50 per usage of the jetbridges at Gates 4 and 5; and passenger screening fees which use actual passenger enplanement counts to calculate. In FY23, the passenger screening fee increased from \$0.65 to \$0.70, or 7.7%.

PIE estimates 1,015,863 enplaned passengers in FY23 based upon Allegiant's published flights and frequency of those flights, which is a 16.4% drop from the 1,215,352 actual FY22 enplanements. The FY22 revenues obtained from \$0.65 per enplanement were \$789,979 and the estimated 1,015,863 enplanements in FY23 would generate \$711,104 in passenger screening fees, which is a 9.9% decrease.

The next airline contract negotiation will occur in late FY25, with an expected increase in revenue anticipated in FY26. The new agreement will need to include adjusted user fees such as the percentage of usage of the new common use terminal equipment (CUTE) system that will be purchased in FY23/FY24. PIE expects to negotiate approximately 5.0% in additional revenues with the new airline master agreement due to the cost of the additional technology and its annual maintenance costs for equipment and supplies.

PIE is estimating the airfield/flight line revenue source to remain at 1.7%, which is a direct reflection of PIE's master plan document estimated revenue and the FY19 Terminal Area Forecast. The airline's master agreement dictates what happens from year to year, so there is not much on the user fee side that can be increased unless incremental increases are built into the agreement.

Change in Airfield/Flight Lines Revenues

FY24	FY25	FY26	FY27	FY28	FY29
1.7%	1.7%	5.0%	1.7%	1.7%	1.7%

Rent/Leases/Concessions revenue projections are based on land leases and concessionaire agreements of airport property. The new food and beverage concessionaire agreement that began in late FY19 provided higher revenue in the first few years due to the increased Maximum Annual Guarantee (MAG) of \$1.2M, with the contract's later years increasing at a slower rate. However, the COVID-19 pandemic set back all gains that PIE was expected to realize with the new concessionaire agreement, because the MAGs are not due to the airport until all restaurant and retail spaces are completely built out. At the current time, all retail/gift shop spaces have been constructed as planned, but the food/beverage segment suffered greatly because of the nationwide downturn. PIE has three of the food/beverage locations constructed, which leaves the pre-security second floor restaurant called The District as the only site left unconstructed. That site is due to begin construction in February 2023 and should be finished by the beginning of summer 2023. When that location is completed, then the MAGs will be required to be paid or the percentage of sales called for in the contract. PIE estimates that we will have flat growth as in our passenger enplanement numbers and do not expect growth to be above 3.0%.

KEY ASSUMPTIONS

The on-airport rental car concession bid was awarded in late FY21 during the pandemic. The rental car concession is one of the largest revenue earners for PIE, and even though COVID-19 caused rental car concessionaires issues with inventory nationwide, PIE was largely unaffected. PIE expects to have a 3.0% increase in each year in MAG payments until a new contract is bid in FY24. PIE has also added Easirent (ER Travel, LLC) as an off-airport rental car company and TURO, a car-sharing service.

The new Airport Advertising Concession opportunity was awarded at the beginning of calendar year 2022 with a new vendor and business arrangement. A new business arrangement is advantageous to PIE, because the former contract only paid a percentage of sales, and the new contract includes a MAG payment as well as a percentage of sales. PIE has experienced a 16.1% increase from the new arrangement and expects future revenue to stabilize.

Ground transportation continues to see gains, as PIE now has agreements with taxicabs, Uber, Lyft, and hotel courtesy shuttles. Ground transportation partners paid PIE an increase of over 866.0% from FY22 compared to FY19, when only taxicabs and hotel courtesy shuttles were available.

Change in Airport Rents/Leases/Concessions Revenues

FY24	FY25	FY26	FY27	FY28	FY29
2.7%	3.6%	3.6%	3.7%	3.7%	3.7%

Customer Facility Charges (CFCs) are charged to each person who rents a vehicle at PIE (\$4.00 per rental per day). CFCs do not generally trend at the same percentage increase as the rental car concessionaire agreement, because CFCs are based on the number of days that each car is rented. PIE averaged \$2.4M in collections per year even during COVID-19 and is setting \$2.6M as the target for post-COVID-19 activity. Even though there will be a new contract for the rental car concessionaires bid in FY24, it will not affect this number unless PIE increases the user fee (\$4/per rental per day).

Change in Customer Facility Charges (CFCs) Revenues

FY24	FY25	FY26	FY27	FY28	FY29
0%	0%	0%	0%	0%	0%

A Passenger Facility Charges (PFC) of \$4.50 is charged to each enplaning passenger flying out of PIE. The charge is levied on each airline ticket and PIE receives \$4.39 directly and \$0.11 is kept by the airline for administrative fees. A PFC of \$4.50 is the most that the Federal Aviation Authority (FAA) allows. PIE is given the collection authority for PFCs from the FAA through an application process. PFCs are only allowed to be used for FAA pre-approved CIP projects that are Airport Improvement Program (AIP) eligible. PIE estimates collections at \$5.0M per year moving forward and does not expect Congress to change the current \$4.50 PFC rate.

Change in Passenger Facility Charges (PFCs) Revenues

FY24	FY25	FY26	FY27	FY28	FY29
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

KEY ASSUMPTIONS

Water and Sewer Rates – Utilities Funds

- A four-year rate plan for FY20 through FY23 was adopted by the Board on May 21, 2019 as follows:

- Retail Water

- Volumetric Rate per 1,000 gallons (no change)

FY20	FY21	FY22	FY23
\$5.13	\$5.13	\$5.13	\$5.13

- Base Rate Charge Per Month

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

- Wholesale Water

- Per 1,000 gallons

FY20	FY21	FY22	FY23
\$4.1742	\$4.2159	\$4.2581	\$4.3007

Water Fund Revenues:

The forecast assumes minimal growth of 0.2% annually from FY24 through FY29. Rate increases are not included in the forecast at this time. Results and recommendations from the FY24-FY27 Rate Study will be presented to the Board in March 2023, and Board action will be reflected in the next forecast update.

Change in Water Service Charges Revenue

FY24	FY25	FY26	FY27	FY28	FY29
0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

In addition to its retail water customers, the County provides water at wholesale rates to several cities that purchase water in bulk and distribute it to their own retail customers. The amount of water purchased is affected by economic conditions, housing and commercial vacancies, and levels of conservation. FY23 retail water sales are budgeted at \$74.1M, or 77.1% of total water fund revenues, while wholesale water sales are budgeted at \$15.5M, or 16.1% of the total fund revenues.

Sewer Funds Revenue

The forecast assumes minimal growth of 0.2% annually from FY24 through FY29. Rate increases are not included in the forecast at this time. Results and recommendations from the FY24-FY27 Rate Study will be presented to the Board in March 2023, and Board action will be reflected in the next forecast update. Factoring out \$10.8M in grant revenue for capital projects, retail sewer

KEY ASSUMPTIONS

charges are \$74.7M, or 71.1% of FY23 budgeted fund revenues, while wholesale sewer charges are \$12.6M, or 12.0% of total budgeted revenues.

Change in Sewer Service Charges Revenue

FY24	FY25	FY26	FY27	FY28	FY29
0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Solid Waste Funds Revenue – Solid Waste Funds

As previously mentioned, a three-year 6.8% rate increase to tipping fees as a result of a multi-year rate study has been adopted by the County. The per ton tipping fees will increase 6.8% each year from FY23 through FY25. Beyond FY25, the forecast for tipping fee revenues is anticipated to remain flat.

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

The forecast also assumes a 0.5% increase in electricity sales in FY23. With the forecasted termination of the PPA in December 2024, electricity sales revenue is anticipated to remain flat in FY25 and thereafter. Additionally, the forecast assumes no change in recycling revenue.

For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The capital outlay forecast reflects the construction and purchase needs based on asset condition assessments, permit or regulatory requirements, and availability of funds.

Change in Solid Waste Tipping Fee Revenues

FY24	FY25	FY26	FY27	FY28	FY29
6.8%	6.8%	0.0%	0.0%	0.0%	0.0%

Change in Solid Waste Electrical Capacity Revenues

FY24	FY25	FY26	FY27	FY28	FY29
-25.0%	75.0%	0.0%	0.0%	0.0%	0.0%

Surface Water Fund Revenue – Surface Water Utility Fund

The Surface Water Utility was established in FY14. Surface water assessments are determined by a rate structure that includes Equivalent Residential Units (ERUs) based on the median impervious area of single family detached parcels. In FY23, the budgeted surface water assessments are approximately \$19.2M, or 94.0% of the Surface Water Special Assessment Fund's revenue. Any changes to the rate that exceed the approved maximum rate, are subject to approval by the BCC. During the forecast period, the assumption is that number of ERUs will stagnate due to annexations. The Surface Water rate study update is planned for FY23, where it will be determined whether changes are recommended to ensure sustainability of the fund. Until the results of the study are available and acted upon, the rate structure will increase yearly by

KEY ASSUMPTIONS

3.0% until the maximum rate is reached of \$128.66 in order to maintain the fund's solvency until FY27.

Change in Surface Water Assessment Revenues

FY25	FY26	FY27	FY28	FY29	FY30
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Expenditure Assumptions

Personal Services Overview – Salaries – All Funds

The cost of Personal Services (salaries and benefits) is generally the single largest category of expense (for example, more than 60.0% of the General Fund including Constitutional Officers). The FY21 Budget included an average of 3.0% in wage adjustments for most County employees.

Key Assumptions

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

Change in Salaries

FY24	FY25	FY26	FY27	FY28	FY29
3.3%	3.0%	3.0%	3.0%	3.0%	3.0%

Personal Services Overview – Employee Benefits – All Funds

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

Florida Retirement System (FRS)

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

From 1998 to 2008, the FRS had been one of the few state systems that had an actuarial surplus. This lowered the required contributions set by the Legislature that are based on an employee's salary and benefit category (public safety employees and elected officials have higher contribution rates). As with most other pension systems, the financial system crisis in the fall of 2008 had a significant effect on the value of FRS investments. As a result, beginning in 2009 the FRS system has had an unfunded liability.

KEY ASSUMPTIONS

Key Assumptions

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

The State Legislature establishes the employer contribution rates for the FRS system. Employees must also contribute to the system as part of a package of Legislative changes enacted in 2011. The 2013 Legislature increased the FRS rates to fully fund the system's actuarial liability over a multi-year period, and the 2014 Legislature made adjustments to maintain this approach. The forecast assumes FRS contribution rate increases of 3.0% on salaries from FY22 – FY27.

The actual contribution rates beginning July 1, 2023 will not be known until the end of the 2023 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

FY24	FY25	FY26	FY27	FY28	FY29
3.3%	3.0%	3.0%	3.0%	3.0%	3.0%

Health Insurance

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

Change in Health Insurance Contributions

FY24	FY25	FY26	FY27	FY28	FY29
4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Supporting Information

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

Personal Services - Combined Impact

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

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

FY24	FY25	FY26	FY27	FY28	FY29
3.8%	3.1%	3.1%	3.1%	3.1%	3.1%

KEY ASSUMPTIONS

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

Operating Expenses and Capital Outlay Overview - All Funds

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

Key Assumptions

The forecast assumes that the cost of services, commodities, grants and aids, and equipment will generally track the CPI increases developed by the State in its consensus Revenue Estimating Conference. The State's projections were reviewed against those from various other sources, including the Survey of Professional Forecasters, the University of Central Florida, and the Federal Reserve. While there are variations in the specific percentages, all these sources projected continuing low to moderate cost inflation over the forecast period.

Change in Other Non-Personnel Expenditures (CPI)

FY24	FY25	FY26	FY27	FY28	FY29
7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Fuel - All Funds with Fleet Equipment

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

FY23 budgeted fuel costs were based on a price of \$2.45/gallon for unleaded fuel and \$2.50/gallon for diesel. The forecast assumes an increase to \$3.09/gallon for unleaded and \$3.70/gallon for diesel with a mark up of \$0.35 for FY24, with increases matching CPI growth from FY25 through FY29.

Change in Unleaded Fuel Costs (per gallon)

FY24	FY25	FY26	FY27	FY28	FY29
26.1%	3.8%	3.8%	3.8%	3.8%	3.8%

Change in Diesel Fuel Costs (per gallon)

FY24	FY25	FY26	FY27	FY28	FY29
48.0%	3.8%	3.8%	3.8%	3.8%	3.8%

Electricity - General Fund and Utilities Funds

The County's facilities are generally charged a commercial rate for electricity by Duke Energy. The Facilities and Real Property and Utilities departments have both taken steps to decrease annual cost increases by implementing measures to reduce energy consumption. Due to increased costs for our providers in the near-term, electricity costs are expected to increase in FY24. Annual increases, after FY24, match the projected change in CPI.

KEY ASSUMPTIONS

Change in Electricity Costs (per kWh)

FY24	FY25	FY26	FY27	FY28	FY29
7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Other Fund-Specific Expenditures

Ambulance Contract Expenditures – Emergency Medical Services Fund

The County contracts with Paramedics Logistics for the County's Sunstar ambulance system. Increases to ambulance contract expenditures can fluctuate based on the Consumer Price Index (CPI-U) for Tampa-St. Petersburg-Clearwater, with a maximum increase of 4.0% in any given year, plus operational changes in transport volume. Transport volume changes have ranged from -6.0% decrease in FY20 (due to COVID-19) to a high of 8.7% increase in FY16. Based on the last two years of growth; FY21 at 2.6%, FY22 at 5.3%, and FY23 YTD (through 2.26.2023) at 4.9% transport growth, a 4.5% year over year increase is included in the FY24-FY29 forecast. In addition, the inflationary assumptions include annual CPI increases and medical supply needs.

Change in EMS Ambulance Contract Expenditures

FY24	FY25	FY26	FY27	FY28	FY29
4.5%	12.0%	4.5%	4.5%	4.5%	4.5%

First Responder Expenditures – Emergency Medical Services Fund

The County contracts with 18 Fire Rescue departments to provide response to EMS calls with paramedics using Advanced Life Support (ALS) equipment. First responder contractual expenditures are primarily driven by personnel costs. The current First Responder agreement allows for annual growth of 3.0%, along with reimbursement for a portion of overhead at 1.0% of the amount funded. If the budget submissions exceed 3%, a contract amended is executed. The assumption for FY24 – FY29 is 4.5%, based on a 4-year average increase (FY19 – FY22).

Change in EMS First Responder Expenditures

FY24	FY25	FY26	FY27	FY28	FY29
4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Purchase of Water - Water Funds

A major expense to the Water System is the purchase of water from Tampa Bay Water. Budgeted at \$44.2M in FY23, purchased water represents 51.2% of total water operating expenditures. Debt payments owed by Tampa Bay Water (TBW) to Pinellas County Utilities (PCU) for assets transferred to the regional water system will end in FY28. TBW's monthly payments of \$364,866 applied as credit toward PCU's purchased water expense will end, so the forecast reflects an additional \$4.4M in the full annual cost beginning in FY29.

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.

KEY ASSUMPTIONS

Change in Cost of Water Purchased from Tampa Bay Water

FY24	FY25	FY26	FY27	FY28	FY29
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Other Forecast Considerations

Climate Change

Recent studies show that we have begun to see an increase in sea level rise and in the frequency, duration, and intensity of storms. Given this trend, it may be prudent to consider increasing fund reserves to provide adequate resources to deal with the cost of responding to these events.

As a coastal community, rising sea levels due to climate change may require expenditures to reconstruct or relocate facilities that are in low-lying areas. To proactively address this concern, the County's capital projects include an assessment process that considers vulnerability and risk to sea level rise and coastal storm surge. The assessment process results in recommended adaptation and mitigation measures for new projects or renovations to protect our community and the project's return on investment.

Other Funds

This forecast includes the 10 funds that comprise the majority of the County's budget. Most of the more than 30 other funds have a limited scope that does not lend itself to extensive discussion in this document. However, several are worth noting.

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

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

KEY ASSUMPTIONS

The Business Technology Services (BTS) Fund is an internal service fund that provides integrated information and communications technology for the County's departments and agencies. BTS, along with the Office of Technology & Innovation, maintains existing systems and 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.

Fund Reviews and Forecast Pro Formas

FUND REVIEWS & FORECAST PRO FORMAS

The *Fund Reviews & Forecast Pro Formas* section of the Budget Forecast: FY24 – FY29 includes six-year forecasts for 10 of the County's major funds:

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

Sections in Each Fund Forecast

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

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

GENERAL FUND

Description

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

The General Fund includes operations for both countywide functions and the unincorporated area. These segments are tracked separately within the fund. The unincorporated area is commonly referred to as the MSTU (Municipal Services Taxing Unit). MSTU expenditures are about 8.6% of the total (net of reserves).

Summary

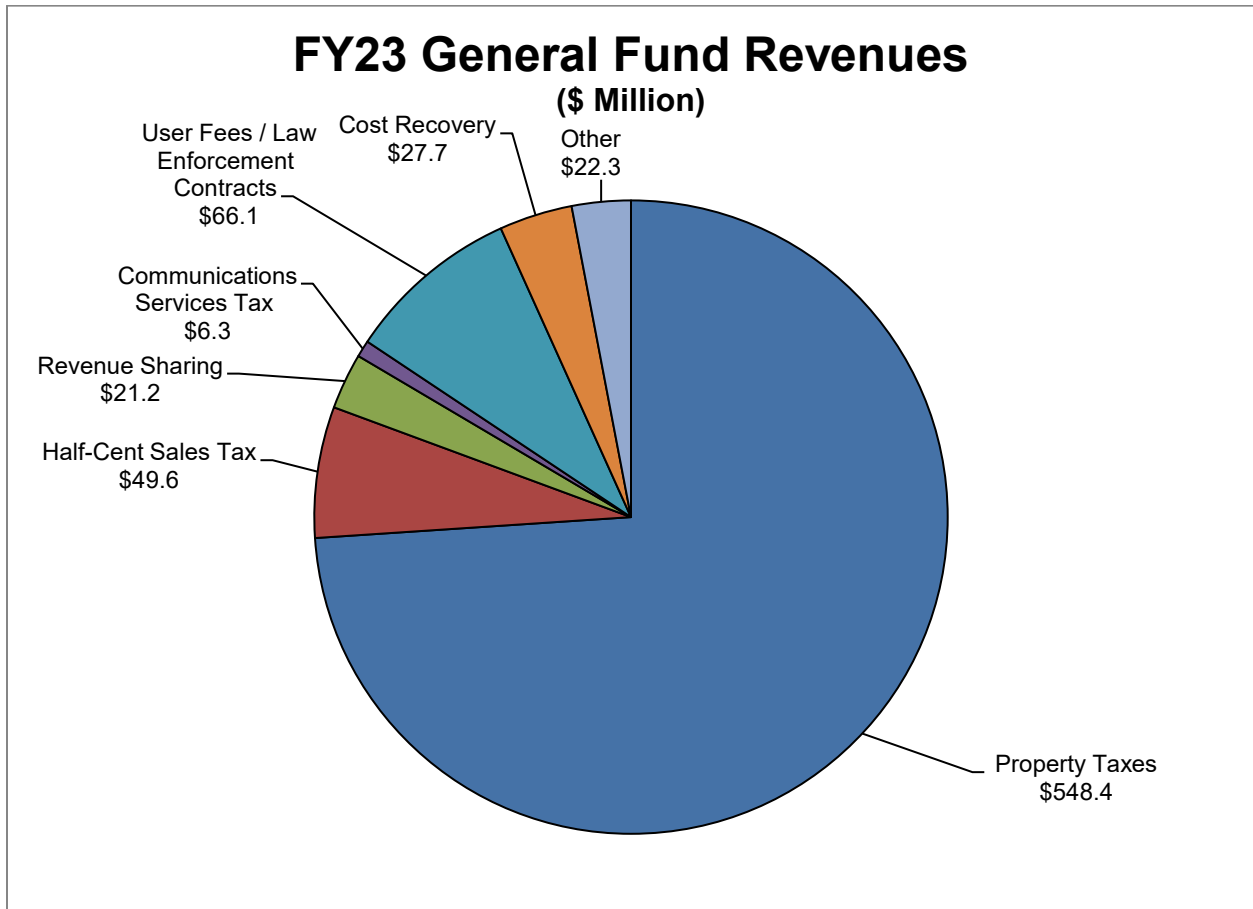
The General Fund encompasses the principal governmental activities of the County that are not primarily supported by dedicated revenues or by user fees. The four main external revenue sources for the General Fund are Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes. Property Tax revenue remains strong in FY23 and is projected to grow another 7.0% FY24. Half Cent Sales tax revenue is projected to remain relatively flat in FY23 after a strong recovery of the economy in late 2020 and is projected to increase just 0.3% in FY24. State Revenue Sharing revenue is projected to remain flat as well, increasing 0.3% in FY24 to \$25.5M. Communication Service Taxes are projected to continue the decline experienced for the last decade, dropping an estimated \$200,000 in FY24 to \$7.5M.

The forecast projects that the General Fund is balanced throughout the forecast period and maintains sufficient reserves without a millage increase.

Revenues

The budgeted revenues in the General Fund for FY23 total \$741.6M. Property Taxes are the single largest source of General Fund revenues, accounting for almost three-quarters of the total. The four primary external funding sources for the General Fund (Property Taxes, State Shared Half-Cent Sales Taxes, State Revenue Sharing, and Communications Services Taxes) comprise 84.3% of the revenue. The remaining 15.7% is derived from a variety of resources, including user fees, grants, contracts for services, interest, and cost recovery from other County funds.

GENERAL FUND

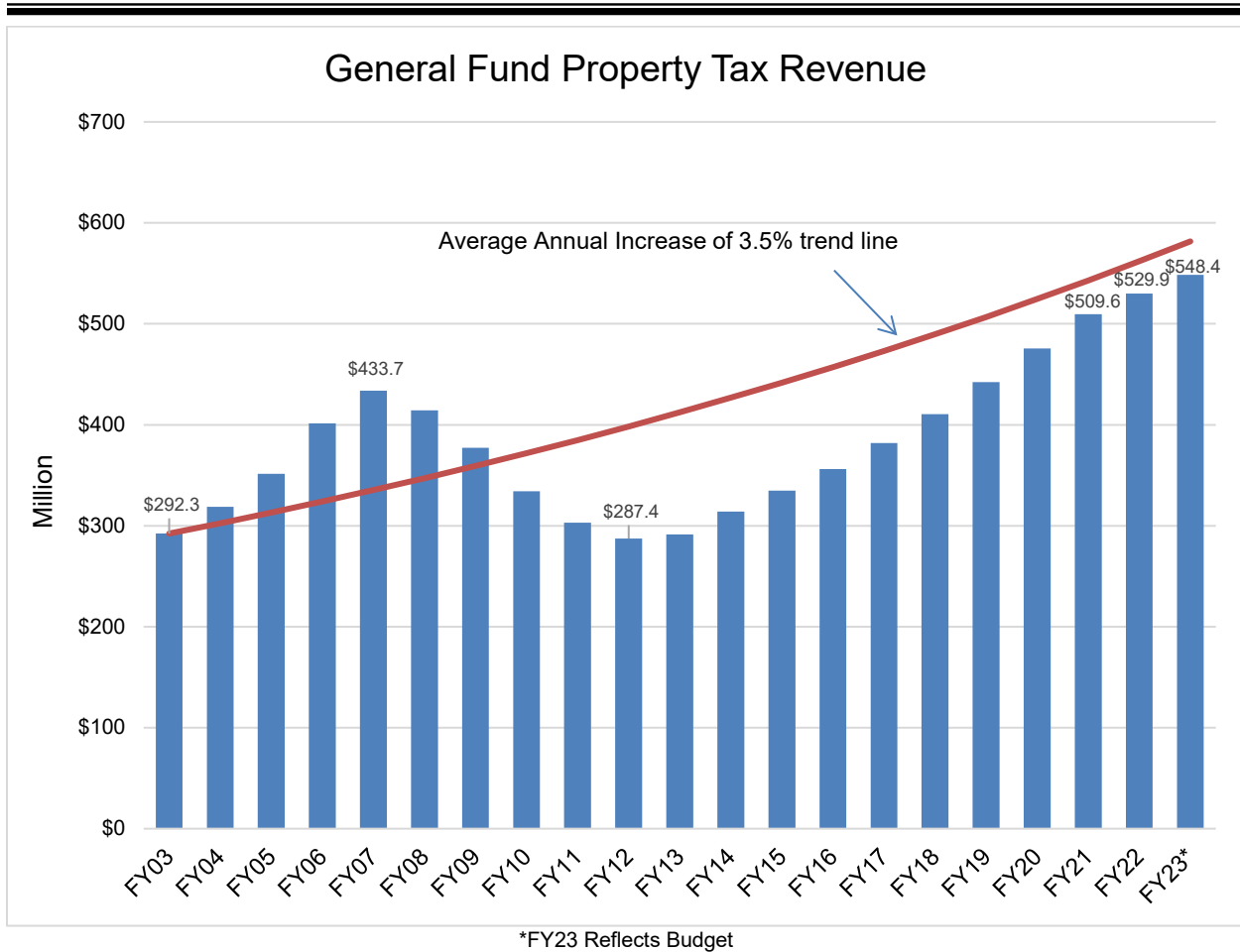


Property Taxes

For the tenth consecutive year, the taxable value of property increased for FY23 (based on the values as of December 31, 2021). The combined General Fund property taxes for countywide and MSTU are projected to generate \$554.1M in FY21 and \$592.2M in FY24.

From FY03 through FY12, property values experienced the most extreme “boom and “bust” cycle in more than fifty years. Revenue collected from property taxes reached of \$433.7M in FY07 and fell to \$287.4M by FY12. It took until FY14 for the County to collect as much property tax revenue as it did in FY03. Due to the cumulative nature of property tax revenue, the County has lost \$461.5M in potential revenue since FY04. The chart below shows the actual property tax revenues from FY03 – FY22 and budgeted revenue for FY23, along with the potential revenue collection during those years based on a 3.5% annual increase (based on the average annual change from FY03 to FY22).

GENERAL FUND



The County's General Fund is more dependent on property tax revenue than are the general funds of the cities within the county. Their General Fund revenue mix usually reflects other revenues such as franchise fees and utility taxes that are less sensitive to changes in economic conditions and diversify their total revenue portfolio.

Half-Cent Sales Taxes

The second largest General Fund revenue source is the *State Shared Half-Cent Sales Tax*, which is 6.7% of total budgeted General Fund revenues. This funding source was authorized in 1982 and distributes a portion of state sales tax revenue via four different distributions to eligible county or municipal governments: *Ordinary*, *Emergency*, *Supplemental*, and *Fiscally Constrained*. Pinellas County is eligible for only the *Ordinary* distribution. During FY23, the State is projected to distribute more than \$2.64B across all four categories, with \$2.60B being part of the *Ordinary* distribution to counties and municipalities. The *Ordinary* distribution is funded by transferring 8.9744% of net sales tax proceeds to the *Local Government Half-Cent Sales Tax Clearing Trust*. The County's collections grew by an average of 5.2% annually between FY13 – FY22. According to the Florida Department of Revenue's projections, this tax is projected to generate \$57.5M in FY23.

GENERAL FUND

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

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$38.7	\$40.7	\$43.1	\$44.8	\$45.5	\$47.4	\$48.6	\$46.1	\$54.4	\$60.5

State Revenue Sharing

The third major external General Fund source, *State Revenue Sharing*, is 2.9% of total budgeted General Fund revenues. This funding source, as originally outlined in the Florida Revenue Sharing Act of 1972, is calculated based on an eligible county's population and sales tax collection. The *Revenue Sharing Trust Fund for Counties* receives 2.9% of net cigarette tax collections and 2.081% of net sales and use tax collections, which are then allocated by formula to all eligible counties. This revenue has shown a similar strong growth over the past several years, averaging annual increases of 7.3% from FY13 – FY22. According to the Florida Department of Revenue's projections, this source is projected to generate \$23.5M in FY23.

