

ESTIMATION OF THE COUNTY'S ENDING FUND BALANCE

In reviewing the adopted budget, the reader will notice that the County's practice is to appropriate all beginning fund balances and all revenues and other sources. As a result, it appears that it is the County's intent to end the fiscal year with no remaining funds. This is not the case.

The County's estimation of its fiscal position at fiscal year end on September 30th can be looked at in two ways - on a budgetary basis and on a projected year end basis.

First, on a budgetary basis, State law requires a balanced budget, so a significant portion of the adopted budget is placed in reserves. Since these reserves cannot be expended, but must first be appropriated by amendment of the adopted budget, the reserves can be viewed as an assumption of ending fund balance. In fact, sufficient reserves are included to ensure adequate funds are available at the beginning of the next fiscal year to meet payments. A listing of reserves is found in the operations section of this document and totals \$689.4 million in FY 10 and \$721.7 million in FY 11.

A second basis for looking at ending fund balance is to project how much of the funds appropriated in the adopted budget will actually be spent, based on past experience and current trends. The remaining (unspent) funds will create an ending fund balance. Similarly, by projecting excess revenues, an additional component of ending fund balance can be established. Excess revenues for local governments in Florida may result from a statutory requirement that governments only appropriate 95% of most revenues. While a 95% factor may be reasonable for ad valorem collections, where adjustments to the tax roll and discounts for early payment result in collections of about 95%, it tends to understate collections from other revenues.

The final factor in this method of estimating ending fund balance is to review the budgeted expenditures and reserves and project what portion of the expenditures will be spent and what level of the reserves will not be appropriated through budget amendments during the fiscal year. A multi-year projection of fund balances for three major operating funds is included in an annual five year Pro Forma budget document.

The following tables present a simplistic and conservative fund-by-fund examination of ending fund balance.

The first column reflects the budgeted beginning fund balance. The second column reflects 100% of budgeted revenues and other sources (no 95% factor is applied), with the exception of Ad Valorem Taxes. Due to discounts for early payment and Value Adjustment Board

revisions to assessed values, receipt of approximately 95% of budgeted ad valorem tax revenue is normal.

The third column reflects estimated expenditures and other uses, excluding reserves. All authorized positions are budgeted at 100% for the year. However, due to a variety of factors, chiefly turnover, not every department will use their entire Personal Services budget.

Grants and Aid from the County to other governments and non-profit agencies are budgeted at the full allocation. However, most of these grants are reimbursements for services provided with a maximum that equals the allocation. Not all agencies provide the levels of service allowing them to receive the maximum allocation by fiscal year end, so there is normally a balance remaining.

Contracts for Services and Capital Equipment are budgeted at the full estimated amount so the contract or purchase order can be awarded. However, there are always some contracts where not all of the work is completed by year end, again resulting in unexpended budgeted funds.

The final column, which reflects a somewhat conservative projection of fund balance at September 30 of each year is column one plus column two, less column three. The total for all funds is \$740.3 million in FY 10 and \$762.5 million in FY 11.

Best budget practices recommend disclosure when there is a significant change in fund balance (defined as an increase or decline by more than 10%) in a major fund or in the aggregate fund balance total for nonmajor funds. In calculating the aggregate change in fund balance for nonmajor funds, all years funds are excluded since there is no beginning fund balance budgeted for these funds. Therefore, for all years funds the amount shown in the ending fund balance column represents the net change in the all years budget for the fiscal year. Due to the nature of all years budgeting, it is possible to have a negative amount in this column, which represents a current year reduction to funds budgeted in prior years.

Per the FY 08 Comprehensive Annual Financial Report (CAFR) for Hillsborough County, the County's major funds include the Countywide General Fund, the Unincorporated Area General Fund, the Sales Tax Revenue Fund, the Intergovernmental Grants Fund, the County Transportation Trust Fund, the Infrastructure Surtax Fixed Project Fund, the Florida Health Care Surtax Trust Fund, the Water Resource Services System Fund and the Solid Waste Resource Recovery Fund.

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For FY 10, the following major funds are estimated to have a fund balance change of more than 10% (as indicated on the schedule following this narrative):

- Florida Health Care Surtax Trust Fund – The fund balance is estimated to decline by 35.1% or \$24.9 million in FY 10 due to a drawdown of reserves resulting from lower sales surtax revenues offset by relatively constant indigent health care costs. To address the long term financial stability, the County reconvened a committee in FY 09 to recommend changes to existing plan coverage and benefits. The committee's report is due in October 2010 with changes to the plan as approved by the Board of County Commissioners to be implemented shortly thereafter. Potential changes were not defined in time to incorporate them in the FY 10 or FY 11 budgets.
- Intergovernmental Grants Fund – The beginning fund balance of \$1.3 million is associated with unexpended Sunshine Line grant proceeds received in prior years anticipated to be fully expended by the end of FY 10.
- County Transportation Trust Fund – The fund balance is estimated to decline by 50.1% or \$9.0 million during FY 10 due to use of excess transportation reserves to help defease debt.
- Solid Waste System Enterprise Fund – The fund balance is estimated to increase by 13.0% or \$9.5 million due to reductions in personnel, operations and maintenance and capital expenditures beyond the anticipated change in revenues.
- Water and Wastewater Utility Enterprise Fund – The fund balance is estimated to increase by 11.4% or \$7.5 million during FY 10 resulting primarily from higher revenues associated with water and wastewater use.