Actual State Revenue Sharing Revenue (\$ in millions)

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$15.2	\$16.1	\$17.5	\$17.8	\$18.6	\$19.4	\$20.1	\$17.1	\$21.7	\$27.4

Communications Services Taxes

The fourth major external revenue in the General Fund is the *Communications Services Tax* (CST). The CST applies to telecommunications, video, direct-to-home satellite, and related services. The County levies the maximum rate (5.22%) allowed by Florida Statute (Chapter 202, and Section 337.401). The County is projected to collect \$7.7M in FY23, down from a peak of \$13.2M in FY07. Pinellas County's revenue reflects the statewide trend for this source, which has experienced continued erosion due to shifts in consumer spending away from services that are subject to this tax.

Actual Communications Services Tax Revenue (\$ in millions)

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
\$10.6	\$10.6	\$10.3	\$9.7	\$9.4	\$8.9	\$8.7	\$9.0	\$7.9	\$8.2

Other Revenues

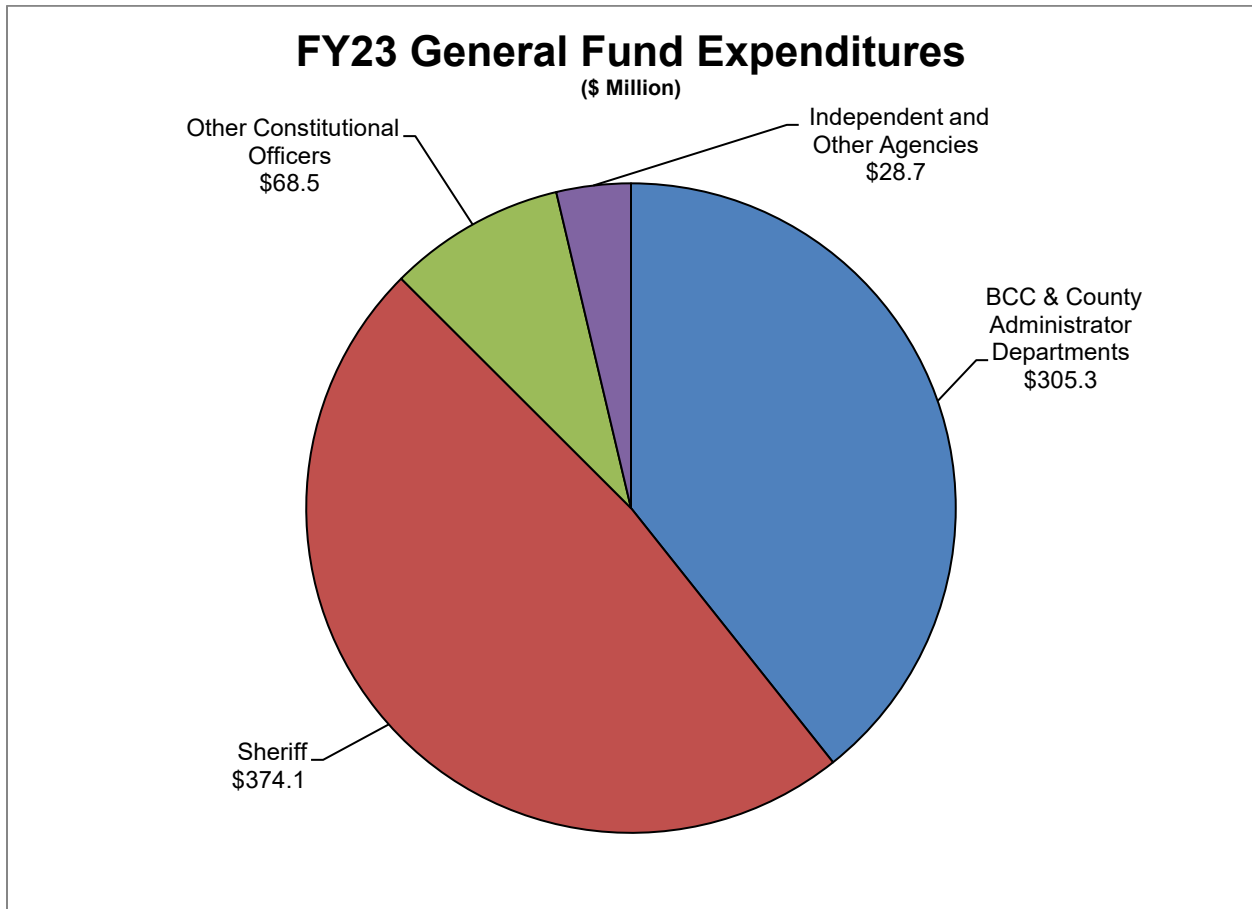
Other revenue sources include user fees, Sheriff's Law Enforcement contracts, cost recovery from other funds, interest earnings, and various other sources including federal and state grants. In general, excluding grants, these revenues are expected to show moderate growth during the forecast period.

Expenditures

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

GENERAL FUND

The budgeted expenditures in the General Fund for FY23 total \$776.5M, a decrease of \$15.5M from FY22.



Board of County Commissioners

This grouping of departments includes the departments under the County Administrator as well as the County Attorney's Office and the Board of County Commissioners (BCC). Funding for these departments totals \$305.3M, or 32.7% of total FY23 General Fund expenditures.

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

Sheriff

The Sheriff is an independently elected Constitutional Officer. The Sheriff's General Fund budget is \$374.1M, or 40.1%, of total FY23 General Fund expenditures. Detention and Corrections programs are 36.3% of the Sheriff's budget. The Sheriff also provides Law Enforcement services

GENERAL FUND

to both the unincorporated area (MSTU) and by contract to 13 municipalities. The budget for law enforcement is 55.8% of the Sheriff's budget. The remaining 8.0% 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.

Other Constitutional Officers

These agencies, which are headed by independently elected officials, comprise \$68.5M, or 7.3%, of total FY23 General Fund expenditures. In most cases, the General Fund only reflects part of the agency's total budget.

The Tax Collector and Property Appraiser budgets are determined by statutory formulas and are approved by the State Department of Revenue. The General Fund provides \$28.5M for the Tax Collector and \$12.5M for the Property Appraiser budgets. The remainder is supported by other funds and by revenue sources that are specific to certain functions. An example of the latter is the processing of driver's licenses, which receives some state support but not enough to cover the Tax Collector's cost of providing the service.

The Clerk of the Circuit Court and Comptroller has two separate budgets for activities, in support of the Board of County Commissioners and in support of the Court system. The latter is fee supported and is not included in the County's budget; it is funded and approved by the State. The General Fund provides \$17.3M for the Clerk's budget.

The budget for the Supervisor of Elections (\$10.2M in FY23) experiences annual fluctuations which result from the varying number and scope of elections in a given year. The Supervisor is responsible for preparing and conducting all federal, state, county, and municipal elections within the County. The Board funds 100% of the Supervisor's budget, excluding occasional state or federal grants.

Independent and Other Agencies

These agencies are \$28.7M, or 3.1%, of total FY23 General Fund expenditures. They include the County's support for the Judiciary, State Attorney, Public Defender, Consolidated Case Management System (CCMS), Medical Examiner, Office of Human Rights, and Human Resources.

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

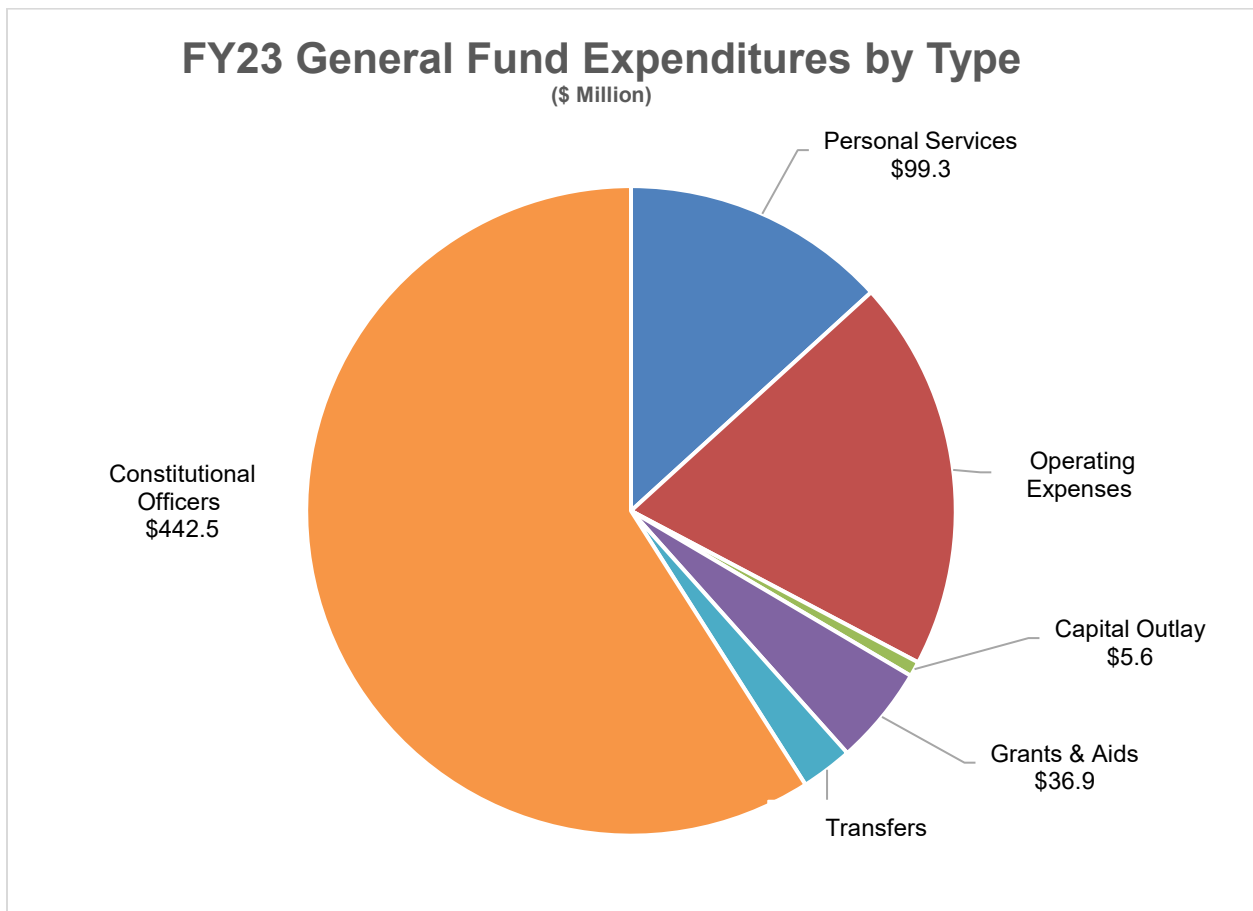
The Medical Examiner also serves the entire Sixth Judicial Circuit, and therefore is supported by both Pinellas and Pasco Counties. The Medical Examiner is not a County employee but provides forensic investigative and laboratory services to the County by contract.

GENERAL FUND

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

Types of Expenditures

In addition to the breakout of organizational responsibilities, another way of looking at General Fund requirements is to consider the types of expenditures required for those organizations to carry out their responsibilities. Personal Services, Operating Expenses, and Capital Outlay in the General Fund are similar to those in other County funds. Operating Expenses include charges for technology support provided to General Fund agencies.



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.

GENERAL FUND

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 twelve CRAs. In addition, one CRA has been established in the Lealman unincorporated area of the County. The County is budgeted to contribute a total of \$22.1M in TIF payments in FY22.

FY23 budget for Grants and Aids totals \$37.3M, which is 4.8% of the total General Fund expenditures.

Transfers

Transfers between funds include ongoing and non-recurring items. Included in the Transfers expenditures are \$31.6M to the Transportation Trust Fund and \$5.3M to the Emergency Communications E911 System Fund. Also included in this category are the transfers to the Constitutional Officers, such as the Sheriff (\$374.1M), Clerk of the Circuit Court (\$17.3M), Property Appraiser (\$12.5M), Tax Collector (\$28.5M), and Supervisor of Elections (\$10.1M). The FY23 budget for Transfers is \$481.4M and represents 62.0% of the General Fund expenditures.

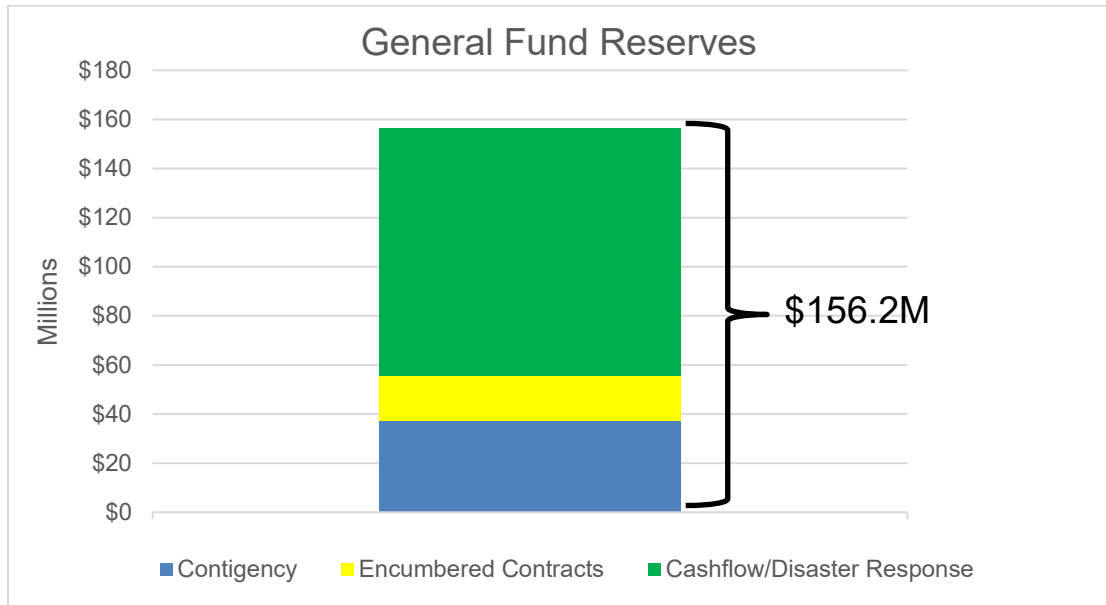
Reserves

Reserves are not expenditures, but they are included in the budgeted total requirements for the fund. 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 no general revenue debt, this stability enhances our ability to raise capital through bonding at a lower cost if required in the future.

The FY23 General Fund adopted budget included reserves of \$156.2M, or 21.1% of total revenues, which exceeds the BCC policy target of 15.0%. The components of the General Fund reserves are Contingency, Encumbered Contracts, and Cash Flow /Disaster Response.

GENERAL FUND



Contingency Reserve

The Contingency Reserve, which is budgeted at \$37.1M in FY23, is an amount equal to 5.0% of revenues to be used for unanticipated revenue shortfalls or expenditures. For example, fuel costs and electricity rate increases can be highly volatile and may exceed normal inflation. Another example is the need for accrued leave payouts due to unanticipated retirements.

Encumbered Contracts Reserve

During the year, there are purchase orders and service contracts that have been approved and are subject to payment as work is completed or goods delivered. The \$18.3M in the Encumbered Contracts Reserve for FY23 represents the average amount that was encumbered at month's end for the 12-month period ending September 2022.

Cash Flow / Disaster Response Reserve

During the first two months of the fiscal year, expenditures exceed revenues because most of the property tax revenue is not received until December. Property tax revenue represents 73.9% of the total General Fund revenue. As a high hazard coastal county, Pinellas needs to have Disaster Response Reserve funds on hand in case of an emergency such as Hurricane Irma or other natural or man-made disasters. The Cash Flow / Disaster Response Reserve is intended for these unexpected situations because reimbursement from the Federal Emergency Management Agency (FEMA) and the State usually cover only a portion of the costs. These funds are not available at the beginning of a disaster, and often are not received for many months or years. The FY23 budget for this reserve account is \$100.9M.

Six-Year Forecast

Key Assumptions – Revenues

For the purposes of the forecast, it is assumed that the General Fund millage rates for both countywide and MSTU will remain the same over the forecast period. The FY23 countywide rate for the General Fund was set at 4.7398 mills, a reduction of 0.3904 mills (7.6%), and the MSTU rate was unchanged at 2.0857 mills.

GENERAL FUND

Due to the continued strength in residential properties, taxable values are projected to increase by 7.0% in FY24. From FY25 – FY29, growth is projected to be between 3.1% and 5.9% while MSTU taxable values are projected to increase by 5.5% in FY24, and between 1.6% and 4.4% during the forecast period.

From FY13 – FY22, the Half-Cent Sales Tax revenue grew by an average of 5.2%. During COVID-19, Pinellas County revenue from the Half-cent Sales Tax fell 5.2%. Revenue collection rebounded as the economy grew, increasing 18.1% in FY21 and another 11.2% in FY22. This revenue is projected to increase 0.3% in FY24, and between 2.8% - 3.3% between FY25 – FY29.

The County's share of State Revenue Sharing experienced a much larger decrease in FY20 compared to Half-cent Sales Tax, falling 15.2%, followed by an increase of 26.8% in FY21 and 26.3% in FY22. Similarly, this revenue is projected to increase 0.3% in FY24, and between 2.8% - 3.3% between FY25 – FY29.

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

Key Assumptions – Expenditures

The forecast assumes a continuation of current (FY23) programs and service levels, excluding one-off increases for specific, limited program enhancements. The basic assumptions for Personal Services and Operating Expenses that are used throughout the forecast apply to the General Fund.

Certain types of expenses, such as electricity, fuel, and state-mandated Medicaid charges, result in the General Fund's Operating Expense growth differing somewhat from the Consumer Price Index (CPI).

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

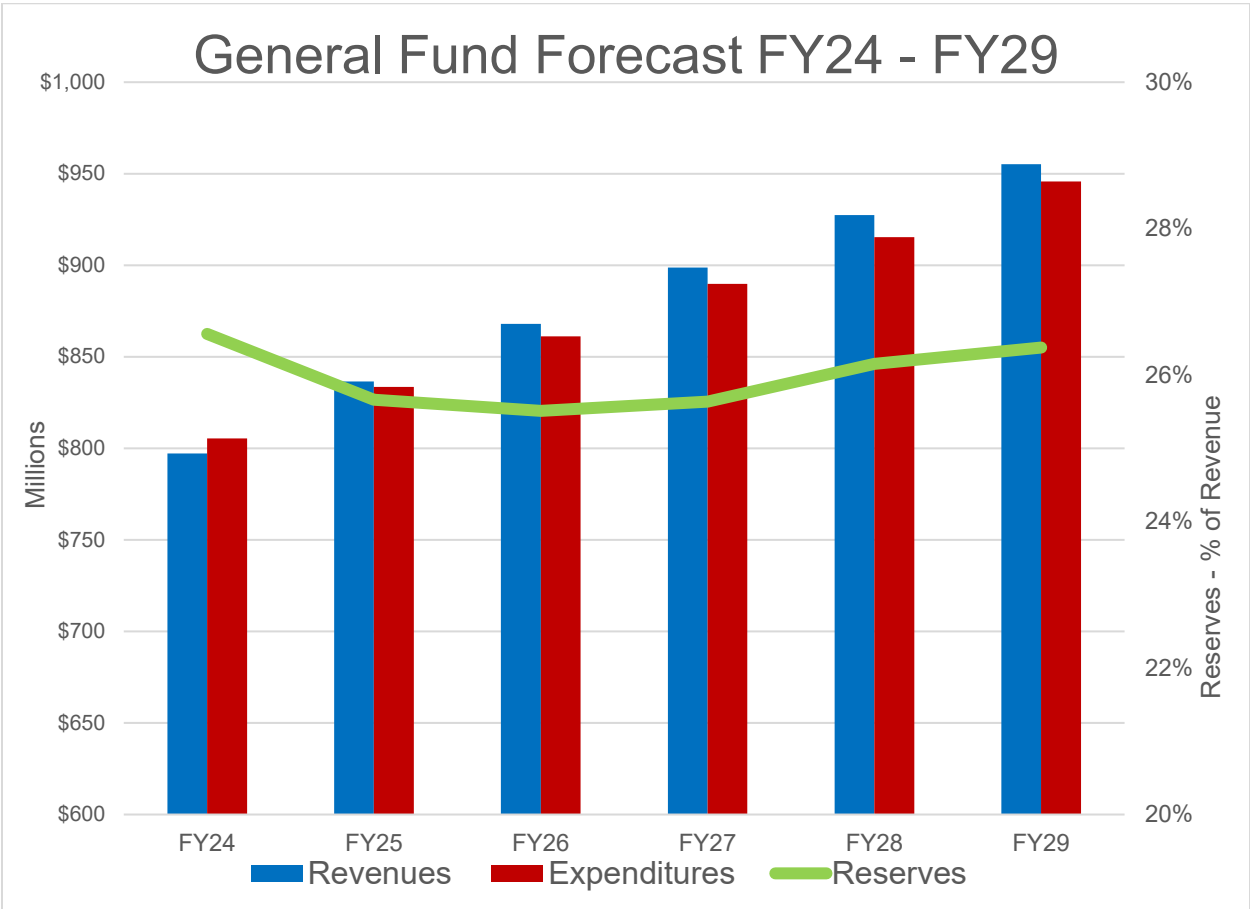
No new programs funded by non-routine grants are included in the forecast. The assumption is that any such expenditure will be dedicated for non-recurring purposes or will cease when the grant funds are no longer available. In the recent past, Human Services has been very proactive in seeking federal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

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

GENERAL FUND

Key Results

Using the assumption in this forecast, the General Fund is balanced and maintains adequate reserves throughout the forecast period.



Potential Risks

REVENUE FACTORS

Taxable Values

There are many factors that can alter the six-year forecast of the General Fund.

With almost 75% of General Fund revenue coming from property tax, a sudden drop in the taxable values of properties will have an immediate, and prolonged, negative impact on the funds needed to pay for county services. This can be seen in the not-too-distant past during the Great Recession of 2008 – 2009. The taxable value dropped 8.7% in FY09, 11.7% in FY10, 9.8% in FY11, 4.8% in FY12, and 2.0% in FY13. These declines in taxable value resulted in a \$146.3M cumulative reduction in property tax revenues between FY07 and FY12. Due to the Save Our Homes amendment available to property owners, the increase in taxable values for homesteaded properties is limited to the annual change in the CPI, with a 3.0% cap

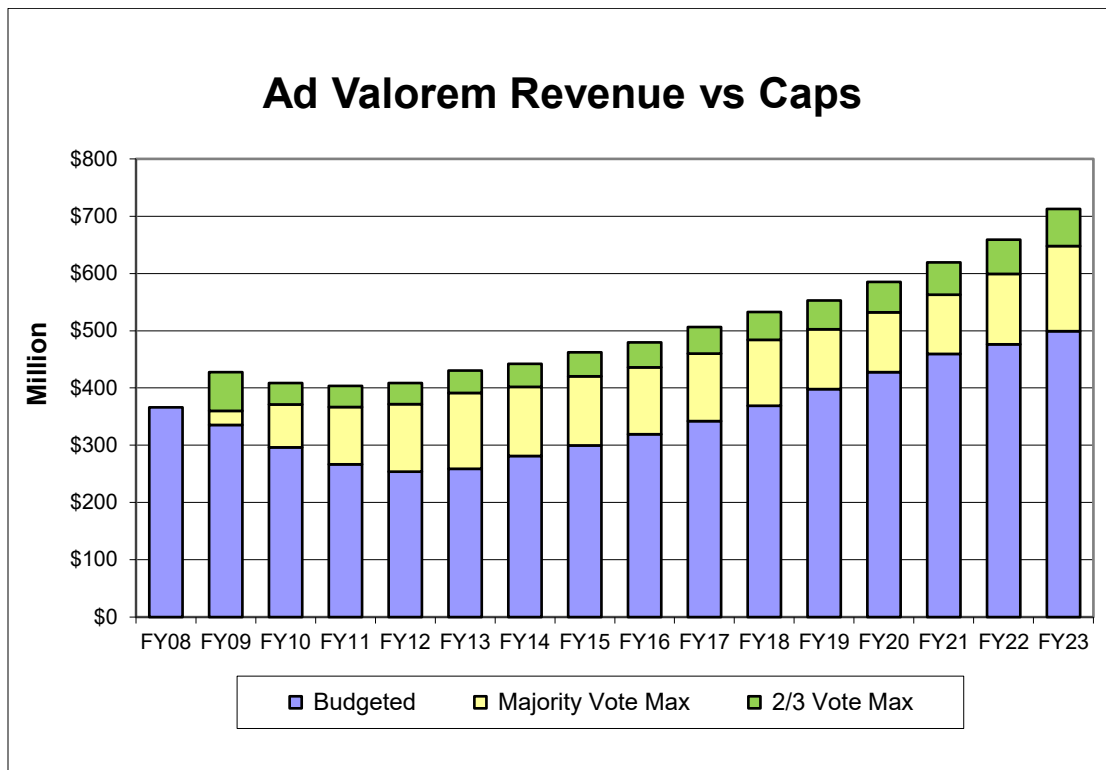
GENERAL FUND

Save Our Homes Impact

As referenced above, another variable is the homesteaded taxable value increase cap imposed by the Save Our Homes (SOH) amendment. The SOH is based on the annual change (December to December) in the Consumer Price Index, as published by the Bureau of Labor Statistics. The CPI for December 2022, which is used to set the homestead cap on certain properties for FY24 growth, increased by 6.5%, but the increase is limited to the 3.0% cap.

Ad Valorem Revenue Caps

In 1980, the Florida Legislature passed the Truth in Millage (TRIM) law to keep the public informed about the taxing intentions of the various local taxing authorities throughout the state. This law, among other things, established the “rolled-back rate,” which is the millage rate that would produce the same amount of property tax revenues as approved the prior fiscal year, less allowances for new construction, additions, and other items. If the tax base increases, the rolled-back rate is less than the prior year’s rate. In 2007, the Legislature enacted new limitations on property tax revenue increases by mandating rates above certain thresholds require a super-majority (2/3) or unanimous vote of the taxing body. These new requirements went into effect just as the Great Recession took effect in Florida, limiting revenue options. In Pinellas County, the current rate for countywide General Fund is 4.8188 mills, which is budgeted to produce \$499.2M in ad valorem revenue. Under the 2007 law, the millage could increase to 6.1489 mills with a simple majority vote of the Board of County Commissioners (BCC), producing an additional \$148.4M of revenue. With a super-majority vote, the rate could have been increased to 6.7638 mills, which would have produced another \$213.2M of revenue compared to the adopted rate. Since the new limitation went into effect with the FY09 budget, Pinellas County has levied a millage rate below the allowable rate, saving taxpayers more than \$2.3B.



GENERAL FUND

Annexations

In the unincorporated area, the property tax base and revenue in the MSTU is affected by annexations or by the creation of new municipalities. If a significant reduction in the tax base occurs, costs could be spread across a much smaller population. There are two basic methods of annexation in Florida: annexation by referendum and voluntary annexation. A thorough reevaluation of the scope and delivery methodology for MSTU services would be required if these changes reach a tipping point in the economies of scale.

Economic Conditions

Two of the three other major revenue sources – Sales Tax and Revenue Sharing - are highly sensitive to economic conditions. During the COVID-19 shutdown, consumer spending fell dramatically, and statewide sales tax revenue dropped 3.1% in FY20 before rebounding in FY21. Due to the extreme growth (Sales Tax - 18.1%, Revenue Sharing 26.8%), these revenues are projected to fall back to a normal level of collections.

The forecast assumes that both Sales Tax and Revenue Sharing will increase in tandem during the forecast period. However, there is no Constitutional prohibition against the State changing the formula to reduce or eliminate Revenue Sharing unless the funds have been committed for debt service (which is restricted to 50.0% of the prior year's proceeds). Pinellas has no Revenue Sharing funds pledged to support debt, so the entire allocation is subject to revision by the Legislature.

State Budget Impacts

Given the reliance on sales taxes as the State's primary revenue stream, and pressures to reinstate previous years' reductions in education and other areas, future State budgets could face major gaps. In those instances, or for other reasons, the Legislature may continue to reduce the amount of revenue it shares with local governments or cost shift more state responsibilities to the counties and cities. Previously, for example, effective in July 2005, the counties' share of Sales Tax and Revenue Sharing revenues was decreased in response to the implementation of Article V/Section 7 court funding reforms.

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

Potential for Recession

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

GENERAL FUND

The impacts of COVID-19 have eased greatly as people are travelling again and employment has regained almost all the jobs lost in March and April 2020. However, the strong growth in the economy and availability of enhanced government unemployment benefits and stimulus payments, inflation is roaring at 40-year highs. These factors caused GDP to fall in the first quarter of 2022 by 1.4%, which followed the previous quarter's increase of 6.9%. With the war in Ukraine, high gas prices, increasing interest rates, and potential for a flare-up in COVID-19 hospitalizations and deaths, a recession is a higher possibility than in recent years.

EXPENDITURE FACTORS

Inflation

In June 2022, inflation grew 9.1%, a level not seen in more than 40 years. As measured by the Consumer Price Index (CPI), inflation started accelerating in April 2021 as the country emerged from the depths of the COVID-19 shutdowns across the country and around the world. The CPI increased 4.2% in April 2021 compared to April 2020. The beginning of the pandemic-induced economic shutdown. The CPI continued to increase each month until reaching the 9.1% mark in June 2022, before starting to trend down. In December 2022, the CPI increased 6.5% compared to a year earlier, the sixth consecutive month-over-month decline. This increase is being felt by all consumers for a variety of goods and services across the economy, including the items purchased by local governments to provide services to their citizens.

Personal Services

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

Health insurance costs are impacted by inflation and also by the package of benefits offered. The extent to which the ratio of active-employees-to-retirees changes will also impact the County's employer contributions to the health plans.

Unfunded Mandates

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

Theoretically, Article VII Section 18 of the Florida Constitution has a prohibition against imposing unfunded mandates on counties and cities. In practice, the Legislature can avoid this prohibition in many ways, through exemptions (such as mandates to enforce criminal laws) or exceptions, including declaring that the mandate "fulfills an important state interest" and is approved by a 2/3 vote of both the Senate and House.

GENERAL FUND

Balancing Strategies

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

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

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

As stated above, the county does not currently levy the maximum allowable millage rate. If necessary, the BCC could have increased the millage rate by 1.4091 and raised an additional \$148.4M in FY23 with a simple majority vote of the members, and \$213.2M by raising the millage an additional 2.0240 to 6.7638 mills, the current maximum rate allowed for Pinellas County.

General Fund Forecast
Fund 0001

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Property Taxes - Countywide	7.0%	5.9%	4.3%	3.9%	3.4%	3.1%
Millage Rate - Countywide	4.7398	4.7398	4.7398	4.7398	4.7398	4.7398
Property Taxes - MSTU	5.5%	4.4%	2.8%	2.4%	1.9%	1.6%
Millage Rate - MSTU	2.0857	2.0857	2.0857	2.0857	2.0857	2.0857
Half Cent Sales Tax	0.3%	3.3%	2.8%	2.9%	3.0%	3.0%
Revenue Sharing	0.3%	3.3%	2.8%	2.9%	3.0%	3.0%
Communications Svc Tax	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Grants	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Charges for Services	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Capital Outlay	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Grants & Aids	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

General Fund Forecast
Fund 0001

(in \$ millions)	Forecast								
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	254.0	191.2	242.7	219.9	211.5	214.1	220.4	229.0	240.8
Revenues									
Property Taxes -Countywide	484.9	499.2	504.4	539.8	571.6	596.2	619.4	640.5	660.3
Property Taxes - MSTU	45.0	49.2	49.7	52.4	54.7	56.3	57.6	58.7	59.7
Half Cent Sales Tax	60.5	49.6	49.6	49.8	51.4	52.8	54.4	56.0	57.7
Revenue Sharing	27.4	21.2	21.2	21.3	22.0	22.6	23.2	23.9	24.7
Communications Svc Tax	8.2	6.3	7.7	7.5	7.2	7.0	6.8	6.6	6.4
Intergovernmental Revenue	45.7	36.0	36.0	36.7	37.4	38.2	39.0	39.7	40.5
Licenses and Permits	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.8
Interest	(5.0)	1.2	1.2	4.9	4.1	3.5	3.6	3.8	4.0
Charges for Services	58.8	56.3	56.3	60.7	62.9	65.3	67.8	70.3	72.9
Other revenues	53.5	20.9	20.9	22.6	23.4	24.3	25.2	26.1	27.1
Total Revenues	780.7	741.6	748.7	797.2	836.5	867.9	898.8	927.5	955.1
% vs prior year		-5.0%	-4.1%	6.5%	4.9%	3.8%	3.6%	3.2%	3.0%
Total Resources	1,034.7	932.8	991.4	1,017.1	1,048.0	1,082.0	1,119.2	1,156.5	1,195.9
Expenditures									
Personal Services	90.3	103.4	101.4	105.2	108.4	111.7	115.2	118.7	122.4
Operating Expenses	138.1	148.6	145.6	156.8	162.7	168.8	175.1	181.7	188.5
Capital Outlay	1.0	5.8	5.8	6.2	6.4	6.7	6.9	7.2	7.5
Grants & Aids	63.1	37.3	37.3	40.2	41.7	43.2	44.9	46.6	48.3
Transfers to Other Funds	83.5	38.9	38.9	41.9	43.5	45.1	46.8	48.5	50.4
Constitutional Officers Transfers	415.9	442.5	442.5	446.3	467.6	482.3	497.4	513.0	529.2
Future Year Commitments	-	-	-	9.1	3.7	3.8	3.9	-	-
Total Expenditures	792.0	776.5	771.5	805.7	833.9	861.6	890.1	915.7	946.2
% vs prior year		-2.0%	-2.6%	4.4%	3.5%	3.3%	3.3%	2.9%	3.3%
Ending Fund Balance	242.7	156.2	219.9	211.5	214.1	220.4	229.0	240.8	249.7
Ending Fund Balance as % of Revenue	31.1%	21.1%	29.4%	26.5%	25.6%	25.4%	25.5%	26.0%	26.1%
Total Requirements	1,034.7	932.8	991.4	1,017.1	1,048.0	1,082.0	1,119.2	1,156.5	1,195.9
Revenue minus Expenditures	(11.3)	(34.9)	(22.8)	(8.5)	2.6	6.3	8.6	11.8	8.9

EMERGENCY MEDICAL SERVICE FUND

Description

The Emergency Medical Service (EMS) Fund is a special revenue fund established by referendum in 1980, which allows up to 1.5 mills to be levied annually on a countywide basis to assist in financing the operation of a comprehensive countywide emergency medical service system. This system provides advanced and basic life support, emergency medical response, and transport services to all residents and visitors of Pinellas County. The County maintains EMS contracts with 18 fire service agencies (first responders) and one ambulance provider (Paramedics Logistics, LLC, operating in Pinellas County under the trade name "Sunstar"). The EMS System is funded by a combination of property taxes and ambulance user fees. The ambulance user fees support the ambulance program expenditures, and property taxes support the first responder program expenditures.

The EMS System was established by referendum in 1980 by the Special Act (Chapter 80-585, Laws of Florida) that created the EMS Authority as a Dependent Special District. In 1988, Pinellas County Ordinance 88-12 solidified the EMS system design. The Fiscal Policy guidelines within Ordinance 88-12 state that the Board of County Commissioners (BCC), sitting as the Emergency Medical Services Authority, directs fiscal policy guidelines that govern the financial operations of the County's EMS system which include establishing sound business controls, providing adequate funding for EMS components, and to provide for long-term financial stability.

Summary

The EMS Fund is sensitive to property values as, in addition to ambulance user fee revenues, it is funded by ad valorem (property) tax revenue collected from property owners countywide. Taxable values have risen each year from FY14 through FY23 and have had a positive effect on the fund balance. With a high level of demand, rising home prices, and turnover of property in the past year, growth in taxable value is expected to generate a 7.0% increase in ad valorem tax revenue for FY24. The remainder of the forecast period projects continued growth in value, with the annual increase gradually lowering to 3.1% in FY29. Throughout the forecast period, the fund's millage rate is projected to remain flat at 0.8850 mil. The EMS Fund's millage rate is actively managed and reviewed on an annual basis.

The current millage rate is projected to support the service delivery system and allow the fund to remain above the Board-adopted reserve target of 25.0% through FY29. The fund reserve is budgeted at 48.4% in FY23 and is projected to be 44.4% in FY29. From FY23 through FY29, the ending fund balance is projected to increase by \$15.2M. As the reserve balance (fund balance as a percentage of expenditures) increases, the level of expenditures increases \$48.9M by FY29. The ability to maintain the 25.0% reserve level will be affected by: the ambulance service contract; changes in property values; potential changes to Medicare/Medicaid reimbursements; and adjustments in future service agreements with the first responders.

First responder contracts are currently funded based on actual first responder costs as defined in Board Resolution 09-38. Estimated expenses for FY23 reflect the current negotiated agreements with the 18 providers. The forecast projects a 4.5% increase per year for first responder costs through FY29.

The County negotiated a new ambulance service contract with Paramedics Logistics, LLC for a 5-year term beginning FY16. In FY21, a contract amendment was executed with a three (3) year term through FY24. This amendment also allows for a two-year renewal option through FY26.

EMERGENCY MEDICAL SERVICE FUND

Over the past few years, progress in containing costs, combined with better than anticipated growth in revenue, has improved the outlook for the EMS Fund. Long-term sustainability will require continued growth in revenue and diligent management of system costs.

Revenues

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

Ambulance User Fees

The ambulance service user fees provide funding for the ambulance program, which includes the ambulance provider contractual expenditures, ambulance billing costs, and ambulance program support costs. Ambulance user fee revenues are based on transport volume and transport charges. The average retail rate charge is \$915 per transport in FY23. The County bills Medicare, Medicaid, private insurance, and various other payers for transport service. Billing for the service is done by Pinellas County employees, with a segment that is outsourced to billing vendors. The County provides emergency, non-emergency, mental health transports, and standby services. 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 \$65.8M in FY23.

Ambulance service fee revenue is projected to increase by 4.0% throughout the forecast period except for FY25. FY25 is projected to increase by 10.0% to align with an anticipated increase to the ambulance contract. The BCC has the authority to increase ambulance user fees as necessary, and Resolution 89-208 provides for an automatic increase in user fee rates by the percentage increase in the medical consumer price index for the previous year until the prudent reserve level of 25% is met as determined by ordinance 11-52. The County also offers an ambulance membership program that citizens can join to minimize out-of-pocket expenses associated with the cost of ambulance transports. Membership revenue is projected to generate \$200,000 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 decline in the real estate market, and the Great Recession. As the countywide EMS millage rate remained flat at 0.5832 during this period, actual ad valorem revenue decreased each year, from \$42.6M in FY08 to \$30.6M in FY11. The BCC has the authority to increase or decrease the millage rate, and in FY12 the millage rate was increased to 0.8506 resulting in ad valorem revenues recovering to \$42.2M. For FY13, a millage rate of 0.9158 was approved in order to balance the budget and maintain a reserve of 25.0%. The millage cap for this ad valorem levy is 1.5000 mills.

Expenditures

The Emergency Medical Service Fund supports budgeted expenditures totaling \$163.1M in FY23. The primary expenditures in the fund are \$65.4M for payments to the ambulance contractor, which includes \$2.1M for medical supplies used by the first responder units, and \$68.3M for contractual payments and capital reimbursement to the first responders. Department expenditures of \$29.5M support the Ambulance and First Responder programs. These funds support the ambulance

EMERGENCY MEDICAL SERVICE FUND

billing operation, the purchase and maintenance of communication equipment, quality assurance, training, the Medical Director's contract, Continuing Medical Education training expenses for all County Paramedics and Emergency Medical Technicians (EMTs), and transfers to the Property Appraiser and Tax Collector.

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

Reserves

Pinellas County Ordinance 88-12, which was amended with Resolution 89-208, authorized the establishment of a prudent net worth equal to one-third of the annual budget for this fund. On December 20, 2011, per ordinance 11-52, the Board approved changing the prudent reserve amount to 25.0%. One reason for a high reserve level is to have response capacity for disasters. Equipment and vehicles may need to be replaced quickly in an event such as a hurricane. The reserve can also provide enough working capital for a potential transition, if contract requirements are not met by the ambulance service provider. In addition, this reserve level will provide cash flow in the event of interruptions to ambulance collections due to a disaster or a Medicare and/or Medicaid audit. With high monthly contractor payments, it is critical that cash flow needs are met. Throughout the forecast period, ad valorem revenue assumes a collection rate of 96.0% and ambulance revenues assume a collection rate of 100%. Reserve levels are projected at 48.4% for FY23 and end at a level of 44.4% in FY29.

Six-Year Forecast

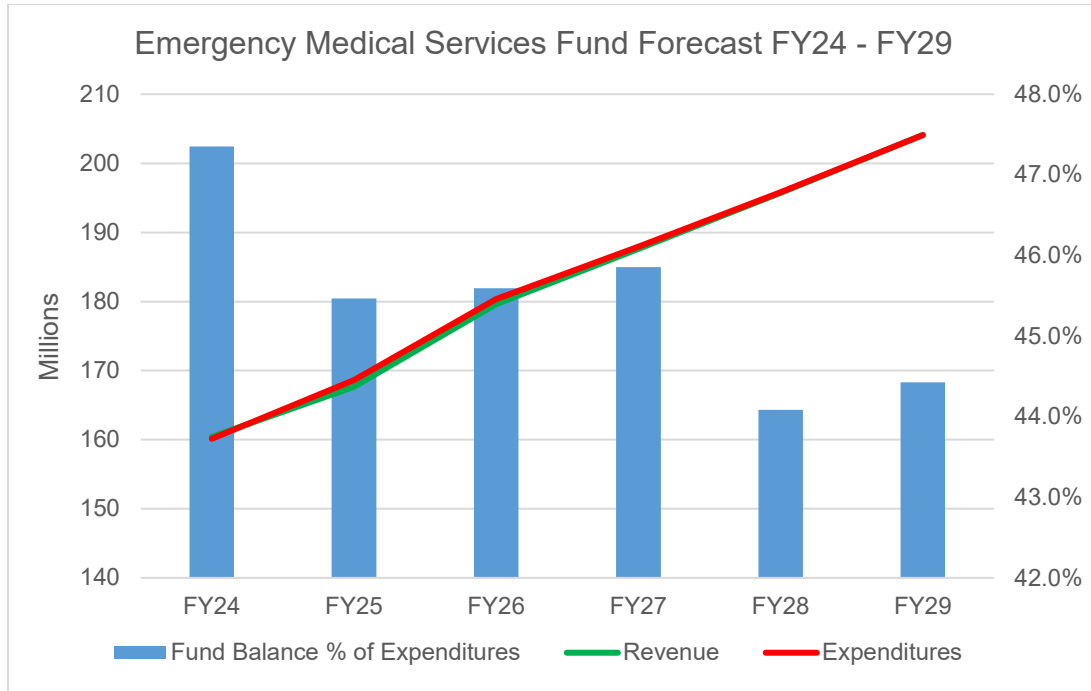
Key Assumptions

The forecast models a millage rate of 0.8850 through the forecast period. Taxable property values are projected to increase 7.0% in FY24. Growth in taxable property value and ad valorem tax revenue is expected to continue, but with the increase declining each year, to 3.1% in FY29. Ambulance user fee revenues are projected to increase by 4.0% annually from FY23 to FY29, with an additional increase of 6% in FY25.

Contractual payments for ambulance service are projected to increase by 4.5% each year throughout the forecast period, with an additional increase of 7.5% anticipated with the next service contract period beginning in FY25 (the same year ambulance revenues are expected to increase an additional 6.0%). The County will continue to work with the provider to manage expenses while still maintaining quality service.

EMERGENCY MEDICAL SERVICE FUND

Beginning in FY23, a new first responder service agreement was executed for a five-year term. Per the agreement, each agency's budget allows for an annual increase of 3.0% plus an additional 1.0% for allowable overhead costs pending an audit. The agreement also provides for one five-year contract extension following the end of the initial term. The forecast period assumes an annual increase of 4.5%,



Key Results

Based on current assumptions, the reserve level remains above the target of 25.0% throughout the forecast period. Reserves are projected to decrease from 48.4% in FY23 to 44.4% in FY29.

Potential Risks

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

Emergency Medical Services Fund Forecast
Fund 1006

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Ad Valorem Revenue	7.0%	5.9%	4.3%	3.9%	3.4%	3.1%
Ambulance Service Fees	4.0%	10.0%	4.0%	4.0%	4.0%	4.0%
Ambulance Annual Members Fees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Revenue (EMS Trust Fund)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
County Officer Refunds	7.0%	5.9%	4.3%	3.9%	3.4%	3.1%
Interest	0.3%	0.8%	1.3%	1.8%	2.3%	2.3%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Operating Expenses-First Resp Med Supplies	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Outlay	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Ambulance Contract	4.5%	12.0%	4.5%	4.5%	4.5%	4.5%
Grants & Aids (First Responder Agmts)	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Emergency Medical Services Fund Forecast
Fund 1006

(in \$ thousands)

(in \$ thousands)				Forecast					
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	59,529.0	65,526.6	77,083.4	78,954.5	81,201.5	83,575.3	86,775.5	90,394.6	91,206.7
Revenues									
Ad Valorem Revenue	82,087.0	88,068.2	88,995.2	95,224.9	100,843.1	105,179.4	109,281.4	112,997.0	116,499.9
Ambulance Service Fees	71,179.2	62,542.2	65,833.9	68,467.3	75,314.0	78,326.6	81,459.6	84,718.0	88,106.7
Ambulance Annual Members Fees	229.2	190.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Grant Revenue (EMS Trust Fund)	262.9	410.0	410.0	410.0	410.0	410.0	410.0	410.0	410.0
County Officer Refunds	559.0	468.4	473.3	506.4	536.3	559.4	581.2	600.9	619.6
Interest	(689.9)	382.2	402.3	403.5	406.7	412.0	419.4	429.0	438.9
Refund of Prior Years Expense	929.8	-	-	-	-	-	-	-	-
Medicaid Public Emergency Medical Transportation (PEMT) Reimbursement****	8,947.5	8,139.5	8,567.9	8,567.9	8,567.9	8,567.9	8,567.9	8,567.9	8,567.9
Other revenues	388.2	75.0	75.0	-	-	-	-	-	-
Total Revenues	163,893.0	160,275.4	164,957.6	173,780.0	186,278.1	193,655.2	200,919.5	207,922.9	214,843.0
% vs prior year	19.3%	16.9%	0.6%	5.3%	7.2%	4.0%	3.8%	3.5%	3.3%
Total Resources	223,421.9	225,802.0	242,041.0	252,734.4	267,479.5	277,230.5	287,695.0	298,317.5	306,049.7
Expenditures									
Personal Services	5,019.7	6,278.5	6,278.5	6,517.1	6,717.1	6,923.5	7,136.2	7,355.7	7,582.0
Operating Expenses	10,180.1	12,076.5	12,076.5	12,414.6	12,762.2	13,119.6	13,486.9	13,864.5	14,252.8
Operating Expenses - Ambulance Contract (First Responder Medical Supplies)	2,815.9	2,144.5	2,144.5	2,241.0	2,341.8	2,447.2	2,557.3	2,672.4	2,792.6
Medicaid PEMT Intergovernmental Transfer****	2,864.1	3,400.8	3,400.8	3,662.7	3,800.0	3,942.5	4,090.4	4,243.7	4,402.9
Capital Outlay*	2,296.6	3,841.0	3,841.0	3,948.5	4,059.1	4,172.8	4,289.6	4,409.7	4,533.2
Paramedics Logistics Ambulance Contract	60,452.4	59,590.8	59,590.8	62,272.3	69,745.0	72,883.5	76,163.3	79,590.6	83,172.2
Paramedics Logistics Funding Request (County Portion of implementing salary increases)	-	3,600.0	3,600.0	4,800.0	5,016.0	5,241.7	5,477.6	5,724.1	5,981.7
EMS Trust Fund Grant Expenditures	258.3	410.0	410.0	410.0	410.0	410.0	410.0	410.0	410.0
Grants & Aids (First Responder Agmts)	59,815.9	65,395.1	65,395.1	67,357.0	69,377.7	71,459.0	73,602.8	75,810.9	78,085.2
Grants & Aids (FR Agmts addtl above 3% contract)	-	-	-	980.9	1,010.4	1,040.7	1,071.9	1,104.0	1,137.2
Grants & Aids (First Responder Capital)**	250.8	2,950.0	2,950.0	925.0	1,400.0	1,250.0	1,150.0	3,765.0	1,180.6
EMS System Enhancements	-	-	-	2,659.1	2,778.8	2,903.8	3,034.5	3,171.0	3,313.7
Computer Aided Dispatch (CAD)*****	133.7	750.0	750.0	509.9	1,484.0	1,529.6	1,576.6	1,625.1	1,675.1
Transfers to County Officers***	2,250.9	2,649.4	2,649.4	2,834.9	3,002.1	3,131.2	3,253.3	3,363.9	3,468.2
Total Expenditures	146,338.5	163,086.5	163,086.5	171,533.0	183,904.2	190,455.0	197,300.4	207,110.8	211,988.3
% vs prior year	21.6%	26.7%	11.4%	5.2%	7.2%	3.6%	3.6%	5.0%	2.4%
Ending Fund Balance	77,083.4	62,715.5	78,954.5	81,201.5	83,575.3	86,775.5	90,394.6	91,206.7	94,061.4
Ending balance as % of Expenditures	52.7%	38.5%	48.4%	47.3%	45.4%	45.6%	45.8%	44.0%	44.4%
Total Requirements	223,421.9	225,802.0	242,041.0	252,734.4	267,479.5	277,230.5	287,695.0	298,317.5	306,049.7
Revenue minus Expenditures	17,554.4	(2,811.1)	1,871.1	2,247.0	2,373.8	3,200.2	3,619.1	812.1	2,854.7

* Capital outlay for County EMS is inflated at the countywide assumption rate.

** FY22 - FY27 Capital expenditures align with planned purchases that have been submitted by agencies.

*** These are fees paid to the Tax Collector and Property Appraiser to cover the costs of assessing and collecting ad valorem taxes.

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

***** Costs are still being determined. These numbers are included as placeholders.

SURFACE WATER UTILITY FUND

Description

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

On September 14, 2016, the Board adopted the rate of \$117.74 per Equivalent Residential Unit (ERU) per year to fund the Surface Water program. The rate is unchanged since FY17, and the resulting revenue is budgeted at \$19.7M for FY23.

Summary

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

The forecast for the Surface Water Utility Fund indicates the fund is not balanced throughout the forecast period. From FY24 to FY29, revenues will not be enough to cover new resources and inflationary increases for ongoing expenditures; therefore, accumulated fund balance will be used to offset the variance. It is expected, however, that by FY25 Surface Water program expenditures will decrease as the ten-year level of service for corrugated metal pipes is achieved. Inflationary increases will continue driving expenditures upward in FY27 – FY28.

Revenues

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

Surface water assessments are based upon the estimated impervious surface on a parcel which contribute to stormwater runoff. Impervious surfaces include the rooftop, patios, parking lots, and similar areas. The County has determined that the median single-family residence in the Surface Water Special Assessment area includes 2,339 square feet of impervious surface, which is the value of one ERU.

ERU growth is anticipated to decrease by 0.4% annually throughout the forecast due to future annexation efforts which would reduce the number of ERUs that contribute to the Surface Water Utility Fund. The FY24 expected revenue of \$19.7M is budgeted at 95% and based on 168,002 ERUs, this includes a reduction due to mitigation credits. Mitigation credits reduce the assessment for developed properties that have onsite stormwater management systems that reduce stormwater runoff impacts from the property to the County system. For FY23, the reduction in revenue from mitigation credits is estimated at \$214,798.

FY23 Revenues are based on a rate of \$117.74 per ERU, which is unchanged from FY19. On September 14, 2017, Surface Water Resolution No. 17-63 was adopted by the Board of County Commissioners. For each fiscal year subsequent to FY18, the rate may be increased by no more

SURFACE WATER UTILITY FUND

than 3.0% of the prior year rate and shall not exceed \$128.66 per ERU, unless approved by the Board.

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

The Surface Water Assessment Governance and Rate Study is currently underway and will determine whether a change to the rate structure is needed to fully fund the expenses associated with implementation of the current and potential surface water management program activities.

Expenditures

The Surface Water Utility Fund supports budgeted expenditures in FY23 totaling \$25.6M for its operational plan. The expenditures in the fund are \$9.5M for personal services and \$13.1M for various surface water programs that cover permit compliance, watershed planning, and open and closed conveyance maintenance and rehabilitation.

For the overall Level of Service (B-) to be achieved, all sub-programs under the surface water assessment must meet their individual Level of Service (LOS) requirements. All sub-programs are currently meeting their LOS requirements, except for two: operations and maintenance (O&M) of pipes and the corrugated metal pipe (CMP) lining/replacement programs. For the LOS (B-) in O&M of pipes program to be achieved, all pipes must be inspected and maintained once every ten years. For the LOS requirement for CMP lining/replacement to be achieved, 24 miles of the CMPs must be lined/replaced within ten years of surface water assessment inception. The overall LOS (B-) is optimistically trending toward achievement throughout the forecast period. In FY20, the CMP lining and replacement program completed 69.0% of the annual goal and brought the program to 82.0% of its original goal through the end of FY20. In FY20, the cleaning and televising of over half the remaining segments was accelerated in order to prioritize the areas of greatest need. This information will be used to organize the remaining work for contractor efficiency, and it is anticipated that the LOS requirements will be met by the end of FY24. Contractor performance issues have been a setback in accomplishing the original 24 miles goal within 10-year timeframe by the end of FY23. Furthermore, since the inception of the pipe rehabilitation program, an additional 2 miles of CMP were identified through the stormwater asset inspection program, which would take a full completion out to the end of FY25.

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

SURFACE WATER UTILITY FUND

Transfers

The Surface Water Utility Fund transfers funds to the Tax Collector to cover the costs for collection of the assessment pursuant to Florida Statutes. FY23 budgeted costs for this function are \$303,680.

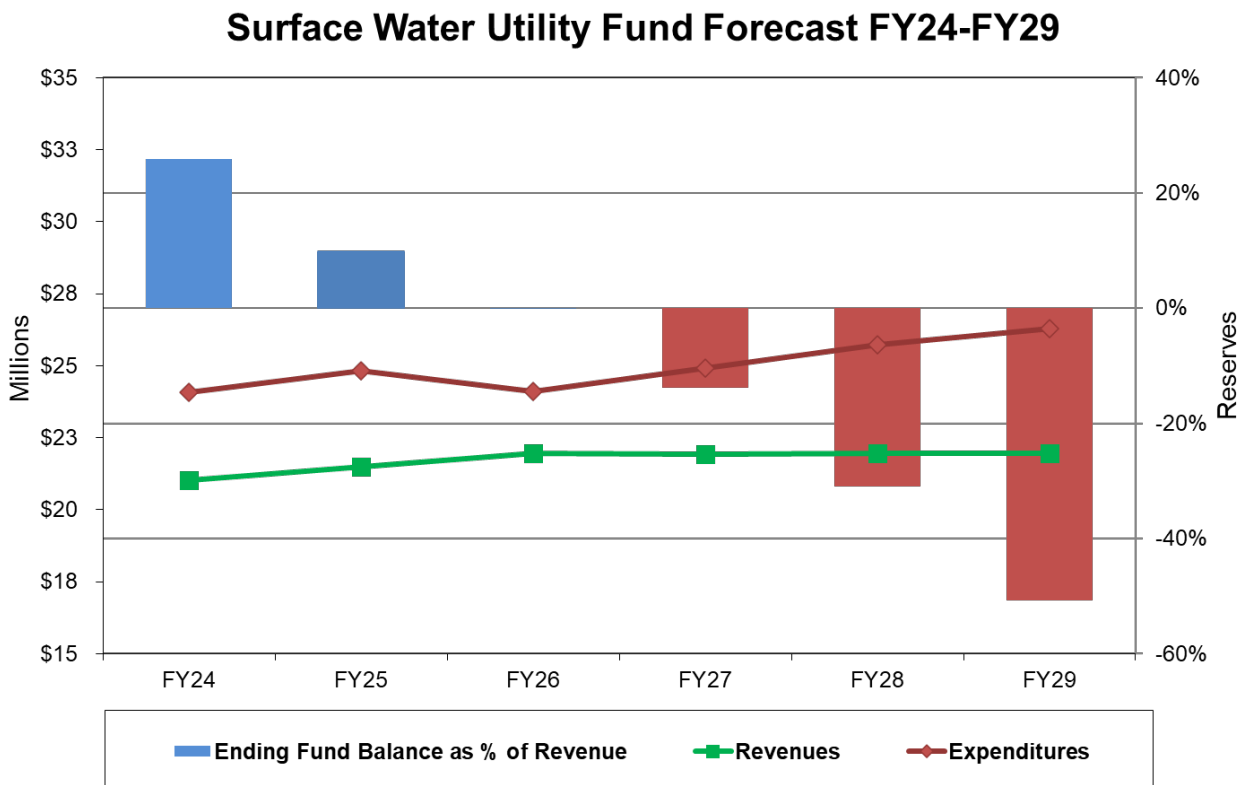
Reserves

Special assessment revenue is collected from property tax bills which are mailed on the last business day of October. Thus, most of the revenue is not received until December, when most of the tax revenue is collected. As a result, expenditures exceed revenues for the first two months of the year; therefore, targeted reserve levels for this fund need to support at least two months of operating expenditures. The FY23 reserve level of \$5.0M, or 24.8%, in the Surface Water Utility Fund exceeds the 15.0% target per County budget policies.

Six-Year Forecast:

Key Assumptions

In the forecasted years, ERU growth may be negatively impacted by potential annexations and mitigation credits; therefore, growth is estimated to remain stagnant from FY23 through FY28. The rate reflected per ERU is \$21.27 in FY24, increasing at 3% yearly until meeting the maximum of \$128.66 in FY26 through FY29.



SURFACE WATER UTILITY FUND

Expenditure assumptions are anticipated to follow the inflationary expense growth factors as described in the Key Assumptions section of this document. In FY24-FY29, revenues will not be enough to cover estimated inflationary increases for expenditures. By the end of FY25, it is expected that program expenditures will decrease as the ten-year LOS for corrugated metal pipe lining/replacement programs is achieved and then increase through FY26-FY27.

Key Results

In the previous chart, the forecast shows revenues are less than expenditures in FY24 through FY29 as inflationary pressures on expenditures outpace revenues. As the adopted LOS for the corrugated metal pipe program is expected to be achieved, expenditures will decrease by the end of FY25. Permit requirements dictate that certain areas of the surface water program, such as the pipe, ditch, and pond programs, adhere to a minimum ten-year maintenance cycle.

Potential Risks

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

Balancing Strategies

The forecast shows that the Surface Water Utility Fund is out of balance in FY25. With the estimated decrease in ERUs, assessment revenues at the current assessment fee rate will not be enough to cover inflationary increases for expenditures through FY29. Fund balance will be used to fund this gap. However, the fund balance will be depleted in FY25. The ERU rate needs to be increased by 3% annually until it meets its maximum (\$128.66) or to allow the fund to remain solvent in the immediate future.

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Surface Water Assessmt - ERU Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Surface Water Assessmt - CPI increase	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Surface Water Assessmt - Total increase	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
ERU (excludes govt)	168,002	168,002	168,002	168,002	168,002	168,002
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	3.0%	3.8%	3.8%	3.8%	3.8%	3.8%
Capital Outlay	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Surface Water Special Assessment Fund Forecast
Fund 1094

(in \$ thousands)				Forecast					
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Annual Rate **	\$117.74	\$117.74	\$117.74	\$121.27	\$124.91	\$128.66	\$128.66	\$128.66	\$128.66
Beginning Fund Balance	12,843.2	10,540.8	12,987.8	8,494.4	5,447.9	2,098.4	(35.8)	(3,019.2)	(6,811.7)
Revenues									
Surface Water Assessment *									
Non-Ad Valorem Assessment	19,227.3	18,741.6	19,227.3	19,762.7	20,355.6	20,966.3	20,966.3	20,966.3	20,966.3
Grants (fed/state/local)	652.0	698.1	652.0	391.0	391.0	391.0	391.0	391.0	391.0
Interest	144.3	95.0	95.0	374.6	208.2	67.9	-	-	-
Other revenues	319.0	556.9	472.3	508.6	527.7	547.5	568.0	589.3	611.4
Total Revenues	20,342.6	20,091.5	20,446.6	21,037.0	21,482.6	21,972.7	21,925.3	21,946.6	21,968.7
% vs prior year	-1.8%	-1.7%	0.5%	2.9%	2.1%	2.3%	-0.2%	0.1%	0.1%
Total Resources	33,185.8	30,632.3	33,434.4	29,531.4	26,930.5	24,071.1	21,889.6	18,927.4	15,157.1
Expenditures									
Personal Services	7,913.1	9,525.6	8,616.3	8,943.7	9,218.2	9,501.4	9,793.4	10,094.5	10,405.1
Operating Expenses	10,657.7	13,135.1	11,762.9	12,115.7	12,570.1	13,041.5	13,530.5	14,037.9	14,564.3
Capital Outlay	15.6	41.2	41.2	43.0	44.7	46.2	47.7	49.2	50.9
CIP	1,184.9	2,500.0	4,073.0	2,500.0	2,500.0	1,000.0	1,000.0	1,000.0	700.0
Debt Service	141.0	143.0	143.0	154.0	159.8	165.8	172.0	178.4	185.1
Constitutional Officer Transfers	285.6	303.7	303.7	327.1	339.3	352.1	365.3	379.0	393.2
Total Expenditures	20,198.0	25,648.6	24,940.0	24,083.5	24,832.1	24,106.8	24,908.8	25,739.1	26,298.6
% vs prior year	3.4%	-2.9%	23.5%	-3.4%	3.1%	-2.9%	3.3%	3.3%	2.2%
Ending Fund Balance	12,987.8	4,983.7	8,494.4	5,447.9	2,098.4	(35.8)	(3,019.2)	(6,811.7)	(11,141.6)
Ending Fund Balance as % of Revenue	63.8%	24.8%	41.5%	25.9%	9.8%	-0.2%	-13.8%	-31.0%	-50.7%
Total Requirements	33,185.8	30,632.3	33,434.4	29,531.4	26,930.5	24,071.1	21,889.6	18,927.4	15,157.1
Revenue minus Expenditures	144.6	(5,557.1)	(4,493.4)	(3,046.5)	(3,349.5)	(2,134.1)	(2,983.5)	(3,792.4)	(4,329.9)

TOURIST DEVELOPMENT TAX FUND

Description

The Tourist Development Tax (TDT) Fund is a special revenue fund that accounts for the 6.0% Tourist Development Tax (TDT) on rents collected for temporary lodgings of less than six months. Section 125.0104, Florida Statutes, was enacted by the State in 1977. The Board of County Commissioners (BCC) enacted an ordinance in 1978 to levy a 2.0% tax to promote tourism in Pinellas County, which was approved by a voter referendum on October 5, 1978. In 1988, the ordinance was amended to increase the tax by an additional 1.0%, with one-half of this amount earmarked to fund beach renourishment projects. In January 1996, an additional 1.0% was levied to provide additional funds for promotional activities, beach renourishment, and the County's obligation to service debt on the City of St. Petersburg's bonds for Tropicana Field. The BCC levied an additional 1.0% in December 2005 to provide funding for promotion and advertising. The sixth percent of TDT was approved by the BCC in 2015 (effective date January 1, 2016) to provide additional resources to promote the destination and to invest in tourism-related capital projects that will bring economic benefit to the county.

The fund supports the Convention & Visitors Bureau (CVB), operating as Visit St. Pete/Clearwater, through the collection of the TDT, known as the "bed tax." The bed tax is used to enhance the county's economy by increasing tourism and direct visitor expenditures through marketing and promoting the destination as well as making direct investments in the beaches, museums, and Major League Baseball spring training facilities throughout the county.

Summary

The Tourist Development Tax Fund is funded by the Tourist Development Tax, a revenue that is sensitive to general economic conditions. Tourist Development Tax revenue had been steadily increasing since Spring 2010, with record-setting revenue from FY13 – FY19. Following the dramatic downturn in FY20 due to the COVID-19 shutdown, TDT revenue quickly rebounded to pre-pandemic levels. Since March 2021, Pinellas County has returned to record-setting collections leading to FY21 collections of \$73.2M and FY22 revenues increasing to \$95.4M, \$28.3M above budget. The strong collections are projected to continue in FY23 and beyond, with TDT revenues increasing \$4.8M over budget in FY23 and \$9.6M in FY24 above the FY23 budget to \$100.6M.

Total expenditures, excluding reserves, are projected to increase \$3.0M (7.1%) in FY24 compared to FY23 budget. Personal services, which includes salaries and benefits, increase \$203,600 (3.5%). Operating expenses, which includes the departments advertising and marketing contracts, are projected to increase \$2.7M (7.7%). The Capital Projects Funding Program, which provides reimbursement grants to eligible projects in Pinellas County along with transfers to the Capital Projects Fund for beach renourishment projects, are projected to increase \$1.0M (10.8%) as the County's commitment to the Holocaust Museum ends during FY23 and transfers for beach projects increases to match increasing dedicated revenue.

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

TOURIST DEVELOPMENT TAX FUND

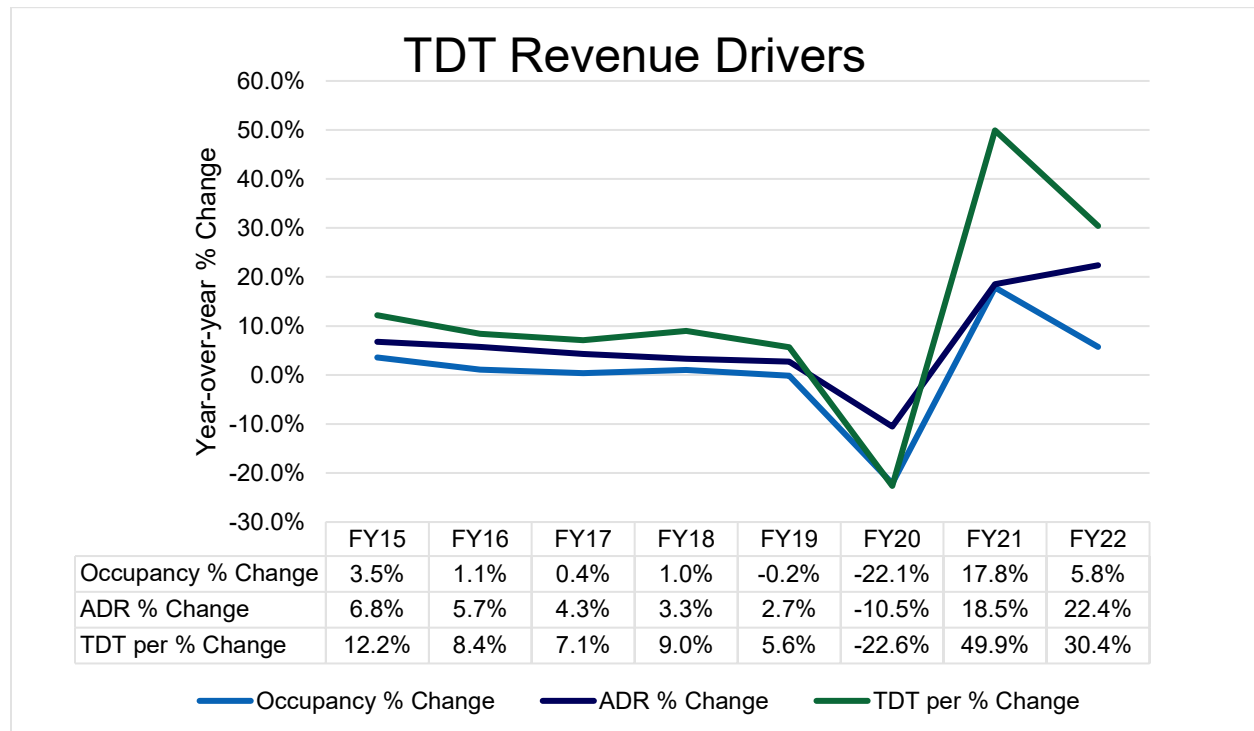
Revenues

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

Tourist Development Taxes

Tourist Development Tax collections are sensitive to both environmental and economic conditions due to the close relationship between disposable income and leisure travel. In March 2020, the COVID-19 pandemic virtually shut down the tourist industry in Pinellas County, with bars, restaurants, and beaches closed for several weeks to help reduce the spread of the virus. The immediate impact was a drastic decrease in tourist development tax revenue, with a 48.6% decrease in March 2020 and another 89.3% in April. Year-over-year decreases continued through February 2021, with revenue decreases from March 2020 to February 2021 totaling \$23.7M. Since March 2021, Pinellas County has returned to record-setting collections leading to FY21 collections of \$73.2M and FY22 revenues increasing to \$95.4M, \$28.3M above budget. The strong collections are projected to continue in FY23, with TDT revenues increasing \$4.8M over budget and \$9.6M in FY24.

The TDT revenue is driven by the occupancy rate, average daily rate, and total number of rooms available. The chart below tracks two of these three variables, Occupancy Rate and Average Daily Rate (ADR), to the revenue collected.



Expenditures

The TDT Fund supports budgeted expenditures and reserves totaling \$213.3M in FY23. The primary expenditures in the fund are \$35.5M for operations and promotional activities, \$5.7M for personal services, \$350,000 for the capital program, \$9.4M for beach renourishment, and

TOURIST DEVELOPMENT TAX FUND

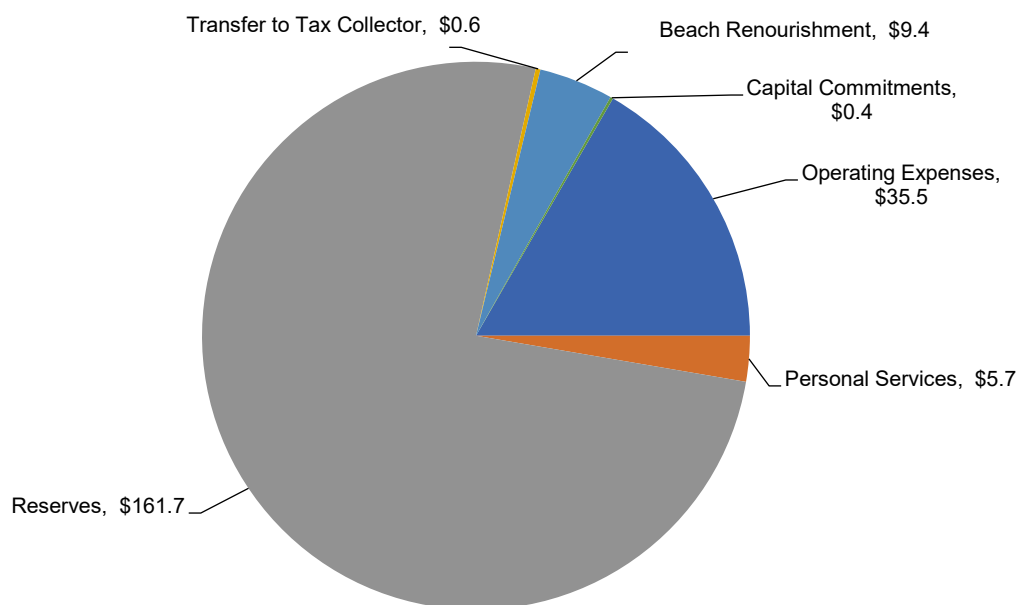
\$161.7M in reserves. Listed below are the approved capital projects that anticipate receiving funding in FY23. The County's commitment to the Florida Holocaust Museum is anticipated to be complete in FY23. Annual commitments to beach renourishment will continue through the forecast period.

FY23 Capital Project Program

Project	FY23 Budget
Beach Renourishment	\$ 8,983,220
Florida Holocaust Museum	\$ 350,000
Total	\$ 9,333,220

Source: Pinellas County FY23 Adopted Budget

FY23 Tourist Development Tax Fund Budgeted Expenditures and Reserves (millions of \$)



Personal Services, Operations and Promotional Activities

The discretionary expenditure budget of \$41.9M includes the staff, operations, transfer to the Pinellas County Tax Collector, and activities that promote the St. Petersburg/Clearwater destination. Promotional activities are primarily comprised of the advertising contracts, with the balance of the funding supporting such programs as sponsorships, publicity, and promotion via technology. To pay the costs associated with the administration and collection of the TDT revenue, a transfer of \$600,000 is budgeted to be made to the Pinellas County Tax Collector in FY23.

TOURIST DEVELOPMENT TAX FUND

Convention & Visitors Bureau Personnel, Operations, & Promotional Expense

Expenses	FY23 Budget	% of Operations
Personnel	\$ 5,521,020	13.3%
Advertising/Sales/Promotions	\$ 31,589,350	76.2%
Operating & Capital Outlay	\$ 3,753,080	9.1%
Transfer to Tax Collector	\$ 600,000	1.4%
Total	\$ 41,463,450	100.0%

Source: Pinellas County FY23 Adopted Budget

Reserves

Operating Reserves are budgeted at \$83.4M, 151.9% of revenues, in FY23, which exceeds the target reserve level of 15.0%. The fund's Operating Reserve will serve as a fiscal shock absorber in the event the TDT revenues decline in response to changes in economic or environmental conditions, as they did in FY20 due to COVID-19. The TDT Fund also has established Capital Reserves that will be used to help fund capital projects. The FY23 budget includes \$78.3M in Capital Reserves, which is 214.9% of capital-dedicated revenue.

	FY23 Budget	% of Revenue
Operating Reserves	\$ 77,830,320	149.0%
Capital Reserves	\$ 74,867,940	214.9%
Total	\$ 152,698,260	

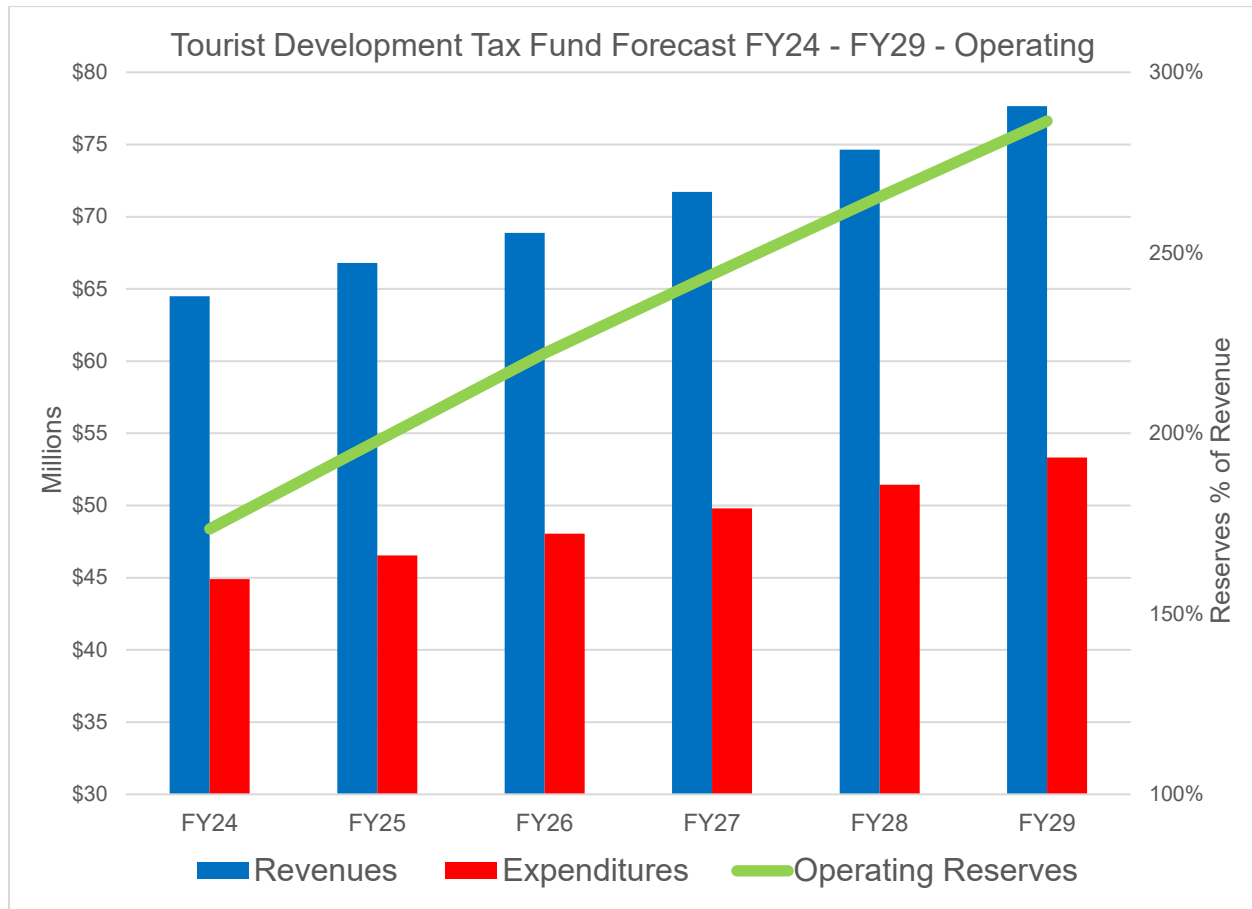
Source: Pinellas County FY23 Adopted Budget

Six-Year Forecast

Key Assumptions

The revenue forecast for the TDT Fund reflects an FY24 increase in TDT revenue of 5.0% above FY23 estimate, and 3.0% annually from FY25 – FY29. On the expenditure side, personal services are projected to increase 3.5% in FY24 and 3.1% annually from FY25 – FY29. The County's current commitments to capital projects ends in FY23, but funding will continue for beach renourishment.

TOURIST DEVELOPMENT TAX FUND



Key Results

The TDT Fund is balanced throughout the forecast period. Due to the completion of the County’s commitments to various capital projects in FY21, total reserves exceed 170% of revenue in FY23 and is projected to grow throughout the forecast period.

Potential Risks

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

Environmental conditions may have an impact as well. Tropical activity, red tide in Tampa Bay and the Gulf of Mexico, or man-made disasters could potentially damage our reputation or infrastructure. Such incidents may keep visitors away, keeping their disposable income away as well.

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

TOURIST DEVELOPMENT TAX FUND

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

Balancing Strategies

The forecast does not show structural gaps in revenues and expenditures. During FY20, as COVID-19 and its economic effects arrived in Pinellas, CVB reduced planned expenditures to better align with projected revenue. For FY21, CVB reduced expenditures by defunding long-term vacant positions and reducing staff travel, while maintaining marketing expenditures to help the County remain as a top destination for travelers when the pandemic ends. The assumption is that the overall CVB budget will be adjusted to match the TDT revenue stream to keep the fund balanced in the long-term.

Tourist Development Tax Fund Forecast
Fund 1040

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Tourist Development Taxes	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Advertising Expense	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Capital Outlay	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Tourist Development Tax Fund Forecast
Fund 1040

(in \$ thousands)	Forecast								
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	72,122.8	121,800.7	127,265.4	172,763.3	221,847.6	274,868.5	329,446.8	386,114.6	445,124.4
Revenues									
Capital Revenues									
Tourist Development Taxes	38,173.7	36,412.7	38,329.2	40,245.7	41,453.0	42,696.6	43,977.5	45,296.8	46,655.8
Subtotal - Capital Revenues	38,173.7	36,412.7	38,329.2	40,245.7	41,453.0	42,696.6	43,977.5	45,296.8	46,655.8
Operating Revenues									
Tourist Development Taxes - Operating	57,260.6	54,619.1	57,493.8	60,368.5	62,179.5	64,044.9	65,966.3	67,945.3	69,983.6
Interest	(1,865.5)	102.8	260.0	3,887.2	4,326.0	4,535.3	5,435.9	6,370.9	7,344.6
Other revenues	333.3	368.6	226.4	243.8	253.0	262.5	272.3	282.5	293.1
Subtotal - Operating Revenues	55,728.4	55,090.5	57,980.2	64,499.5	66,758.5	68,842.7	71,674.4	74,598.7	77,621.3
Total Revenues	93,902.1	91,503.2	96,309.4	104,745.1	108,211.6	111,539.3	115,652.0	119,895.5	124,277.0
% vs prior year		-2.6%	2.6%		3.3%	3.1%	3.7%	3.7%	3.7%
Total Resources	166,024.9	213,303.9	223,574.8	277,508.4	330,059.2	386,407.9	445,098.8	506,010.1	569,401.4
Expenditures									
Personal Services	4,128.9	5,741.5	5,626.6	5,957.4	6,140.3	6,140.4	6,329.0	6,329.2	6,523.7
Operating Expenses	3,174.7	4,015.0	3,934.7	4,324.2	4,486.3	4,654.6	4,829.1	5,010.2	5,198.1
Advertising/Sales/Promotions	25,319.9	31,529.4	30,898.8	33,957.1	35,230.5	36,551.6	37,922.3	39,344.4	40,819.8
Capital Outlay - Operating	11.8	50.0	50.0	53.9	55.9	58.0	60.1	62.4	64.7
Transfer - Tax Collector	535.8	600.0	600.0	622.6	641.7	661.4	681.7	702.7	724.3
Subtotal - Operating	33,171.1	41,935.8	41,110.1	44,915.1	46,554.7	48,066.0	49,822.3	51,448.9	53,330.7
Capital Funding Program:									
Transfer - Beach Renourishment	5,588.4	9,351.5	9,351.5	10,745.8	8,636.0	8,895.1	9,162.0	9,436.8	9,719.9
Florida Holocaust Museum	-	350.0	350.0	-	-	-	-	-	-
Subtotal - Capital Funding Program	5,588.4	9,701.5	9,701.5	10,745.8	8,636.0	8,895.1	9,162.0	9,436.8	9,719.9
Total Expenditures	38,759.5	51,637.3	50,811.5	55,660.9	55,190.6	56,961.0	58,984.2	60,885.7	63,050.6
% vs prior year		33.2%	31.1%	9.5%	-0.8%	3.2%	3.6%	3.2%	3.6%
Ending Fund Balance									
Operating	75,712.3	83,402.3	94,499.0	109,547.6	129,768.5	150,546.8	172,414.6	195,624.4	219,850.9
Capital	51,553.0	78,264.3	78,264.3	112,300.0	145,100.0	178,900.0	213,700.0	249,500.0	286,500.0
Ending balance as % of Revenue									
Operating	135.9%	151.4%	163.0%	169.8%	194.4%	218.7%	240.6%	262.2%	283.2%
Capital	135.0%	214.9%	204.2%	279.0%	350.0%	419.0%	485.9%	550.8%	614.1%
Total Requirements	166,024.9	213,303.9	223,574.8	277,508.4	330,059.2	386,407.9	445,098.8	506,010.1	569,401.4
Revenue minus Expenditures - Operating	22,557.2	13,154.7	16,870.1	19,584.3	20,203.8	20,776.7	21,852.1	23,149.7	24,290.6
Revenue minus Expenditures - Capital Funding Program	32,585.3	26,711.3	28,627.8	29,499.8	32,817.0	33,801.5	34,815.5	35,860.0	36,935.8

COUNTY TRANSPORTATION TRUST FUND

Description

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

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

Summary

The Transportation Trust Fund has historically been primarily funded by state and local fuel taxes, but in FY23 supplements to this fund from the General Fund have overtaken gasoline taxes as the primary form of revenue. Gasoline taxes are projected to show a gradual incline but not keep pace with inflationary increases for expenditures in this fund. The growth of revenue is limited by more efficient cars and fuel conservation efforts, as well as restrictions imposed by state laws that do not allow indexing fuel taxes for inflation.

Over the preceding years, the forecast for the Transportation Trust Fund indicated that expenditures were exceeding revenues. This was due to growing imbalances resulting from inflationary pressures on expenditures coupled with the projected slow growth in fuel tax collections. Gasoline usage declined during the COVID-19 pandemic and the anticipated decline in future commuting will likely place further constraints on this revenue growth. The fund balance was used each year to cover the gap until FY22, when a designated millage of 0.1279 mills was added to the fund from the General Fund. In FY22, this resulted in a \$12.0M subsidy. This designated millage continued to grow alongside of property taxes resulting in a \$13.3M subsidy in FY23, this designated millage will continue to stabilize the fund for the next several years. Additionally, the County applied another designated millage of 0.1752 mills in FY23 totaling \$18.3M. This millage is designated in the fund to address level-of-service improvements in both operating and resurfacing areas over the next ten years. The total amount will also grow alongside property taxes.

Revenues

The Transportation Trust Fund's FY23 budget consists of three gasoline tax funding sources: State-shared fuel taxes (\$9.5M), a six-cent per gallon LOFT (\$12.8M), and a one-cent per gallon fuel tax (the Ninth Cent) earmarked for the ATMS/ITS (\$3.8M). The remaining revenues of the fund include interest, other miscellaneous revenues such as reimbursements from other

COUNTY TRANSPORTATION TRUST FUND

governments for the County's work on municipal and state traffic signal systems, and the designated millage totaling \$31.6M.

State Shared Fuel Taxes

This resource is comprised of the Constitutional Fuel Tax and the County Fuel Tax, which total three cents per gallon on motor fuel. The taxes are collected statewide and then redistributed to Florida counties by a formula related to population, geographic area, and local collections. The amount of revenue is driven by the gallons of fuel purchased and is, therefore, sensitive to economic activity such as commuting and tourism trips or fluctuations in the price of oil that might change demand for gasoline usage. This resource was significantly impacted by COVID-19 since gasoline usage declined during the pandemic. While revenues are expected to rebound, the long-term implications for tourism and commuting are not clear at this time. As a result, state shared fuel taxes, as well as the other fuel taxes, are anticipated to increase between 1.5% and 2.0% in the years following COVID-19 recovery with a less than 1.0% increase each year moving forward.

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 additional 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 countywide ATMS/ITS. This tax will expire on December 31, 2026.

Expenditures

The Transportation Trust Fund's budgeted expenditures are \$60.4M in FY23 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 FY23 budget for this program is \$15.9M.

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 FY23 operating expenses for the ATMS/ITS program under Transportation Management are \$3.6M.

COUNTY TRANSPORTATION TRUST FUND

Streets and Bridges

This program provides for maintenance and operation of County streets and bridges with an FY23 expenditure budget of \$22.0M. Key program expenditure areas include inspection, maintenance engineering, management, repair, and maintenance operations and includes \$8.3M in additional expenses in FY23 for level-of-service improvements from the designated millage. This program also includes the temporary contract to address sidewalk backlogs.

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 FY23, the budget for these programs in the Transportation Trust Fund is \$7.5M.

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 FY23 budget for this program in the Transportation Trust Fund is \$1.8M.

Transfers

The Transportation Trust Fund transfers funding to the Capital Projects Fund for improvements to the County's transportation infrastructure. There is an expected transfer of \$1.7M expected to the Capital Projects Fund in FY23 for ATMS/ITS Ninth Cent related capital projects.

Reserves

The budgeted FY23 reserve level of \$22.7M in the Transportation Trust Fund is 37.2% of revenues, which is above the 15.0% target reserve level. The fund reserve level continues to be stabilized by the designation of millage that occurred in FY22.

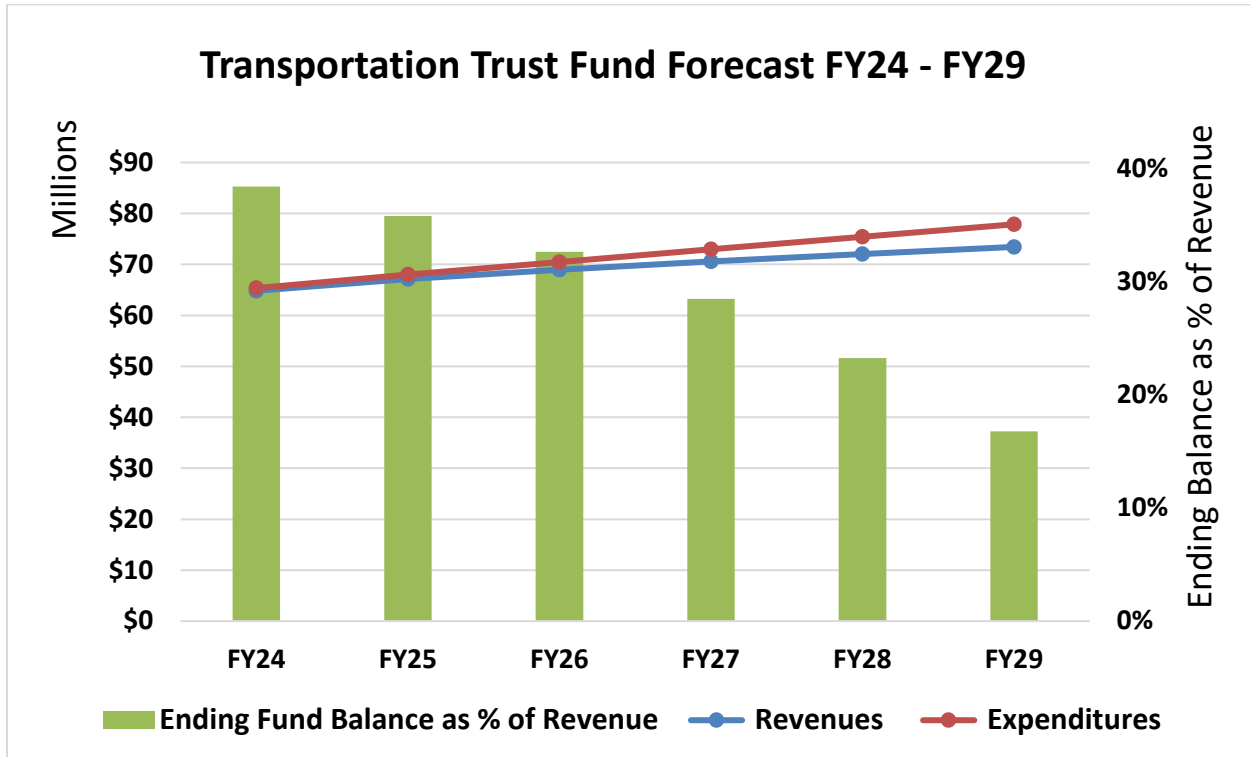
Six-Year Forecast

Key Assumptions

The primary revenue sources for this fund are the designated millages, state-shared fuel taxes and local option fuel taxes. The Six-Cent Local Option Fuel Tax levy is authorized until 2027, and the Ninth Cent levy is in effect until 2026. These taxes are based on gallons pumped and not fuel prices. Pinellas County's population growth is expected to be minimal through the forecast period due to its built-out condition, which limits the overall increase in fuel consumption. The likelihood of future mandated vehicle fuel efficiency standards contributes toward minimal increases in fuel tax revenues despite an improving economy and stable gas prices. Additionally, the immediate decline in gasoline usage due to COVID-19 and the long-term implication of modified commutes

COUNTY TRANSPORTATION TRUST FUND

will likely impact revenues during this time frame. Based on the historical reduction and future impacted growth patterns, current fuel tax revenues are not expected to keep up with projected inflationary expenditures required for transportation operation and maintenance needs. However, with the continued designation of mills for transportation use and the expected growth of property values, this fund has been stabilized for the forecast period. By FY29, property taxes will account for 56.4% of total Transportation Trust Fund revenues.



Key Results

With the addition of the designated millages, Transportation Trust Fund resources exceed expenditures throughout the forecast period stabilizing the fund through FY29.

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

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

Inflation 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.

COUNTY TRANSPORTATION TRUST FUND

Balancing Strategies

Major strategies to manage the forecasted gap in revenues versus expenditures include a continuation of actions to reduce future costs on the expenditure side and/or increasing revenue by imposing additional local option fuel taxes.

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

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

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

The additional Local Option Fuel Tax of one to five cents is not likely to have a measurable impact on the sale of fuel, as normal price differences and fluctuations routinely exceed this amount. For this reason, there would be little incentive for consumers to redirect their fuel purchases to Hillsborough County if they maintain their current seven cent fuel tax rates. The additional five cents may be used for the construction of new roads, the reconstruction or resurfacing of existing paved roads, the paving of existing graded roads, or other expenditures that are needed to meet immediate local transportation problems or are critical for building comprehensive roadway networks. Routine maintenance of roads is not considered an authorized expenditure. The additional one- to five-cent tax could be levied by a majority plus one vote of the Board, or by approval in a countywide voter referendum.

For comparison purposes, other Florida counties that impose greater local option fuel taxes than Pinellas County's seven cents are shown in the following table.

COUNTY TRANSPORTATION TRUST FUND

Counties with LOFT greater than Seven Cents	Cents Imposed
Alachua	12
Bradford	12
Broward	12
Charlotte	12
Citrus	12
Clay	12
Collier	12
DeSoto	12
Duval	12
Escambia	11
Hardee	12
Hendry	9
Hernando	12
Highlands	12
Jefferson	12
Lee	12
Leon	12
Levy	11
Madison	12
Manatee	12
Marion	12
Martin	12
Miami-Dade	10
Monroe	12
Nassau	12
Okaloosa	10
Okeechobee	12
Osceola	12
Palm Beach	12
Pasco	12
Polk	12
Putnam	12
Santa Rosa	12
Sarasota	12
St. Lucie	12
Suwannee	12
Volusia	12

Source: Florida Department of Revenue, 2023 Fuel Tax Rates

Of Florida's 67 counties, thirty-seven (37), including Pasco, Manatee, and Sarasota, levy more than 7¢. Eighteen (18), including Pinellas and Hillsborough, levy 7¢, and twelve (12) levy less than 7¢.

Transportation Trust Fund Forecast
Fund 1001

Forecast Assumptions	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Ninth Cent Fuel Tax	1.0%	0.7%	0.4%	0.2%	0.1%	0.0%
State Shared Fuel Taxes	0.8%	0.7%	0.4%	0.2%	0.1%	0.0%
Local Option Fuel Taxes	0.8%	0.9%	0.5%	0.3%	0.2%	0.1%
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Capital Outlay	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Grants & Aids	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Property Tax	7.0%	5.9%	4.3%	3.9%	3.4%	3.1%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Transportation Trust Fund Forecast
Fund 1001

(in \$ thousands)

(in \$ thousands)	Forecast								
	Actuals FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	15,091.41	24,884.81	24,884.81	25,418.16	24,857.81	23,943.90	22,344.11	19,912.45	16,506.63
Revenues									
Ninth Cent Fuel Tax	3,945.87	3,798.67	4,027.29	4,067.56	4,094.73	4,110.26	4,118.02	4,121.90	4,121.90
State Shared Fuel Taxes	10,492.25	9,539.59	10,390.47	10,473.60	10,544.72	10,584.92	10,606.57	10,612.75	10,612.75
Local Option Fuel Tax (1-6 Cent)	13,246.70	12,827.33	13,422.51	13,529.89	13,649.93	13,720.22	13,757.62	13,783.59	13,799.29
Interest	105.94	24.65	25.77	27.38	25.79	24.84	23.18	20.66	17.13
Other revenues	3,009.57	2,559.32	2,694.02	2,901.46	3,010.27	3,123.15	3,240.27	3,361.78	3,487.85
General Fund One - Time Subsidy	4,550.00								
Designated Millage Increase LOS (0.1752 Mills)		18,300.00	18,300.00	19,581.00	20,736.28	21,627.94	22,471.43	23,235.46	23,955.76
Designated Millage Maintain LOS (0.1279 Mills)	12,000.00	13,343.00	13,343.00	14,277.01	15,119.35	15,769.49	16,384.50	16,941.57	17,466.76
Total Revenues	47,350.34	60,392.56	62,203.06	64,857.90	67,181.07	68,960.82	70,601.58	72,077.71	73,461.43
% vs prior year	55%	97%	103%	4%	4%	3%	2%	2%	2%
Total Resources	62,441.75	85,277.37	87,087.87	90,276.06	92,038.88	92,904.72	92,945.69	91,990.16	89,968.06
Expenditures									
Personal Services	17,191.20	19,533.06	18,947.07	19,667.06	20,270.77	20,893.01	21,534.75	22,196.58	22,879.15
Operating Expenses	13,632.44	17,672.50	17,142.33	18,462.28	19,154.62	19,872.92	20,618.15	21,391.33	22,193.51
Capital Outlay	154.37	614.56	596.12	642.02	666.10	691.08	716.99	743.88	771.78
Grants & Aids	47.87	48.10	48.10	51.80	53.75	55.76	57.85	60.02	62.27
Debt Service	57.88	65.15	65.15	68.08	70.74	73.07	75.48	77.97	80.55
Full Cost Allocation	4,773.18	4,870.94	4,870.94	5,246.00	5,442.73	5,646.83	5,858.59	6,078.28	6,306.22
Transfers to Capital Funds - Ninth Cent	1,700.00	1,700.00	1,700.00	1,700.00	1,700.00	1,700.00	1,700.00	1,700.00	1,700.00
Designated Millage Increase LOS (.1752 Mills)		18,300.00	18,300.00	19,581.00	20,736.28	21,627.94	22,471.43	23,235.46	23,955.76
Total Expenditures	37,556.94	62,804.31	61,669.71	65,418.25	68,094.98	70,560.61	73,033.24	75,483.53	77,949.23
% vs prior year	-11%	67%	-2%	4%	4%	4%	4%	3%	3%
Ending Fund Balance	24,884.81	22,473.06	25,418.16	24,857.81	23,943.90	22,344.11	19,912.45	16,506.63	12,018.83
Ending Fund Balance as % of Revenue	52.6%	37.2%	40.9%	38.3%	35.6%	32.4%	28.2%	22.9%	16.4%
Total Requirements	62,441.75	85,277.37	87,087.87	90,276.06	92,038.88	92,904.72	92,945.69	91,990.16	89,968.06
Revenue minus Expenditures	9,793.40	(2,411.75)	533.36	(560.36)	(913.91)	(1,599.79)	(2,431.66)	(3,405.82)	(4,487.80)

CAPITAL PROJECTS FUND

Description

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

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

Summary

The overall Fund is forecasted to be balanced for FY24 and FY25. The first year of the CIP, FY23, was balanced as part of the adoption of the annual budget in October 2022. The Fund will be revisited and rebalanced each year during the budget process based upon actual activity and prioritization of projects. The Fund is forecasted to be balanced again by FY29. Within the Capital Projects Fund, balancing at a program level must be done based on the revenues and transfers from other funds that are restricted for use on a specific purpose. The expenditures shown on the pro forma are broken out by the programs that must be balanced within their respective funding source: Economic Development Capital Projects and Housing must be balanced within the 8.3% Penny for Pinellas countywide investment specified in the interlocal agreement with the municipalities; Jail and Court Facilities projects must be balanced within the 3.0% countywide investment specified in the interlocal agreement; County Penny projects must be balanced within the Penny distribution specifically for Pinellas County (each municipality gets their own distribution); Advanced Transportation Management Systems (ATMS) projects must be balanced within the transfer received from the Transportation Trust Fund from the Local Option Fuel Tax 9th cent; and the Beach Nourishment projects must be balanced within the transfer received from the Tourist Development Tax fund.

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

Revenues

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

CAPITAL PROJECTS FUND

Local Government Infrastructure Sales Surtax (Penny for Pinellas)

This Fund's primary revenue source is the "Penny for Pinellas" (Penny). It is a one-percent local government infrastructure sales surtax pursuant to Section 212.055(2), Florida Statutes, imposed in Pinellas County. The authorized use of these funds is generally restricted to infrastructure projects only and cannot be used for ongoing operation or maintenance costs. The Penny has been approved for four sequential ten-year periods beginning in 1990. It was most recently approved in November 2017 for the period January 1, 2020, through December 31, 2029 (Penny IV) by 83% of the voters.

The Penny surtax is collected on the first \$5,000 of all purchases excluding groceries and medications. Sales tax as a revenue source is highly elastic and is sensitive to local and national economic conditions, such as inflation, wage growth, unemployment, and tourism. The revenue assumptions for the Penny are consistent with the State sales tax revenue projections. FY23 is estimated to decrease 6.7%, followed by an increase of 0.3% in FY24, 3.3% in FY25, 2.8% in FY26, 2.9% in FY27, and 3.0% in FY28 and FY29. The projected decrease in FY23 is actually "leveling off" after an 18.0% increase in FY21 and 13.8% increase in FY22.

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

Grants

The second largest source of revenue in the Capital Projects Fund is grants. The FY23 Budget includes \$39.7M in local, state, and federal grants from agencies such as the Southwest Florida Water Management District, Florida Department of Environmental Protection, Florida Department of Transportation, and the U.S. Economic Development Administration. 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 in FY23 and FY24. Beginning in FY25, the outer years of the forecast calculate grant revenue at 10% of Capital Project Expenditures, which is based on historical receipts.

The American Rescue Plan Act (ARPA) spending plan was presented before the Board of County Commissioners on May 24th, 2022. The ARPA funding has been programmed into the Capital Improvement Plan and has offset the funding needed from the Penny for Pinellas.

Transfers from Other Funds

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

In FY24 and beyond, the General Fund transfer provides funding of \$650,000 for the Municipal Services Taxing Unit (MSTU) paving projects, which began in FY14 to address the needs of secondary roads in unincorporated neighborhoods.

There is an annual transfer of \$1.7M from the Transportation Trust Fund, specifically the proceeds of the Ninth Cent Fuel Tax, which funds the cost of Intelligent Transportation System/Advanced

CAPITAL PROJECTS FUND

Transportation Management System (ITS/ATMS) projects. It is currently included in the forecast for FY23-FY29.

The FY23 transfer of \$9.4M from the Tourist Development Tax (TDT) Fund (approximately half of the net proceeds from one of the six percents of the TDT) provides funding for beach nourishment projects in the Coastal Management program. The amount transferred to the Capital Projects Fund each year is dependent upon the amount collected.

The transfer of \$2.8M from the Multi-Modal Impact Fee Fund in FY23 contributes to the costs of authorized transportation projects in the 13 geographic multimodal impact fee districts of the county. Beginning in FY24, the estimated annual transfer is \$1.8M, which is based on historical actuals. The Multi-Modal Impact Fee Fund is used to account for Multi-Modal Impact Fees collected throughout the county, thus assuring that new development bears a proportionate share of the cost of capital expenditures necessary to meet transportation needs of the county. Effective May 1, 2016, the Transportation Impact Fee (TIF) was replaced by the Multi-Modal Impact Fee (MIF) by Ordinance 16-21.

Expenditures

Expenditures in the Capital Projects Fund consist of capital project expenditures and transfers to other funds for specific capital projects. The current forecast does not include any transfers to other funds.

Capital Projects

Most expenditures in the Capital Projects Fund are for infrastructure projects in the areas of transportation, stormwater, drainage, water quality, parks, environmental preservation, courts facilities, jail, public safety, and other public facilities. Please see the FY23 – FY28 Six-Year Capital Improvement Plan for capital expenditure details.

Six-Year Forecast

Key Assumptions

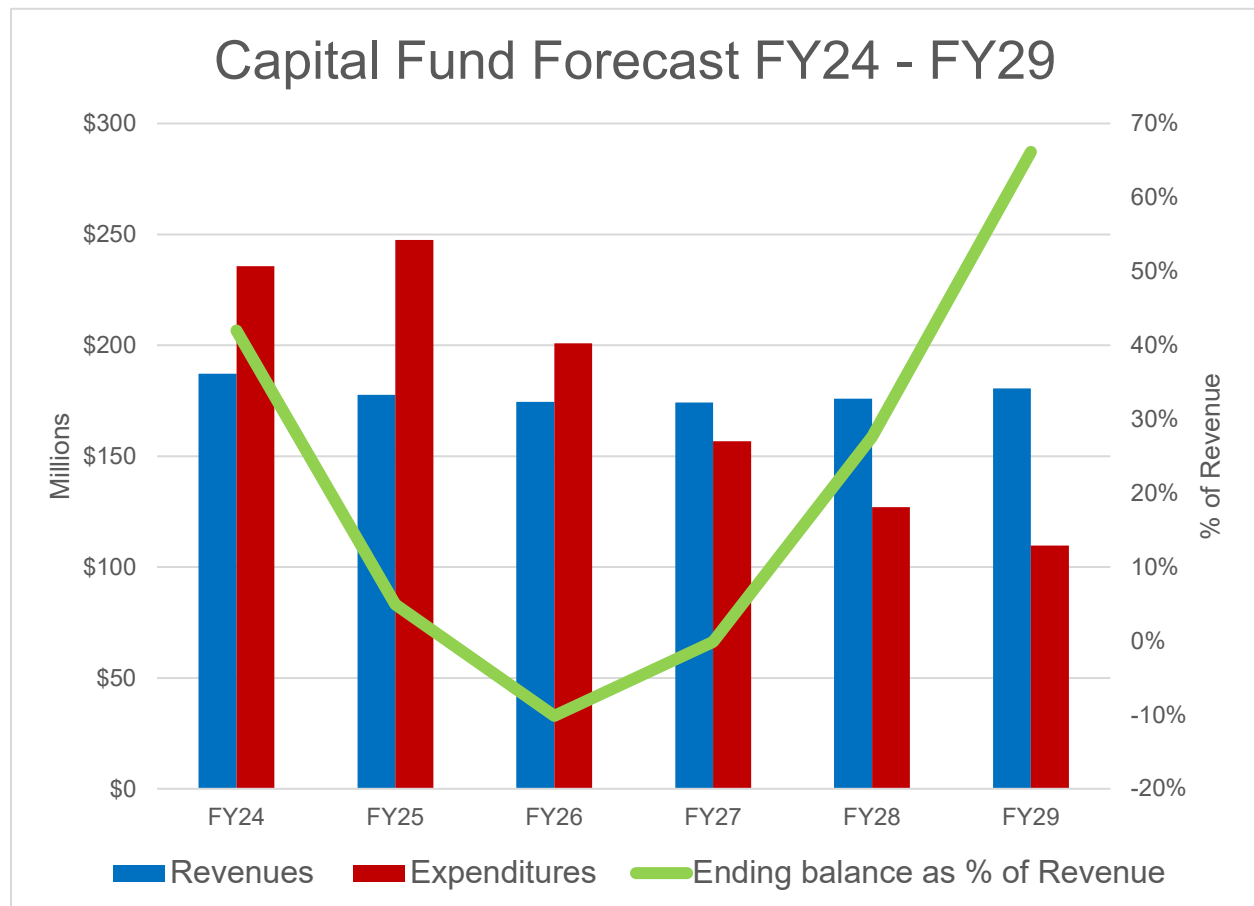
During discussions of the Penny IV interlocal agreement, several scenarios to project estimated revenue for Penny IV were modeled with assumptions based on recessions and historically based annual growth, as well as a flat growth scenario. The scenarios returned relatively the same projections. At that time, the growth rate for the Penny sales tax was projected at 2.5% throughout the Penny ten-year timeframe, FY20 – FY30.

The revenue assumptions for the Penny are consistent with the State sales tax revenue projections. FY23 is estimated to decrease 6.7%, followed by an increase of 0.3% in FY24, 3.3% in FY25, 2.8% in FY26, 2.9% in FY27, and 3.0% in FY28 and FY29. The projected decrease in FY23 is actually “leveling off” after an 18% increase in FY21 and 13.8% increase in FY22.

CAPITAL PROJECTS FUND

Key Results

The forecast for the Capital Projects Fund shows that the Fund is projected to be balanced for FY24 and FY25. As noted previously, the first year of the CIP, FY23, was balanced as part of the adoption of the annual budget. The Fund will need to be rebalanced again each year during the budget process based upon actual activity and prioritization of projects. The Fund is forecasted to be balanced again by FY29. Within the Fund, the programs and respective funding sources will also be balanced. The forecast will be updated accordingly for the Proposed Budget presented in July. The graph includes anticipated revenues and projected expenditures during the forecast period.



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 improves, collections could be higher than anticipated as consumer activity increases. The reverse would be true if the economy deteriorates. The economy over the past two years was impacted by the unprecedented challenge of COVID-19. Revenues in the short-term future could be impacted by rising interest rates and a cooling economic climate.

CAPITAL PROJECTS FUND

There are inflationary risks for major commodities used in capital project construction such as steel, concrete, asphalt, aggregate, etc. Per FDOT's Strategic Resource Evaluation Study for Highway Construction Materials (FY21/22), from November 2020 to June 2022 construction bid prices increased 26%. Cost estimates for capital projects are anticipated to increase substantially due to higher material costs and higher than anticipated bid pricing.

Balancing Strategies

The Capital Projects Fund uses accumulated fund balance to balance the fund through FY25. As capital projects progress through design and construction, schedules and estimates will be updated accordingly, impacting the forecasted fund balance.

Capital Projects Fund Forecast
Fund 3001

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Infrastructure Sales Tax	0.3%	3.3%	2.8%	2.9%	3.0%	3.0%
Interest Rate	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, %change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Capital Projects Fund Forecast
Fund 3001

(in \$ thousands)	Forecast								
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	174,566.3	275,820.7	279,761.0	127,099.3	78,611.8	8,780.5	(17,678.0)	(236.1)	48,561.1
Revenues									
Infrastructure Sales Tax (Penny for Pinellas)*									
Economic Development Capital Projects & Housing									
Countywide Investment	19,410.5	17,010.7	18,110.0	18,164.3	18,763.7	19,289.1	19,848.5	20,444.0	21,057.3
Jail & Court Facilities Countywide Investment	7,015.8	6,148.4	6,545.8	6,565.4	6,782.1	6,972.0	7,174.2	7,389.4	7,611.1
County Distribution	107,352.3	94,078.5	100,159.7	100,460.1	103,775.2	106,681.0	109,774.8	113,068.0	116,460.0
Grants	5,939.6	39,668.0	39,668.0	33,925.0	24,751.5	20,087.3	15,668.8	12,706.2	10,966.4
Transfer from Ninth-Cent Fuel Tax (Transportation Trust Fund)	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0	1,700.0
Transfer from Multi-Modal Impact Fees	1,609.0	2,800.0	2,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0
Transfer from General Fund	63,769.8	1,600.0	1,600.0	650.0	650.0	650.0	650.0	650.0	650.0
Transfer from TDT Fund	5,588.4	9,351.5	9,351.5	10,745.8	8,636.0	8,895.1	9,162.0	9,436.8	9,719.9
Interest	(3,975.3)	575.7	575.7	5,719.5	3,065.9	289.8	-	-	1,602.5
Other revenues	386.7	6,943.7	6,943.7	7,478.4	7,758.8	8,049.8	8,351.6	8,664.8	8,989.8
Total Revenues	208,796.9	179,876.5	187,454.3	187,208.5	177,683.2	174,414.0	174,129.9	175,859.2	180,557.0
% vs prior year		-13.9%	-10.2%	-0.1%	-5.1%	-1.8%	-0.2%	1.0%	2.7%
Total Resources	383,363.2	455,697.1	467,215.3	314,307.8	256,295.0	183,194.5	156,451.9	175,623.1	229,118.1
Expenditures									
Capital Project Expenditures									
Economic Development Capital Projects	4,401.0	36,134.0	36,134.0	10,270.0	10,627.0	10,510.0	10,220.0	10,526.0	10,842.0
Affordable Housing Projects	32.2	28,627.0	28,627.0	10,270.0	10,627.0	10,517.0	10,220.0	10,526.0	10,842.0
Jail & Court Facilities Projects	3,726.0	11,417.0	11,418.0	12,797.0	13,297.0	2,000.0	4,600.0	7,600.0	7,900.0
County Penny Projects	92,439.0	240,788.0	240,785.0	195,646.0	196,111.5	174,705.5	129,390.0	97,260.0	80,080.0
ATMS Projects (LOFT 9th Cent funded)	2,666.9	12,772.0	12,773.0	5,645.0	2,584.0	2,856.0	2,000.0	1,082.0	-
Beach Nourishment Projects (TDT funded)	337.1	10,378.0	10,379.0	1,068.0	14,268.0	284.0	258.0	68.0	-
Total Expenditures	103,602.2	340,116.0	340,116.0	235,696.0	247,514.5	200,872.5	156,688.0	127,062.0	109,664.0
% vs prior year		228.3%	228.3%	-30.7%	5.0%	-18.8%	-22.0%	-18.9%	-13.7%
Ending Fund Balance	279,761.0	115,581.1	127,099.3	78,611.8	8,780.5	(17,678.0)	(236.1)	48,561.1	119,454.1
Ending balance as % of Revenue		64.3%	67.8%	42.0%	4.9%	-10.1%	-0.1%	27.6%	66.2%
Total Requirements	383,363.2	115,581.1	467,215.3	314,307.8	256,295.0	183,194.5	156,451.9	175,623.1	229,118.1
Revenue minus Expenditures	105,194.7	(160,239.5)	(152,661.7)	(48,487.5)	(69,831.3)	(26,458.5)	17,441.9	48,797.2	70,893.0

AIRPORT REVENUE AND OPERATING FUND

Description

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

The Airport Revenue and Operating Fund is used to account for the self-supporting operations of the Airport. Of the Airport's 2,000 acres, approximately half are dedicated to the airfield, terminal building, and car parking. The remaining acreage includes the 130-acre future planned development site (formerly the Airco Golf course), a 200-acre Airport Business Center, and leased space for industrial, commercial, and governmental operations. All activities necessary for airport operations and capital projects are included in this fund.

Summary

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

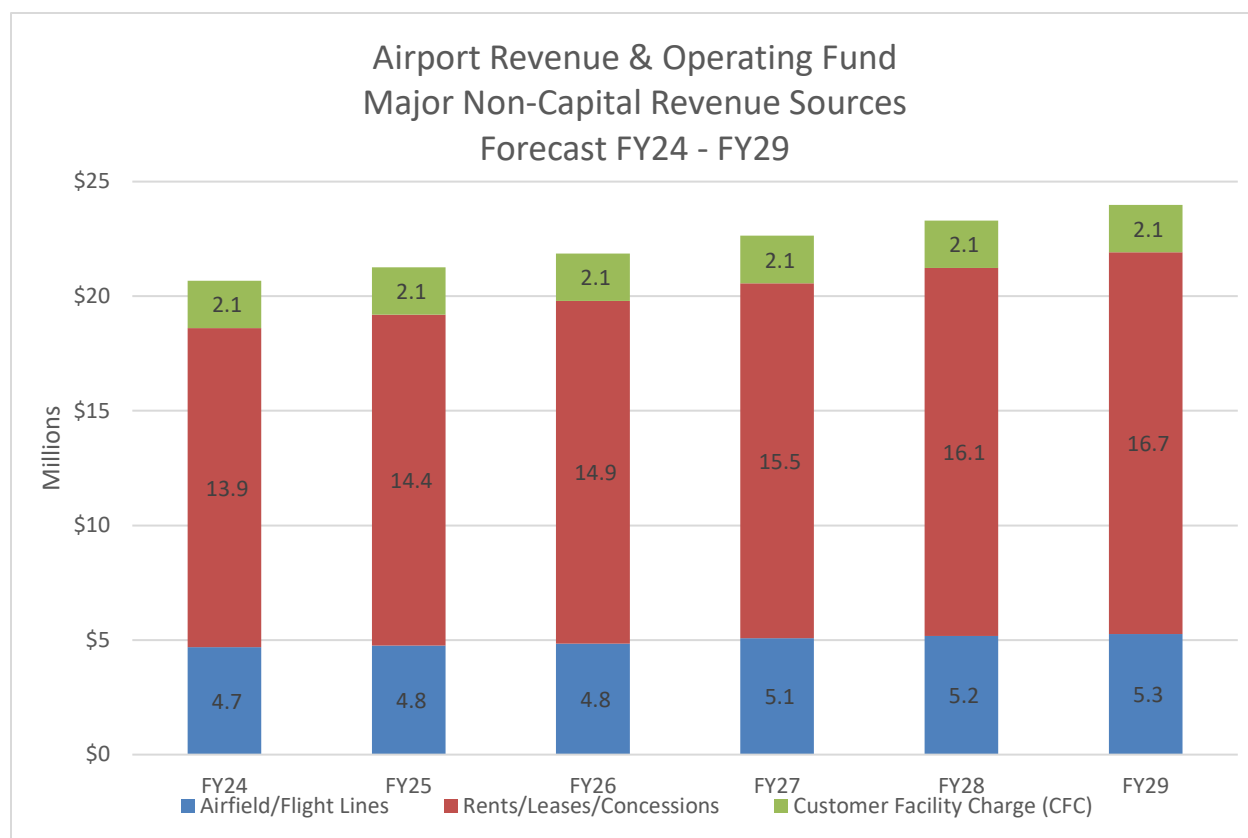
Airport airline and concession revenues have grown in recent years due to increased service from Allegiant Airlines. After the COVID-19 recovery period in FY22 and FY23, airline revenues are forecasted to increase on average 1.7% and concession, lease, and rent revenues are forecasted to increase on average 3.5% per year over the forecast period based on the Airport's agreement with Allegiant, the retail/food/beverage concessionaire agreement awarded in FY19, and 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 for those capital projects that are eligible for Federal Aviation Administration (FAA) or Florida Department of Transportation (FDOT) funding.

The forecast for the Airport Revenue and Operating Fund shows that the fund is 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.

Revenues

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

AIRPORT REVENUE AND OPERATING FUND



Rentals/Leases/Concessions

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

The new food and beverage concessionaire agreement that began in late FY19 provided higher revenue in the first few years due to the increased Maximum Annual Guarantee (MAG) of \$1.2M, with the contract's later years increasing at a slower rate. The COVID-19 pandemic set back all gains that PIE was expected to realize with the new concessionaire agreement, because the MAGs are not due to the airport until all restaurant and retail spaces are completely built out. Currently, all retail/gift shop spaces have been constructed as planned, but the food/beverage segment suffered greatly because of the nationwide downturn. PIE has three of the food/beverage locations constructed, which leaves the pre-security second floor restaurant called The District as the only site left undeveloped. That site is due to begin construction in February 2023 and should be finished by the beginning of summer 2023. Once completed, the MAGs will be required to be paid the percentage of sales outlined in the contract.

AIRPORT REVENUE AND OPERATING FUND

The on-airport rental car concession bid was awarded in late FY21 during the pandemic and is one of the largest revenue earners for PIE. The Airport has also added Easirent (ER Travel, LLC) as an off-airport rental car company as well as TURO (a car-sharing service). Despite Hertz declaring bankruptcy and withdrawing from PIE and nationwide rental car downturn, PIE was largely unaffected.

The new Airport Advertising Concession opportunity was awarded at the beginning of calendar year 2022 with a new vendor and business arrangement. This is advantageous for PIE, because the former contract only paid a percentage of sales and the new contract includes a MAG payment as well as a percentage of sales. PIE has already had a 16.1% increase from the new arrangement and expect future revenues to stabilize.

Ground transportation continues to see gains, as PIE now has agreements with taxicabs, Uber, Lyft, and hotel courtesy shuttles. There was an 866.0% increase from FY19 to FY22 for the amount paid to PIE from ground transportation partners.

These revenues are forecasted to increase 3.5% on average annually for the forecast period until a new contract is bid in FY24.

Customer Facility Charges

The Customer Facility Charge (CFC) is a user fee (\$4.00 per rental per day) approved by the Board of County Commissioners (BCC) and imposed on each rental car user at the Airport. The fee is collected by rental car concessionaires and remitted to the Airport. The State of Florida has no restrictions on the use of the fee.

The CFC revenue is not forecasted to change from FY24 to FY29 as passenger volume is anticipated to remain flat. The new contract bid for rental car concessionaires in FY24 will not affect this figure unless the user fee (\$4.00 per rental per day) increases.

Airfield/Flight Line

Airfield revenue includes U.S. Coast Guard fees, airline landing fees, and fuel flowage fees. Flight Line includes long-term leases that are related to general aviation activities which include land for hangar rent, aircraft parking, and condominium T-hangars. These revenue sources are expected to increase by 1.7% per year over the forecast period.

Airfield/Flight Line revenue is based on the current level of carriers and projected passenger numbers. Passenger volume level has grown as the airport's main tenant, Allegiant Airlines, has added new cities to its offering for the past several years; however, growth is appearing to plateau. Allegiant added six cities in FY21, and Sun Country Airlines and Swoop Airlines added eight cities (Akron, Clarksburg (WV), Minneapolis, Key West, Wichita, Hamilton Ontario, Toronto Ontario, and Provo) in FY22. As leisure-travel continues to improve post-COVID, PIE set records in FY22 for most months of the year. In FY22, PIE boarded 2,436,467 passengers, which is an increase of 598,513, or 32.5% over FY21. PIE originally predicted figures to not overtake FY19's 2,268,746 passengers until FY24. This new "best" year will allow PIE to compare future years to FY22, leaving the COVID-19 era behind.

AIRPORT REVENUE AND OPERATING FUND

A 32.5% increase of passengers does not equate to a 32.5% increase in the Airfield/Flight Line revenue. Airline contracts are based on the landing fees (how many aircraft land at PIE); fuel flowage fees based upon the number of gallons pumped each month (this is capped at 100,000 gallons per FBO); office rent; apron parking fees which are capped at \$116,800 per year; terminal usage fees which are based upon the internal estimated percentage of growth; \$50 per usage of the jetbridges at Gates 4 and 5; and passenger screening fees which use actual passenger enplanement counts to calculate. The passenger screening fee increased from \$0.65 to \$0.70 (7.7% increase) in FY23.

Based on Allegiant's published flights and the frequency of those flights, PIE expects 1,015,863 enplanements, which is a 16.4% drop from the 1,215,352 actual FY22 enplanements. The FY22 revenues obtained from \$0.65 per enplanement were \$789,979 and the estimated 1,015,863 enplanements in FY23 would generate \$711,104 (9.9% decrease) in passenger screening fees.

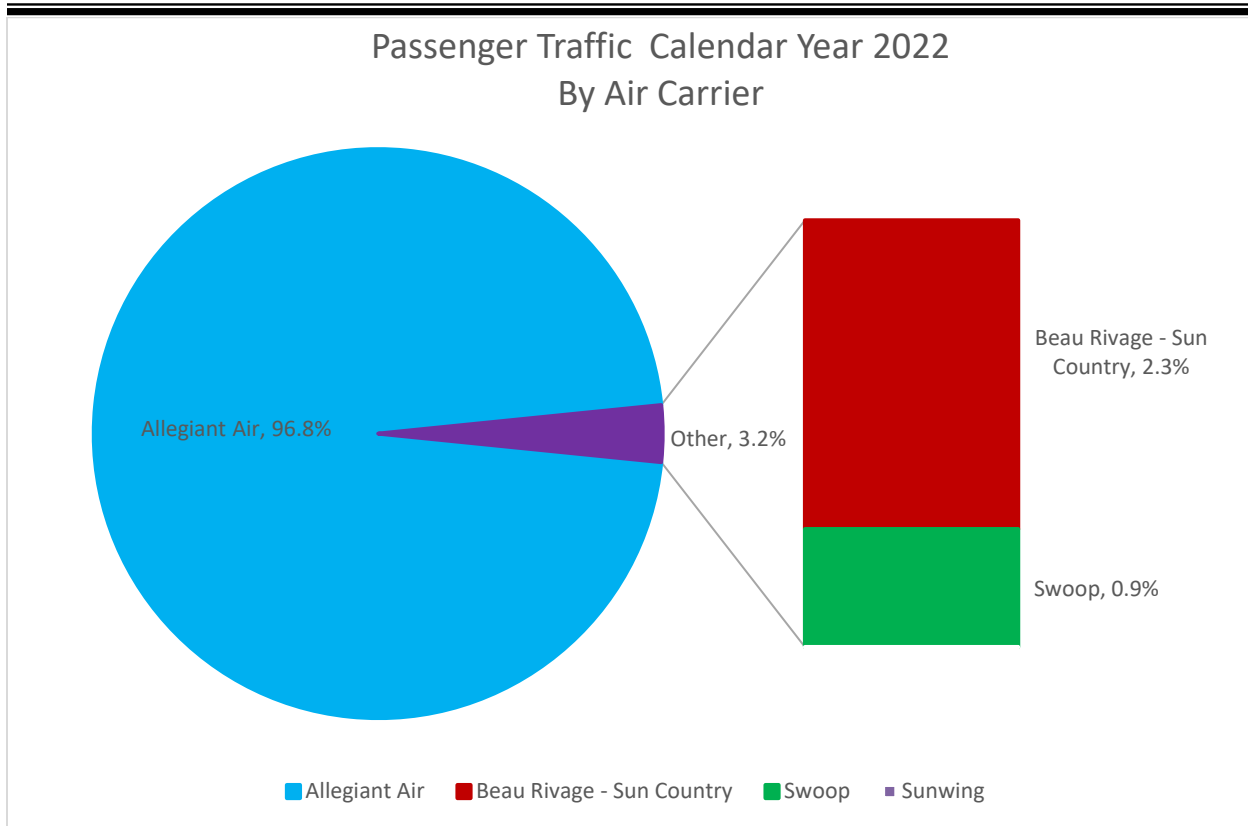
Airline contract negotiations will occur in late FY25, with an expected increase in revenue in FY26. The new agreements will need to include adjusted user fees such as the percentage of usage of the new CUTE (common use terminal equipment) system that will be purchased in FY23/FY24. PIE estimates that it can negotiate approximately 5.0% additional revenues with the new airline master agreement due to the cost of the additional technology and its annual maintenance costs for equipment and supplies.

In FY24, PIE will also research a user fee adjustment to the fuel flowage fee charged on each gallon of aviation fuel that is delivered to PIE's tenants. The fuel flowage fee does not generate a large increase in revenues, but it needs to be reviewed since it has never been increased.

PIE expects the airfield/flight line revenue source to increase by 1.7%, which is a direct reflection of PIE's master plan document estimated revenue and the FY19 Terminal Area Forecast. The airline's master agreement dictates what happens from year to year, which means most user fees cannot be increased unless incremental increases are built into the agreement.

The following chart illustrates passenger traffic for the 2021 calendar year and PIE experienced a 1.5% increase in passenger totals in FY22 compared to FY21. Allegiant Air represents 96.8% and Sun Country represents 3.2% of enplaned/deplaned passengers served at PIE.

AIRPORT REVENUE AND OPERATING FUND



Capital Contributions, Passenger Facility Charges and Grants

Grants from the FAA and FDOT (including PFCs) provide the funding base for Airport capital improvement projects. These revenue sources are typically used for the Airport's capital project funding. Airport reserves are also used to assist with funding capital improvement projects

The PFC program administered by the FAA allows the collection of fees for every boarded passenger at commercial airports that have implemented a PFC through an FAA application approval process. These fees are restricted for use on certain FAA pre-approved projects that enhance safety, security, capacity, reduce noise, or increase air carrier competition. PIE currently uses these funds for capital improvements only. PIE's PFC was \$5.64 per enplaned passenger in FY22, and PFC revenue is projected to remain flat annually through the forecast period.

Furthermore, PIE has received several grants from the federal government (FAA) to help replace lost operating revenue due to the COVID-19 pandemic— (1) CARES Act for \$8.7M; ACRGP for \$4.8M; and (3) ARPA grants for \$10.7M. The grant revenues are accounted for in FY20, FY21, FY22, and FY23.

Expenditures

In FY23, the Airport Revenue and Operating Fund supports budgeted expenditures and reserves totaling \$107.6M, of which \$25.0M is allocated for capital projects and \$68.0M for reserves.

AIRPORT REVENUE AND OPERATING FUND

Airport Programs

Of the remaining \$9.3M budgeted for operating expenditures, 99.1% supports the Aviation Services program and 0.9% supports the Airport Real Estate program. The Aviation Services program consists of all facets of day-to-day aviation activities. The Airport Real Estate program oversees and negotiates leases with tenants and future development at the Airport to ensure compliance with FAA lease requirements.

Personal Services

Personal Services expenses are for the salaries and benefits of the 63.7 full-time equivalent positions budgeted to operate both Airport programs. Budgeted Personal Services expenditures in FY23 total \$6.6M.

Capital Projects

The FY23 Budget for Capital Projects is \$25.0M. These projects receive partial funding in the form of grants from the FAA and FDOT. PFC revenue is also used on specific capital projects with FAA approval. When additional funds are needed, reserves may be used.

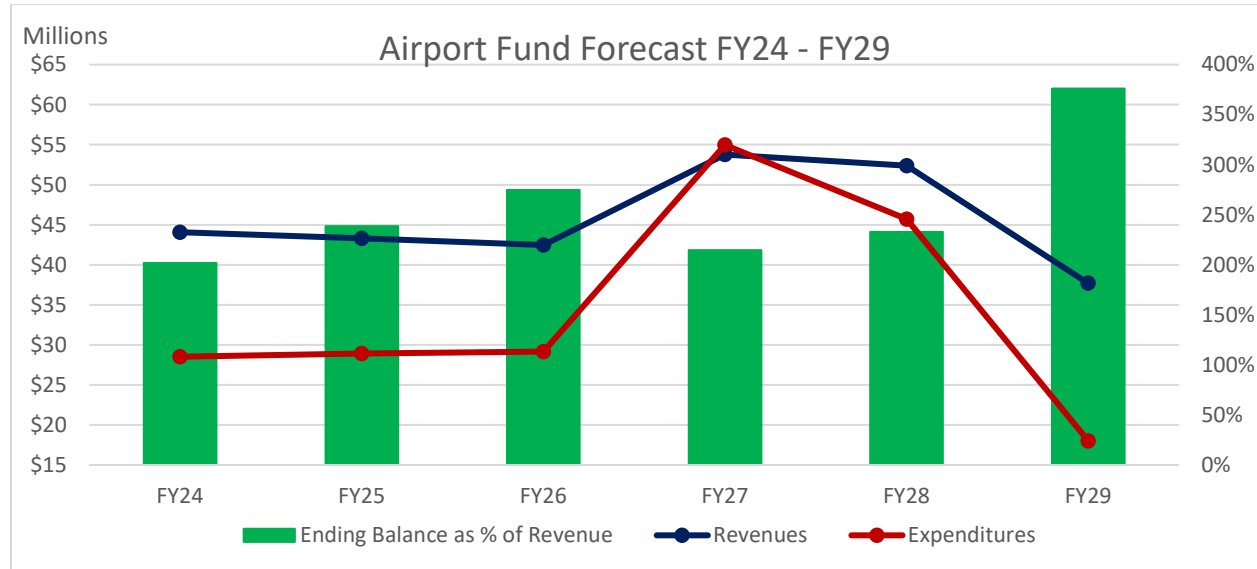
Capital projects scheduled for completion in FY23 and FY24 include the cargo apron rehab and runway 9/27 conversion, construction of new General Aviation taxiways and roads, a new airfield electronic vault, the relocation of an airfield electric vault, an upgraded lift station near the Army reserve base, installation of a new service elevator, installation of a canopy passenger walkway to terminal building, paving of the strawberry parking lot, installation of new Airport cell lot restrooms, replacement of Airport Terminal carpeting (ARPA funded), renovation of the Airport terminal restrooms (ARPA funded), and the terminal mitigation of water intrusion (ARPA funded).

The scheduled capital projects in the outer years of the forecast period include construction of a multi-level parking deck for rental and short term parking, new passenger terminal improvements, and Airco Site preparation.

AIRPORT REVENUE AND OPERATING FUND

Reserves

The total reserve level in the Airport Revenue and Operating fund is budgeted at \$68.0M for FY23. The Airport built reserves over the past several years from the increased passenger airline service revenues, CFCs, and conservative operating expenditures, which resulted in increased annual operating profits. The reserves are available in the event of unanticipated revenue shortfalls as well as to support future capital funding needs.



Six-Year Forecast

Key Assumptions

As discussed, the revenue assumptions are based on the number of passengers returning to pre-COVID-19 levels and a conservative revenue growth rate through the remainder of the forecast period.

Expenditures related to Personnel Services are expected to increase by 3.1% annually during the forecast period. Operating and Capital Outlay expenditures are also projected to have an annual increase of 3.8%. If needed in the future, expenditures will be adjusted to reflect changes in airline service and revenues.

Key Results

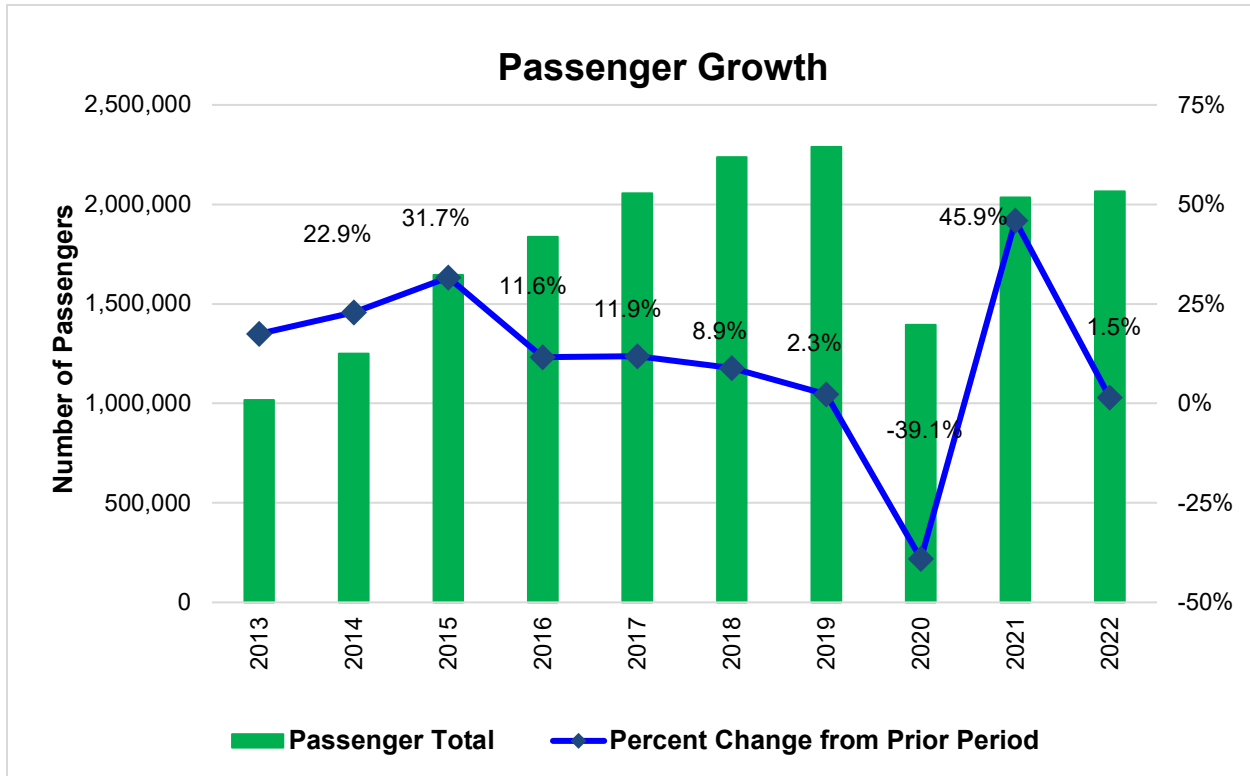
The forecast for the Airport Fund is balanced, with operating revenues covering operating expenses over the forecast period. The fluctuations in total revenues and expenditures are caused by the timing of capital projects..

Potential Risks

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

AIRPORT REVENUE AND OPERATING FUND

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



Balancing Strategies

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

Airport Fund Forecast
Fund 4001

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Airfield/Flight Lines	1.7%	1.7%	5.0%	1.7%	1.7%	1.7%
Rents/Leases/Concessions	2.7%	3.6%	3.6%	3.7%	3.7%	3.7%
Customer Facility Charges (CFC)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Passenger Facility Charge (PFC)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Capital Outlay	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Grants & Aids	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Airport Fund Forecast
Fund 4001

(in \$ thousands)	Forecast								
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	53,808.8	63,802.5	67,160.5	70,940.3	74,430.7	79,379.1	82,845.7	71,563.2	67,904.1
Revenues									
Airfield/Flight Lines	4,668.2	4,373.6	4,603.8	4,682.0	4,761.6	4,999.7	5,084.7	5,171.1	5,259.1
Rents/Leases/Concessions	14,776.0	12,769.6	13,441.7	13,804.6	14,301.6	14,816.5	15,364.7	15,933.2	16,522.7
Grants-Operating	2,753.5	121.6	128.0	137.8	143.0	148.4	153.9	159.7	165.7
COVID Grant Funding	4,563.6	7,559.3	7,559.3	-	-	-	-	-	-
Customer Facility Charge (CFC)	2,558.4	1,967.4	2,071.0	2,071.0	2,071.0	2,071.0	2,071.0	2,071.0	2,071.0
Passenger Facility Charge (PFC)	5,637.3	4,361.5	4,591.1	4,591.1	4,591.1	4,591.1	4,591.1	4,591.1	4,591.1
Grants-Capital	2,412.9	12,298.0	12,298.0	7,389.0	8,915.0	6,915.0	17,615.0	15,615.0	-
Interest	(951.6)	332.5	350.0	1,596.2	1,451.4	1,547.9	1,367.0	1,180.8	1,120.4
Other revenues	86.5	3.6	3.8	4.1	4.2	4.4	4.6	4.7	4.9
Total Revenues	36,504.9	43,787.2	45,046.6	34,275.8	36,238.9	35,093.9	46,251.9	44,726.6	29,734.8
% vs prior year		19.9%	23.4%	-23.9%	5.7%	-3.2%	31.8%	-3.3%	-33.5%
Total Resources	90,313.7	107,589.7	112,207.2	105,216.0	110,669.6	114,473.0	129,097.6	116,289.8	97,638.9
Expenditures									
Personal Services	5,903.2	6,579.9	6,514.1	6,761.6	6,969.1	7,183.2	7,404.0	7,631.6	7,866.5
Operating Expenses	8,808.7	9,356.3	9,262.7	9,975.9	10,350.0	10,738.2	11,140.8	11,558.6	11,992.1
Capital Outlay - Machinery & Equipment	241.1	712.7	705.5	759.8	788.3	817.9	848.6	880.4	913.4
Capital Improvement Program	4,995.3	22,968.0	24,784.7	13,288.0	13,183.0	12,888.0	38,141.0	28,315.0	-
Total Expenditures	19,948.3	39,616.8	41,266.9	30,785.4	31,290.5	31,627.3	57,534.4	48,385.7	20,771.9
% vs prior year		98.6%	106.9%	-25.4%	1.6%	1.1%	81.9%	-15.9%	-57.1%
Ending Fund Balance	70,365.4	67,972.9	70,940.3	74,430.7	79,379.1	82,845.7	71,563.2	67,904.1	76,867.0
Ending Fund Balance as % of Revenue	192.8%	155.2%	157.5%	217.2%	219.0%	236.1%	154.7%	151.8%	258.5%
Total Requirements	90,313.7	107,589.7	112,207.2	105,216.0	110,669.6	114,473.0	129,097.6	116,289.8	97,638.9
Revenue minus Expenditures	16,556.6	4,170.4	3,779.7	3,490.4	4,948.4	3,466.6	(11,282.5)	(3,659.1)	8,962.9

SEWER FUNDS

Description

The Pinellas County Sewer System is responsible for quality, cost-effective sewer service to the citizens and business owners within the County sewer service areas. The Sewer System must adhere to state and federal laws, rules, and regulations while operating and maintaining this system. The System provides an environmentally safe and sanitary means for the collection of wastewater from residential, commercial, and industrial users. The Sewer System provides for the treatment and reclamation of water and biosolids through advanced processes that provide removal of pollutants that are harmful to the environment. The system also allows for the recycling of valuable resources that are beneficially re-used in order to protect public health and property while practicing superior environmental stewardship.

The Sewer Funds are enterprise funds and are committed solely to support Sewer System functions. The Pinellas County Sewer System utilizes three funds: Revenue and Operating, Renewal and Replacement (capital), and Interest and Sinking (debt service). This forecast covers all three funds.

Summary

The forecast for the Sewer System Funds shows that the multi-year 9.5% rate increases approved in May of 2019 for FY20 through FY23 will not provide sufficient revenues to maintain reserves and fund capital replacement needs beyond FY25. With an assumption of unchanged sewer rates, projected expenditures exceed revenues in each fiscal year. Fund balance would be used to complete major capital projects and be depleted during FY27.

Revenues

The Sewer Funds are projected to generate revenues totaling \$129.9M in FY23. The Sewer Funds have three primary funding sources: retail sewer charges of \$74.8M, wholesale sewer charges of \$15.1M, and retail and wholesale reclaimed water charges of \$7.7M.

Retail Sewer Charges

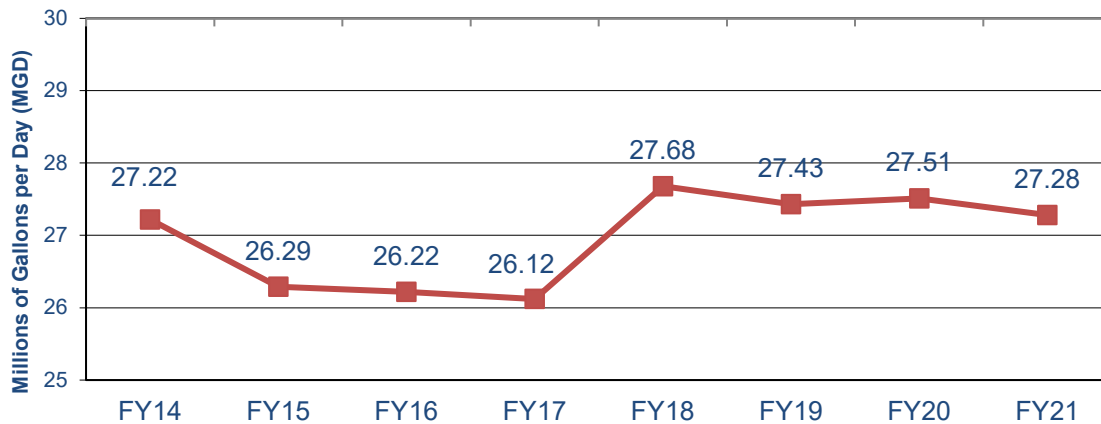
In FY19, an annual rate increase of 9.5% was adopted for FY20 through FY23, with a base rate of \$19.64 per month and \$7.17 per 1,000 gallons for retail sewer service in FY23. Prior to this approved rate increase, there were rate increases ranging from 1.0% to 6.0% in fiscal years 2010 through 2019. The customer base for retail sewer service is both commercial and residential properties in the Pinellas County Sewer service area.

Wholesale Sewer Sales

The Sewer System charges \$6.1890 per 1,000 gallons for wholesale sewer service in FY23, with an adopted rate increase of 9.5% per year for FY20 through FY23. Wholesale customers are three municipalities within Pinellas County (North Redington Beach, Pinellas Park, and Redington Shores) that purchase sewer service from the Sewer System in bulk after collecting it from their retail sewer customers. The following graph shows the recent history of the volume of wastewater billed by the Sewer System. The amount of wastewater processed is affected by economic conditions, housing and commercial vacancies, and levels of water usage.

SEWER FUNDS

Pinellas County Total Sewer MGD Billed



Retail Reclaimed Water Charges

The Reclaimed Water System charges fixed rates depending upon the nature of the delivery system serving each customer. Unfunded, un-metered customers (systems without existing distribution lines) pay \$22.00 per month and a \$7.00 per month availability charge. Funded, un-metered customers (systems with pre-existing distribution lines) pay a per month rate of \$22.00 for FY23. Rates for unfunded systems are higher as the Sewer System must recover the cost of constructing the reclaimed water distribution lines. Only those accounts that have metered service (2.1% of total accounts) pay the volumetric rate of \$1.47 per 1,000 gallons in FY23, with the remaining 97.9% of customers paying 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 totaling \$164.3M in FY23. The expenditures in the funds are \$22.0M for personal services costs, \$44.3M for operating expenses, \$14.1M for debt service, and \$83.9M for capital projects and equipment.

Personal Services

The Sewer System is budgeted for 227.8 full-time equivalent employees in FY23. The Personal Services expenditures of \$22.0M are for the salaries and benefits of those positions needed to operate the Sewer System.

SEWER FUNDS

Operating Expenses

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

Debt Service

The Sewer System has \$92.5M of principal outstanding as of September 30, 2022. The bonds were issued to fund various sewer system capital projects and require annual principal and interest payments until FY32. From FY23 through FY28, the debt service requirement is between \$14.0M and \$14.2M. From FY29 through FY32, debt service payments fall to between \$4.5M and \$5.3M. During FY21, Sewer debt was restructured, which resulted in net present value savings of a minimum of \$4.9M. During FY22, the Series 2021A bonds were converted to tax-exempt status for additional savings through FY32.

Capital Improvements and Equipment

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

Reserves

The budgeted FY23 reserve level in the Sewer System is 16.2% of fund revenues, which is lower than the targeted reserve level of 23.8%. This is due to the carryforward of some FY22 budget to FY23 for capital equipment, vehicles, trucks, and heavy equipment delayed by supply chain issues during FY22. Remaining fund balance from FY22, not FY23 revenue, supports the items carried forward.

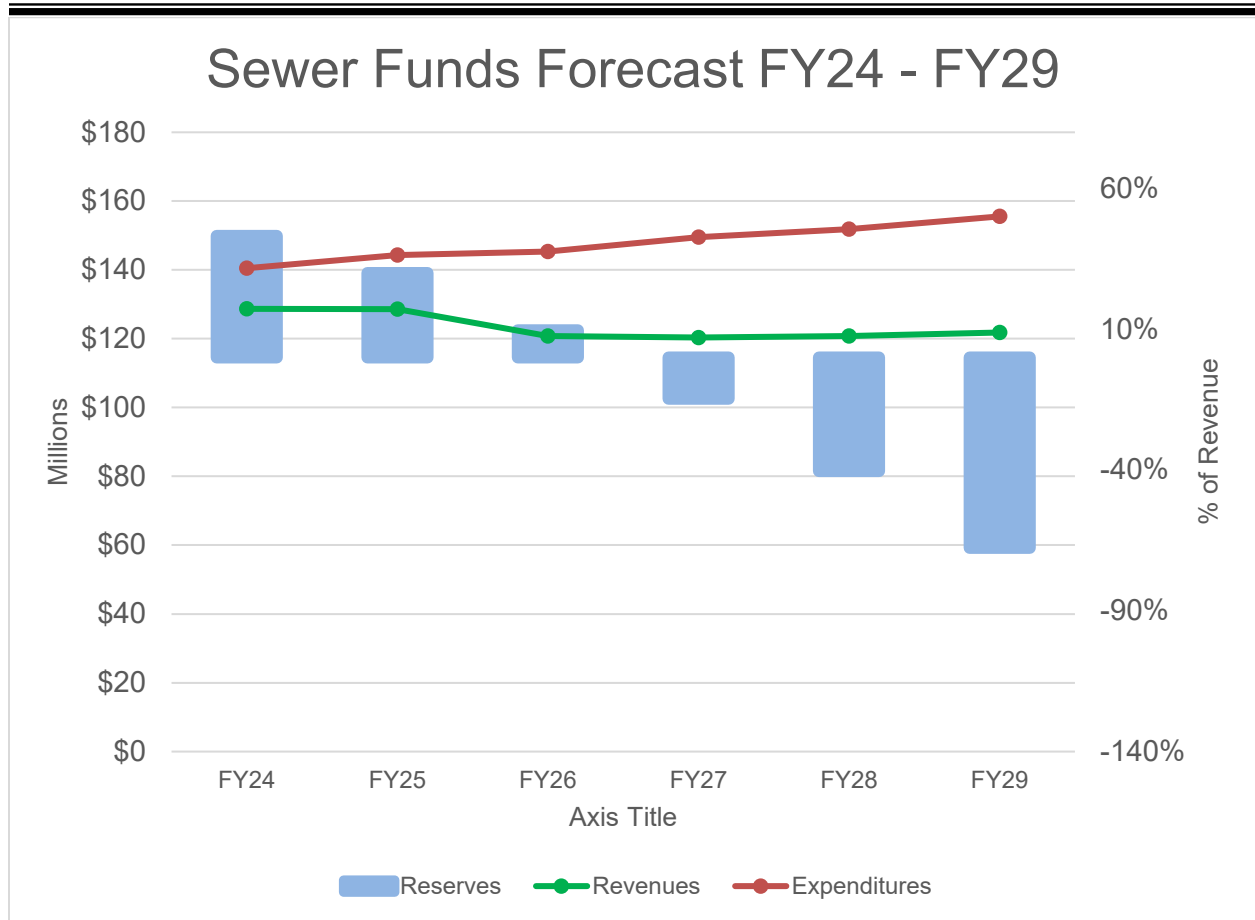
Six-Year Forecast

Key Assumptions

Throughout the forecast period, the increases in Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The Capital Improvements and Equipment forecast reflects the construction and purchase needs as estimated by staff.

The forecast includes rate increases approved only through FY23. At the time of this initial forecast, projected years from FY24 through FY29 reflect no rate increase for retail and wholesale sewer or retail and wholesale reclaimed water. There is an assumed 0.2% annual anticipated increase for customer growth. Anticipated grant revenue is included for several capital improvement projects. Growth in other revenues reflects an annual percentage increase aligned with the Consumer Price Index (CPI) assumptions for user fees.

SEWER FUNDS



Key Results

The forecast for the Sewer System Funds shows that the multi-year rate increases approved in May of 2019 for FY20 through FY23 will not provide sufficient revenues beyond FY23 to meet operating expenses, make scheduled debt payments, maintain reserves, and fully support identified capital replacement and improvement needs.

Potential Risks

There are several factors that can alter the six-year forecast of the Sewer System. Any future economic decline could reduce water demand, which reduces sewer revenue that is based on volume. Findings from the Wastewater/Stormwater Partnership formed in October of 2016 have increased future capital project costs related to collection system improvements and facility upgrades. Operating costs could increase more than projected. The Sewer System could experience a need for more maintenance than anticipated.

Balancing Strategies

The forecast anticipates using reserves to fund major capital projects through FY23. Rate increases and borrowed funds may be needed to finance the capital improvement plan for FY24 through FY29.

Sewer Funds Forecast
Fund 4051, 4052, & 4053

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Sewer Charges - Retail	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Sewer Charges - Wholesale	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Reclaimed - Retail	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Reclaimed - Wholesale	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Power	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Chemicals	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Sewer Funds Forecast
Fund 4051, 4052, & 4053

(in \$ thousands)	Forecast								
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	58,924.1	67,223.0	68,527.1	63,556.0	51,749.6	36,020.0	11,524.6	(17,601.9)	(48,711.5)
Revenues									
Sewer Charges - Retail	68,305.9	68,343.0	74,795.0	74,952.1	75,109.5	75,267.2	75,425.3	75,583.7	75,742.4
Sewer Charges - Wholesale	13,804.5	11,856.0	15,115.9	15,147.7	15,179.5	15,211.3	15,243.3	15,275.3	15,307.4
Reclaimed - Retail	6,483.3	6,343.0	6,836.7	6,851.0	6,865.4	6,879.8	6,894.3	6,908.8	6,923.3
Reclaimed - Wholesale	899.8	754.9	948.9	950.8	952.8	954.8	956.8	958.9	960.9
Interest	(870.4)	258.2	3,083.7	2,860.0	2,018.2	-	-	-	-
Other Revenues	17,468.8	17,431.3	18,348.7	19,036.8	19,750.6	20,491.3	21,259.7	22,057.0	22,884.1
Grant Funds	0.0	10,811.7	10,811.7	8,889.9	8,688.0	2,023.3	580.0	0.0	0.0
Total Revenues	106,092.0	115,798.0	129,940.5	128,687.3	128,564.1	120,827.8	120,359.4	120,783.5	121,818.0
% vs prior year			22.5%	11.1%	-1.1%	-6.0%	-0.4%	0.4%	0.9%
Total Resources	165,016.1	183,021.0	198,467.6	192,243.3	180,313.7	156,847.7	131,884.0	103,181.6	73,106.5
Expenditures									
Personal Services	18,009.8	21,954.4	21,515.3	22,324.7	23,009.9	23,716.3	24,444.7	25,196.0	25,970.8
Operating Expenses	20,702.9	28,024.0	28,024.0	30,181.9	31,313.7	32,488.0	33,706.3	34,970.2	36,281.6
Power	4,071.8	4,158.4	5,983.5	6,444.2	6,685.9	6,936.6	7,196.7	7,466.6	7,746.6
Chemicals	3,557.7	4,680.9	4,680.9	5,041.3	5,230.3	5,426.5	5,630.0	5,841.1	6,060.1
Grants & Aid (Rebate Program)	0.0	800.0	400.0	800.0	800.0	800.0	800.0	800.0	800.0
Cost Allocation	5,934.1	6,633.8	6,633.8	6,883.3	7,094.6	7,312.5	7,537.3	7,769.1	8,008.1
Debt Service (Post 2022)	14,157.4	14,131.8	14,031.7	14,044.7	14,184.2	14,195.9	14,203.5	14,204.7	4,494.6
Capital Equipment	2,515.6	6,883.4	6,883.4	3,661.8	3,799.1	3,941.6	4,089.4	4,242.7	4,401.8
Capital Improvements	27,539.8	76,985.0	46,759.0	51,111.9	52,175.9	50,505.9	51,878.1	51,402.7	61,792.2
Total Expenditures	96,489.0	164,251.7	134,911.6	140,493.7	144,293.7	145,323.2	149,485.9	151,893.1	155,555.9
% vs prior year			39.8%	4.1%	2.7%	0.7%	2.9%	1.6%	2.4%
Ending Fund Balance	68,527.1	18,769.3	63,556.0	51,749.6	36,020.0	11,524.6	(17,601.9)	(48,711.5)	(82,449.4)
Ending Fund Balance as % of Revenue	64.6%	16.2%	48.9%	43.2%	30.0%	9.7%	-14.7%	-40.3%	-67.7%
Total Requirements	165,016.1	183,021.0	198,467.6	192,243.3	180,313.7	156,847.7	131,884.0	103,181.6	73,106.5
Revenue minus Expenditures	9,603.0	(48,453.7)	(4,971.0)	(11,806.5)	(15,729.6)	(24,495.4)	(29,126.5)	(31,109.6)	(33,737.9)

Transfers between funds are excluded from revenues and expenditures.

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

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

SOLID WASTE FUNDS

Description

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

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

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

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

The landfill is used for disposal of non-burnable materials such as bricks and dirt, oversized materials that will not fit in the feed chutes at the WTE facility, materials received in excess of the WTE facility processing capacity, materials received when the WTE facility is unavailable due to maintenance, and WTE facility processed ash. Although the total tons of waste delivered to the Department have increased relatively steadily since 2012, the efforts to reduce, reuse, recycle, and recover have resulted in maintaining the projected landfill life through 2106.

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

Summary

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

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

SOLID WASTE FUNDS

Revenues

The Solid Waste Funds are projected to generate revenues in FY23 totaling \$135.9M. The Solid Waste Funds consist almost exclusively of two primary funding sources: (1) tipping fees of \$50.0M and (2) electrical capacity and electricity sales of \$72.7M.

Tipping Fees

The current tipping fee is \$47.75 per ton for all waste brought to the DSW campus. A multi-year rate study was conducted by a consultant in FY22. As a result of that rate study, the County adopted a three-year 6.8% rate increase to the tipping fee, effective FY23 through FY25. Each year, the Technical Management Committee (TMC) will evaluate program options and tipping fees in order to make annual recommendations to the (Board of County Commissioners) BCC regarding tipping fee rate changes.

Electrical Capacity and Electricity Sales

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

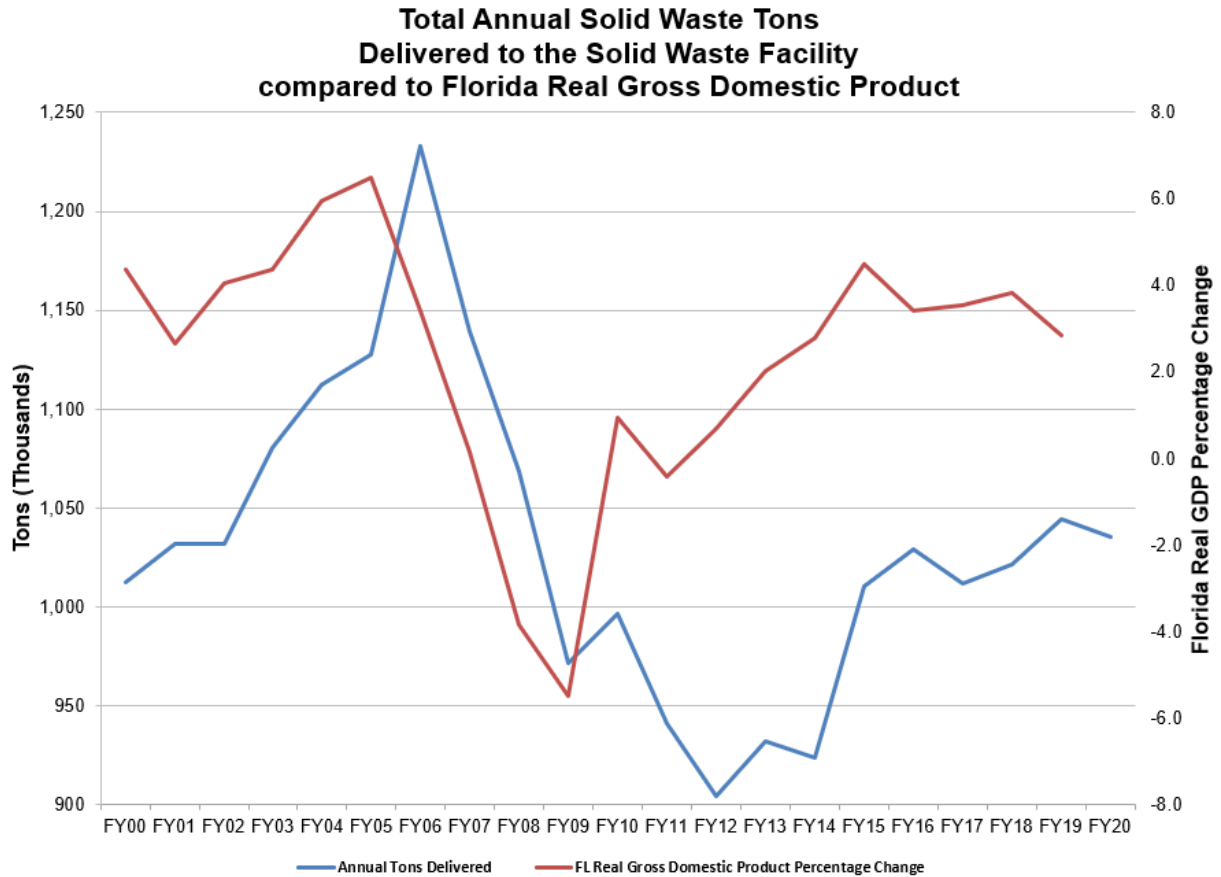
Electrical capacity revenue escalates at a fixed rate each year (6.4%) and is paid provided WTE facility operating capacity terms are fulfilled. Electricity sales revenue directly correlates with the amount of waste received and processed by the WTE facility. An increase in electricity sales revenue is anticipated in FY23 and in FY24 due to increased waste processing efficiency. After December 2024, when the PPA expires, electricity sales revenue is expected to decrease in FY25 and again in FY26 and remain flat thereafter.

Recycling Revenue

DSW receives revenue for contract sales of recyclable materials that are brought to the campus, as well as metals recovered from the WTE facility process. Due to the metals market, Recycling Revenue is anticipated to increase slightly in FY23 and remain constant throughout the remainder of the forecast period. During the forecast period, DSW also plans to implement an enhanced process to recover more metals from the WTE facility ash. Anticipated incremental metals recovery revenue is conservatively budgeted through FY26 and at \$3.0M each year thereafter when the process and market are stabilized.

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

SOLID WASTE FUNDS



Source: Pinellas County Solid Waste

Expenditures

The Solid Waste Funds support budgeted expenditures for FY23 totaling \$84.7M. The expenditures in the funds are \$29.1M for the WTE service contract, \$17.9M for capital outlay and equipment, \$12.8M for the landfill service contract, \$11.8M for all other operating expenses, and \$6.5M for Personal Services.

Capital Outlay and Equipment

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

The DSW 30-year Master Plan, approved by the BCC in February 2020 includes recommendations involving future capital improvement projects and/or operating expenses.

SOLID WASTE FUNDS

Waste-to-Energy Service Contract

DSW has a service contract with Covanta Projects, LLC (Covanta) to operate and maintain the WTE facility. The contract commenced in December 2014 and has a 10-year term. In FY23, general operating costs are reduced consistent with the contract and waste delivery trends.

Landfill Service Contract

DSW has a contract with Advanced Disposal Systems, Inc. to operate the landfill. This contract commenced in August 2018 and has a 10-year term. In October 2020, Waste Management completed the purchase of Advanced Disposal systems, Inc. with no adverse impacts to the continuation of contracted landfill operations.

Operating Expenses

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

Personal Services

DSW is budgeted for 74.0 full-time equivalent employees in FY23. The Personal Services expenses of \$6.5M are for the salaries and benefits of those positions needed to operate the Integrated Solid Waste Management System.

Reserves

The budgeted FY23 reserve level in the Solid Waste System is 265.9% of fund revenues, which is above the 41.0% target reserve level. DSW maintains the following reserves: \$3.0M required reserves per the contract with Covanta, three months of operating expenses, continued funding of the vehicle replacement program, future capital needs, and future needs consistent with the Solid Waste 25-year capital plan. This higher reserve level is required to meet upcoming capital improvement requirements that are forecasted and to begin setting aside funds for the future post-closure care of the landfill. Florida Department of Environmental Protection estimates post-closure care costs to be approximately \$40.6M in FY36.

Six-Year Forecast

Key Assumptions

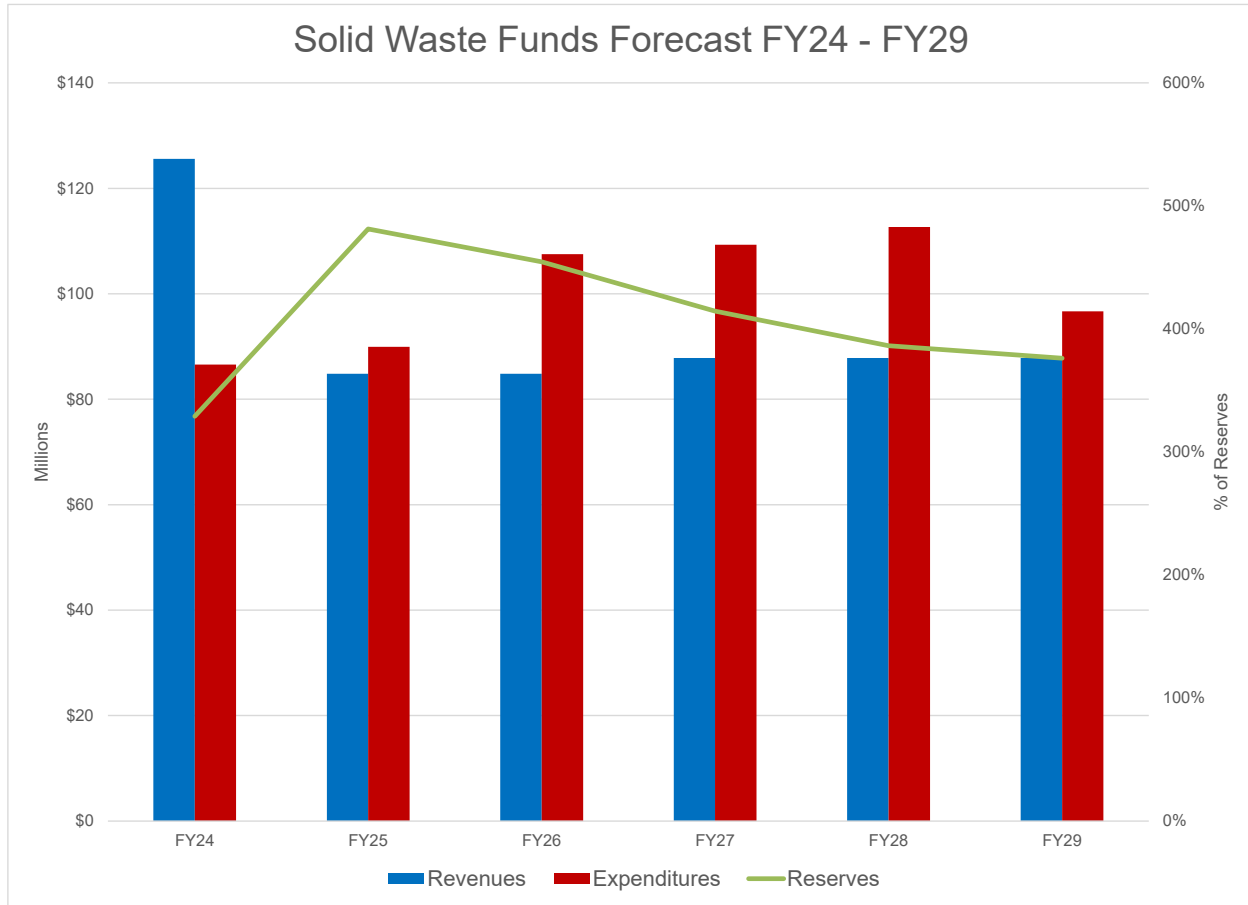
As previously mentioned, a three-year 6.8% rate increase to tipping fees as a result of a multi-year rate study has been adopted by the County. The per ton tipping fees will increase 6.8% each year from FY23 through FY25. Beyond FY25, the forecast for tipping fee revenues is anticipated to remain flat.

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

SOLID WASTE FUNDS

The forecast also assumes a 0.5% increase in electricity sales in FY23. With the forecasted termination of the PPA in December 2024, electricity sales revenue is anticipated to remain flat in FY25 and thereafter. Additionally, the forecast assumes no change in recycling revenue.

For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The capital outlay forecast reflects the construction and purchase needs based on asset condition assessments, permit or regulatory requirements, and availability of funds.



Key Results

The forecast for the Solid Waste Funds shows that revenues are sufficient to provide for expenditures through FY24. The forecast predicts that revenues will not be sufficient to provide for expenditures beginning FY25. Therefore, the use of reserves will be required to meet remaining expenditure needs during FY25 through the term of this analysis.

As part of the FY19 and the FY22 rate studies, the consultants addressed the need to set aside funds for the future post-closure care of the landfill. These funds are necessary to provide for maintenance and environmental care of the landfill at a future date when the landfill is envisioned to close. Future rate study updates may result in tipping fee modifications beyond FY25. Staff will

SOLID WASTE FUNDS

continue the examination of cost estimates, future needs, and reserve funding options as part of the FY24 budget process.

Potential Risks

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

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

Balancing Strategies

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

Solid Waste Funds Forecast
Fund 4021 & 4023

Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Tipping Fees	6.8%	6.8%	0.0%	0.0%	0.0%	0.0%
Electricity Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Electrical Capacity	-25.0%	-75.0%	0.0%	0.0%	0.0%	0.0%
Recycling Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0.3%	0.8%	1.3%	1.8%	2.3%	1.7%
Other revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
WTE Service Fee	2.8%	2.8%	2.8%	2.8%	2.8%	2.3%
Landfill Service Fee	2.8%	2.8%	2.8%	2.8%	2.8%	2.3%
Grants & Aids	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Solid Waste Funds Forecast
Fund 4021 & 4023

(in \$ thousands)

(in \$ thousands)	FORECAST								
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	271,080.3	271,080.3	318,300.4	374,370.1	412,465.7	406,206.8	382,124.7	359,044.0	332,352.8
Revenues									
Tipping Fees	48,876.1	45,078.9	51,910.6	55,440.5	59,210.5	59,210.5	59,210.5	59,210.5	59,210.5
Electricity Sales	12,500.7	8,896.6	13,625.8	13,625.8	13,625.8	13,625.8	13,625.8	13,625.8	13,625.8
Electrical Capacity	68,372.3	68,372.4	72,728.3	54,546.2	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Recycling Revenue	1,616.5	550.6	843.6	843.6	843.6	843.6	843.6	843.6	843.6
Enhanced Metals/Ash Cleaning	113.8	0.0	43.4	0.0	0.0	0.0	3,000.0	3,000.0	3,000.0
Interest	2,117.3	490.1	1,354.0	1,123.1	1,123.1	1,123.1	1,123.1	1,123.1	1,123.1
Other Revenues	(7,185.5)	26.6	31.9	31.9	31.9	31.9	31.9	31.9	31.9
Reimbursement - Irma	557.3	0.0	250.3	0.0	0.0	0.0	0.0	0.0	0.0
Grants (e.g. Artificial Reef, JPA with FDOT, etc.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	126,968.6	123,415.2	140,787.9	125,611.2	84,834.9	84,834.9	87,834.9	87,834.9	87,834.9
% vs prior year		-2.8%	10.9%	-10.8%	-32.5%	0.0%	3.5%	0.0%	0.0%
Total Resources	398,048.9	394,495.5	459,088.3	499,981.3	497,300.6	491,041.7	469,959.6	446,878.9	420,187.7
Expenditures									
Personal Services	6,490.4	7,006.2	6,481.8	6,725.6	6,932.1	7,145.0	7,364.6	7,591.1	7,824.6
Operating Expenses	9,312.3	15,691.6	11,783.4	12,690.7	13,166.6	13,660.3	14,172.6	14,704.1	15,255.5
WTE Contract Services	29,657.0	30,507.6	29,096.4	29,911.1	30,748.6	31,609.6	32,494.7	33,404.5	34,172.8
Landfill Contract Services	11,827.2	12,749.2	12,817.7	13,176.6	13,545.5	13,924.8	14,314.7	14,715.5	15,054.0
Grants & Aids	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Cost Allocations	5,568.7	6,204.9	6,138.7	6,611.3	6,859.3	7,116.5	7,383.4	7,660.2	7,947.5
Capital Equipment	158.7	295.5	233.2	233.2	435.7	435.7	435.7	435.7	435.7
Capital Outlay	16,234.3	22,039.0	17,667.0	17,667.0	18,906.0	34,525.0	34,250.0	35,515.0	17,700.0
Total Expenditures	79,748.5	94,994.1	84,718.2	87,515.6	91,093.8	108,916.9	110,915.6	114,526.1	98,890.1
% vs prior year		19.1%	6.2%	3.3%	4.1%	19.6%	1.8%	3.3%	-13.7%
Ending Fund Balance	318,300.4	299,501.4	374,370.1	412,465.7	406,206.8	382,124.7	359,044.0	332,352.8	321,297.6
Ending balance as % of Revenue	250.7%	242.7%	265.9%	328.4%	478.8%	450.4%	408.8%	378.4%	365.8%
Total Requirements	398,048.9	394,495.5	459,088.3	499,981.3	497,300.6	491,041.7	469,959.6	446,878.9	420,187.7
Revenue minus Expenditures	47,220.1	28,421.1	56,069.7	38,095.6	(6,258.9)	(24,082.0)	(23,080.7)	(26,691.2)	(11,055.2)

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

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

WATER FUNDS

Description

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

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

Summary

Pinellas County Water System Funds are not balanced through the forecast period. The forecast shows that the multi-year 1.0% rate increases approved in May of 2019 for FY20 through FY23 will not provide sufficient revenues to maintain reserves and fund capital replacement needs beyond FY26. With an assumption of unchanged water rates, projected expenditures exceed revenues in each fiscal year. Fund balance would be used to complete major capital projects and be depleted during FY28.

Revenues

The Water Funds are projected to generate revenues totaling \$99.9M in FY23. The Water Funds have two primary funding sources: retail water sales of \$75.6M and wholesale water sales of \$17.5M.

Retail Water Sales

In FY23, the Water System charges a per month base rate between \$6.80 and \$544.00, depending on the size of the meter; and \$5.13 per 1,000 gallons for retail water service. The only increase from FY19 was the addition of base rate charges for meters of one inch or larger, affecting approximately 8.0% of the customer base. The volume of water sold increased 4.3% from FY14 to FY21.

Wholesale Water Sales

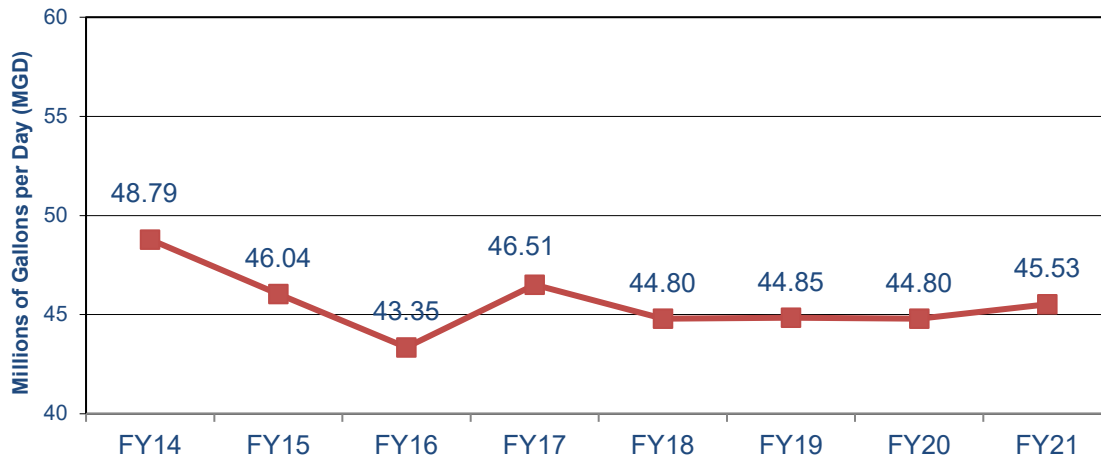
In FY23, the Water System rate increased from \$4.2581 to \$4.3007 per 1,000 gallons for wholesale water service. Wholesale Water Sales provide water to the municipalities of Clearwater, Tarpon Springs, Safety Harbor, Oldsmar, Belleair, and Pinellas Park. The volume of water sold declined 30.5% from FY14 to FY21, which can be attributed to the development of independent water sources by wholesale customers (Clearwater, Tarpon Springs, and Oldsmar).

The following graph shows the recent history of the volume of total water sales by the Water System. Total water sales decreased 6.7% from 48.8 million gallons per day (MGD) in FY14 to 45.5 MGD in FY21. The amount of water sold can be affected by economic conditions, housing and commercial vacancies, rainfall, and levels of water conservation, as seen in this graph. Although the volume of water sales has decreased, the amount of water sales revenue over the

WATER FUNDS

same time-period may reflect an increase in certain years, based on any annual rate increases approved by the Board of County Commissioners.

Pinellas County Total Water Sales MGD



Expenditures

The Water Funds support budgeted expenditures totaling \$136.2M in FY23. The expenditures in the funds are \$44.2M for the purchase of water, \$18.4M for personal services, \$22.0M for operating expenses (excluding the purchase of water), and \$51.6M for capital projects and equipment.

Purchase of Water

Under Section 373.1963 of the Florida Statutes, the Water System is required to purchase water from Tampa Bay Water, the regional water supply authority. In 1997, an Inter-local Agreement and the Master Water Supply Contract was signed under which Tampa Bay Water provides water to their members: Pinellas County, Hillsborough County, Pasco County, City of St. Petersburg, City of Tampa, and City of New Port Richey. Tampa Bay Water sets their rates according to its adopted budget and collects those rates from all members, according to the Master Water Supply Contract. The cost of purchased water was \$42.6M in FY22 and is projected at \$44.2M in FY23. A 2.0% annual increase is assumed from FY24 through FY28, which amounts to almost \$1.0M per year. In FY28, Tampa Bay Water's debt to Pinellas County will be paid in full, and the annual credit of \$4.4M applied to the cost of purchased water will end. This forecast reflects the \$4.4M increase for a total cost estimate of \$54.2M in FY29.

Personal Services

The Water System is budgeted for 204.6 full-time equivalent employees in FY23. The Personal Services expenditures of \$18.4M are for the salaries and benefits of those positions needed to operate the Water System.

WATER FUNDS

Operating Expenditures

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. In December 2022, Duke Energy notified customers that it would increase rates for electricity in January 2023 and April 2023. The impact on the Water System is projected to be additional costs totaling \$390,900 over FY22 actual expense, which is a 43.0% increase. Chemical costs also increased substantially in FY22, and are expected to increase an additional \$206,600, or 22.0% in FY23.

Capital Improvements and Equipment

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

Reserves

The total budgeted FY23 reserve level in the Water System is 95.8% of fund revenues, which is above the target operating reserve level of 27.3%. As a self-supporting enterprise, the Water System maintains budgeted reserves for cash flows and emergencies and to fund future capital needs. With operating reserves budgeted at \$26.2M in FY23, \$65.8M remains available for capital projects.

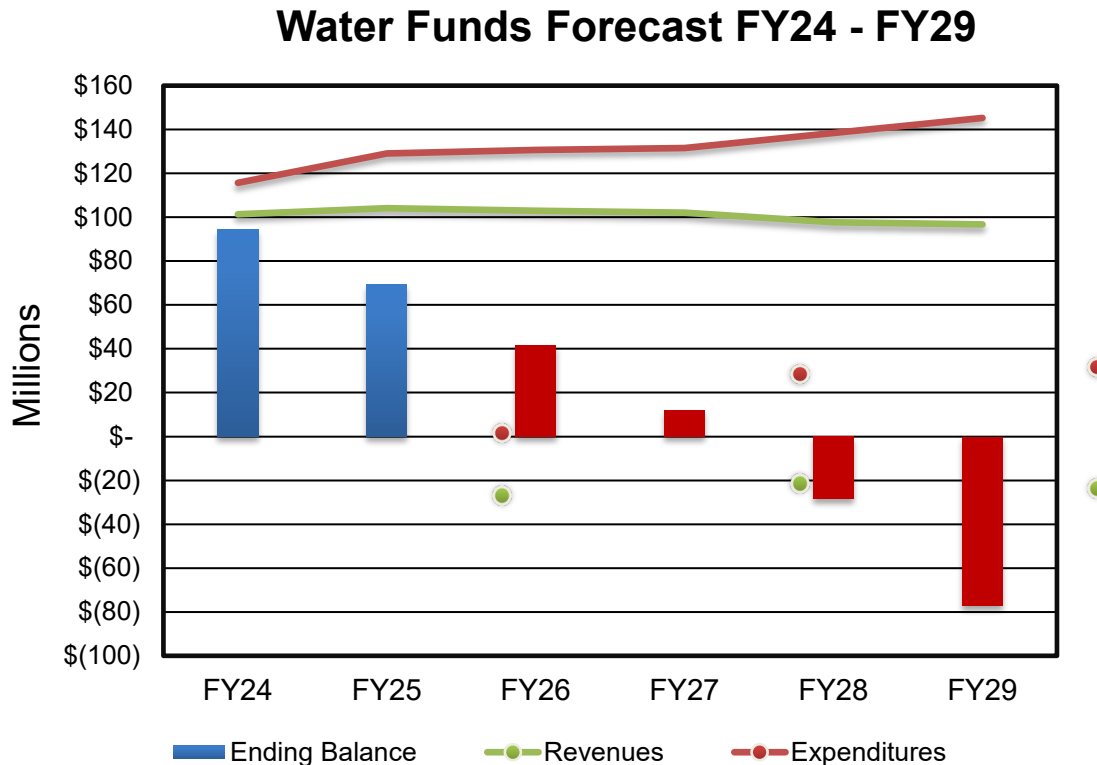
Six-Year Forecast

Key Assumptions

The forecast assumes revenues will increase 0.2% annually through the forecast period, reflecting only anticipated consumption growth. For expenditures, Personal Services and Operating Expenses reflect the forecast trends described in the Key Assumptions section of this document. The purchase of water from Tampa Bay Water is projected to increase by 2.0% each year of the forecast period, based on the rate study completed in May of 2019. The Capital Improvements and Equipment forecast reflects the construction and purchase needs as estimated by staff.

The forecast included rate increases of 1.0% per year through FY23 for both retail and wholesale water, as adopted by the Board in FY19. Stantec Consulting, Inc, recently conducted Pinellas County Utilities' rate study for FY24 through FY28. Study recommendations will be presented in March 2023, based on system costs, a blend of growth and consumption assumptions, inflationary cost increases, and capital needs at the projected water demand levels.

WATER FUNDS



Key Results

The forecast for the Water System Funds shows that the current approved rates will not provide sufficient revenues to maintain reserves and fund capital replacement needs. The Water Funds are not balanced.

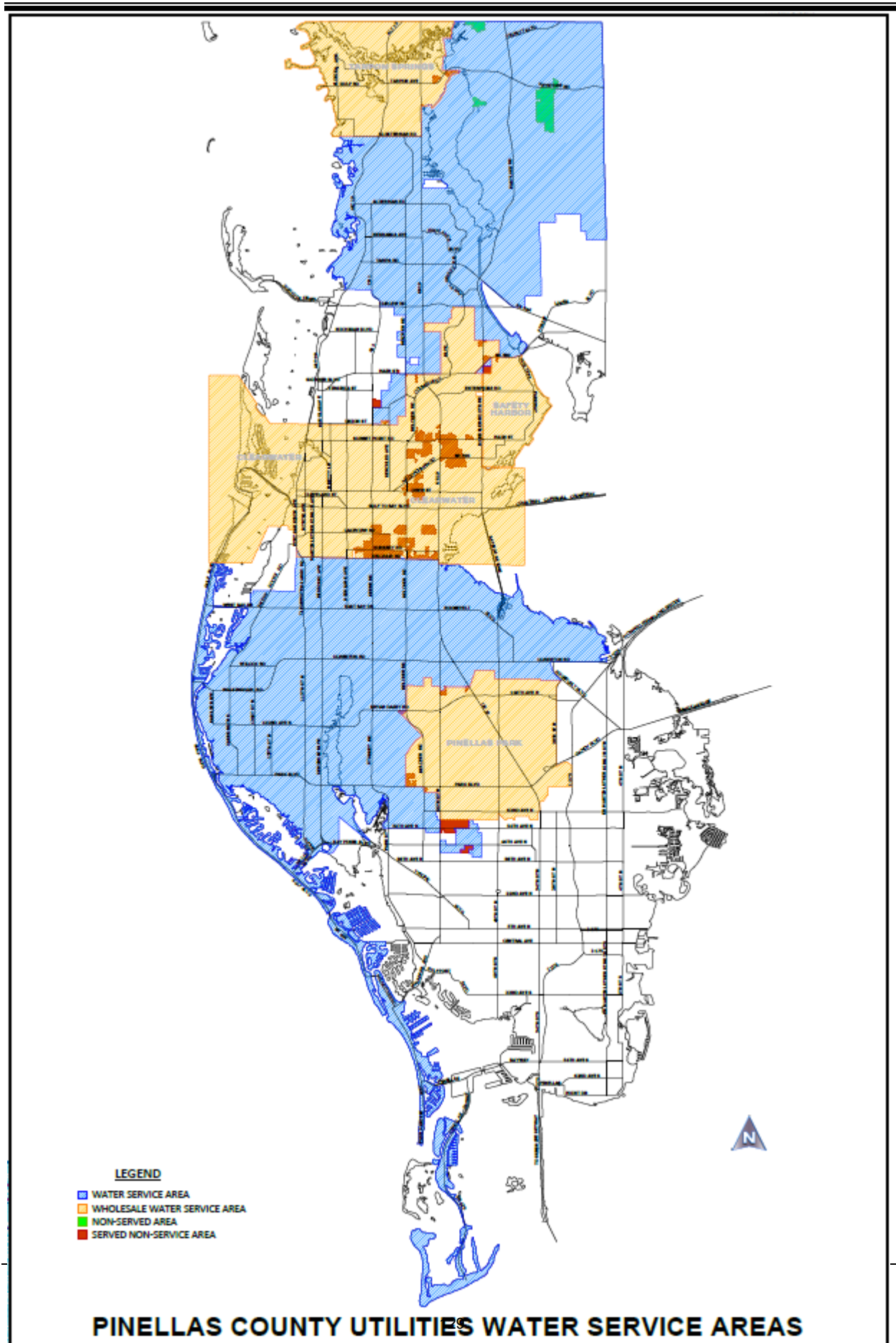
Potential Risks

There are several factors that can alter the six-year forecast of the Water System. Any future economic decline could reduce water demand, which would impact revenues more than expenses. Operating costs (including the purchase of water from Tampa Bay Water) could increase more than projected. Any disruptions to the governance of Tampa Bay Water could impact our purchased water cost. The Water System could experience a need for more maintenance than anticipated, causing increased operating and capital costs. Regulatory pressures could cause an increase of expenditures to maintain the system.

Balancing Strategies

The 6-Year Forecast for the Water System funds is not balanced over the forecast period. Recurring revenues and reserve balances will not be sufficient to cover projected expenditures and maintain sufficient reserves each year during the forecast period. Balancing the resources and requirements requires a potential combination of rate increases, borrowed funds, and/or reductions in planned projects in the 6-Year Capital Improvement Plan.

WATER FUNDS



Forecast Assumptions

	FY24	FY25	FY26	FY27	FY28	FY29
<u>Revenues</u>						
Water Sales-Retail	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Water Sales-Wholesale	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Interest	4.5%	3.9%	3.3%	3.3%	3.3%	3.3%
Other revenues	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
<u>Expenditures</u>						
Personal Services	3.8%	3.1%	3.1%	3.1%	3.1%	3.1%
Operating Expenses	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Purchase of Water	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Power	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Chemicals	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%
Projected Economic Conditions / Indicators:						
Consumer Price Index, % change	7.7%	3.8%	3.8%	3.8%	3.8%	3.8%

Water Funds Forecast
Fund 4031, 4034, & 4036

(in \$ thousands)				Forecast					
	Actual FY22	Budget FY23	Estimated FY23	Estimated FY24	Estimated FY25	Estimated FY26	Estimated FY27	Estimated FY28	Estimated FY29
Beginning Fund Balance	120,497.1	132,233.9	109,247.2	108,692.2	94,288.3	69,284.4	41,645.4	12,222.3	(28,519.7)
Revenues									
Water Sales - Retail	74,836.1	74,100.0	75,584.5	75,720.5	75,856.8	75,993.4	76,130.2	76,267.2	76,404.5
Water Sales - Wholesale	17,321.9	15,450.7	17,495.1	17,526.6	17,558.2	17,589.8	17,621.4	13,750.1	13,774.9
Interest	(1,627.3)	465.6	465.6	486.6	4,243.0	2,702.1	1,374.3	403.3	(941.1)
Other Revenues	4,836.3	5,699.4	5,999.4	5,999.4	6,461.3	6,703.6	6,955.0	7,215.8	7,486.4
Operating Grants	33.0	35.0	35.0	35.0	0.0	0.0	0.0	0.0	0.0
CIP Grants	0.0	306.9	306.9	1,513.8	0.0	0.0	0.0	0.0	0.0
Total Revenues	95,400.0	96,057.6	99,886.5	101,281.9	104,119.3	102,988.9	102,080.9	97,636.5	96,724.6
% vs prior year			4.7%	5.4%	4.2%	-1.1%	-0.9%	-4.4%	-0.9%
Total Resources	215,897.1	228,291.5	209,133.7	209,974.0	198,407.6	172,273.3	143,726.3	109,858.7	68,204.9
Expenditures									
Personal Services	16,108.6	18,359.3	17,992.1	18,668.9	19,371.2	19,965.8	20,579.1	21,211.6	21,863.8
Operating Expenses	9,196.5	10,270.0	10,270.0	11,060.8	11,912.4	12,359.2	12,822.6	13,303.5	13,802.4
Purchase of Water	42,636.9	44,200.0	44,200.0	45,084.0	45,985.7	46,905.4	47,843.5	48,800.4	54,154.8
Power (rate increases Jan and April 2023)	909.0	980.6	1,299.9	1,399.9	1,452.4	1,506.9	1,563.4	1,622.1	1,682.9
Chemicals	940.7	900.2	1,147.3	1,705.7	1,837.0	1,905.9	1,977.4	2,051.5	2,128.4
Cost Allocation	8,249.8	9,891.9	9,891.9	10,263.9	10,579.0	10,904.0	11,239.1	11,584.7	11,941.1
Capital Equipment	379.3	1,797.3	1,797.3	1,797.3	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Capital Improvements	8,116.6	49,826.0	22,496.0	33,768.5	40,178.7	35,880.7	34,278.9	38,604.8	38,496.2
FDOT Prepayment FY22, credit FY23-FY25	20,112.4	-	(8,652.8)	(8,063.3)	(3,393.3)	-	-	-	-
Total Expenditures	106,649.9	136,225.2	100,441.6	115,685.7	129,123.2	130,627.8	131,504.0	138,378.4	145,269.7
% vs prior year			-5.8%	15.2%	11.6%	1.2%	0.7%	5.2%	5.0%
Ending Fund Balance	109,247.2	92,066.3	108,692.2	94,288.3	69,284.4	41,645.4	12,222.3	(28,519.7)	(77,064.7)
Ending Fund Balance as % of Revenue	114.5%	95.8%	108.8%	93.1%	66.5%	40.4%	12.0%	-29.2%	-79.7%
Total Requirements	215,897.1	228,291.5	209,133.7	209,974.0	198,407.6	172,273.3	143,726.3	109,858.7	68,204.9
Revenue minus Expenditures	(11,249.9)	(40,167.7)	(555.1)	(14,403.8)	(25,003.9)	(27,639.0)	(29,423.1)	(40,741.9)	(48,545.1)

Transfers between funds are excluded from revenues and expenditures.

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year - A twelve-month period of time to which the annual budget applies. At the end of this time, a governmental unit determines its financial position and the results of its operations. The Pinellas County fiscal year begins on October 1 and ends on September 30 of the subsequent calendar year.

GLOSSARY

Foreclosure - A legal process by which a mortgagee's right to redeem a mortgage is taken away, usually because of failing to make payments.

Fund - An accounting entity with a complete set of self balancing accounts established to account for finances of a specific function or activity. The resources and uses are segregated from other resources and uses for the purpose of carrying on specific activities or attaining specific objectives in accordance with special regulations, restrictions, or limitations.

Fund Accounting – Accounting method generally used by governmental agencies. Usually consists of eleven classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Funding Sources - The type or origination of funds to finance ongoing or one-time expenditures. Examples are ad valorem taxes, user fees, licenses, permits, and grants.

General Fund - This fund accounts for all financial transactions except those required to be accounted for in other funds. The fund's resources, ad valorem taxes, and other revenues provide services or benefits to all residents of Pinellas County.

Gross Domestic Product - Gross Domestic Product (GDP) is the generally accepted measure of the size of the national economy. GDP is the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production. GDP is also equal to the sum of personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment.

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

Independent Agencies - A variety of agencies, councils, and other organizational entities responsible for administering public policy functions independently of the Constitutional Officers and County Administrator. These entities are subject to Board of County Commissioner appropriation, but operate under the purview of a legislative/policy making body other than the Board of County Commissioners.

Infrastructure - Infrastructure is a permanent installation, such as a building, road, or water transmission system, that provides public services.

Intergovernmental Revenue - Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government.

Internal Service Fund - A proprietary fund established to finance and account for services and commodities furnished by one department to other departments on a cost reimbursement basis.

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

GLOSSARY

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

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

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

Operating Budget - The operating budget includes appropriations for recurring and certain one-time expenditures that will be consumed in a fixed period of time to provide for day-to-day operations (e.g., salaries and related benefits; operating supplies; contractual and maintenance services; professional services; and software).

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

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

Recession - A significant decline in activity across the economy, lasting longer than a few months, that is visible in industrial production, employment, real income, and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP).

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

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

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

Save Our Homes Amendment (SOH) – This Constitutional Amendment was approved by Florida voters in 1992, and it took effect on the 1995 tax rolls. SOH limits, or caps the annual increase in assessed value of property that has a homestead exemption. It was intended to protect homeowners from escalating property tax bills resulting from growth in market value, a situation

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that was perceived to be forcing some people, particularly residents on fixed incomes, to sell their homes.

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

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

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

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

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

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

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

GLOSSARY