The aggregate fund balance for non-major funds is estimated to decline by 9.6%, or \$31.5 million. Although the change is under the 10% threshold for explanation recommended under best budgeting practices specific information on the reasons for significant changes in the nonmajor funds are detailed in the estimated ending fund balance schedule.

For FY 11, the following major funds are estimated to have a fund balance change of more than 10%:

- Florida Health Care Surtax Trust Fund – The fund balance is estimated to decline by 87.9% or \$40.5 million in FY 11 due to a continued drawdown of reserves resulting from lower sales surtax revenues offset by relatively constant indigent health care costs. As discussed for FY 10, future FY 10 changes to the indigent health care plan, while not defined in time to incorporate into the budget, are anticipated to be incorporated during FY 10 to help restore this fund to financial stability.
- Water and Wastewater Utility Enterprise Fund –The fund balance is estimated to increase by 17.2% or \$12.6 million during FY 11 resulting from continued greater revenues coupled with a budgeted \$7.5 million decrease from FY 10 in expenditures for capital equipment.

The aggregate fund balance for non-major funds is estimated to increase by 4.5%, or \$13.2 million. Although the change is under the 10% threshold for explanation recommended under best budgeting practices specific information on the reasons for significant changes in the nonmajor funds are detailed in the estimated ending fund balance schedule.

FY 10 ESTIMATED ENDING FUND BALANCE

Description	Beginning Fund Balance	Revenues and Sources	Expend/ Uses	Ending Fund Balance	Percent Change
General Fund					
Countywide General Fund	\$107,996,132	\$540,806,250	\$538,716,673	\$110,085,709	1.9%
Unincorporated Area General Fund	94,474,379	327,504,161	327,504,161	94,474,379	0.0%
Subtotal	202,470,511	868,310,411	866,220,834	204,560,088	1.0%
Special Revenue Funds					
Countywide Special Purpose Fund	55,948,397	197,422,280	198,657,064	54,713,613	-2.2%
Unincorporated Area Special Purpose Fund ⁽¹⁾	5,533,369	22,043,558	20,767,546	6,809,381	23.1%
County Blended Component Units Fund ⁽²⁾	34,817	9,241,141	9,246,591	29,367	-15.7%
Florida Health Care Surtax Trust Fund ⁽³⁾	70,862,809	91,001,414	115,852,769	46,011,454	-35.1%
Sales Tax Revenue Fund	35,765,522	187,772,644	186,899,234	36,638,932	2.4%
Intergovernmental Grants ⁽⁴⁾	1,258,811	90,813,147	92,071,958	0	-100.0%
County Transportation Trust Fund ⁽⁵⁾	17,987,270	123,989,378	133,001,038	8,975,610	-50.1%
Library Tax District Fund	34,146,845	44,561,150	44,561,150	34,146,845	0.0%
Infrastructure Surtax Fixed Project Fund ⁽⁶⁾	0	251,922,901	264,517,421	(12,594,520)	N/A
Subtotal	221,537,840	1,018,767,613	1,065,574,771	174,730,682	-21.1%
Debt Service Funds ⁽⁷⁾					
Cap Imp Non-Adval Rev Bds Ser 98/08 Fund	359,716	1,443,553	1,444,160	359,109	-0.2%
Fuel Tax Ref Revenue Bonds Debt Svc Fund	440,833	1,385,916	1,383,449	443,300	0.6%
4th Cent Tourist Development Tax Fund	1,419,395	1,099,151	1,717,552	800,994	-43.6%
5th Cent Tourist Development Tax Fund	1,263,994	2,663,558	3,345,258	582,294	-53.9%
P&R G.O. Bnds 93/96/02 Dbt. Svc. Fund	131,116	1,442,038	1,442,037	131,117	0.0%
ELAPP Limited Ad Valorem Tax Bonds	802,372	5,322,954	5,575,326	550,000	-31.5%
Crim Just CIP Ref Rev 93 & 03 Debt Svc Fund ⁽⁸⁾	21,669,708	46,624,870	68,294,578	0	-100.0%
Court Facil Rev Bonds 99 & 05 Debt Svc Fund	1,608,254	2,561,232	2,543,909	1,625,577	1.1%
CIP Rev Bonds 94/96/06 Debt Svc Fund	3,789,096	3,255,105	3,254,138	3,790,063	0.0%
Cap Imp Non-Adv Ref Rev 96 & 06 Bd Fund ⁽⁸⁾	19,947,919	40,197,128	60,145,047	0	-100.0%
Capital Improvement Commercial Paper Prog Fd	1,337,000	554,370	1,780,968	110,402	-91.7%
CIT Rev Bds 2001 A & B Debt Svc Fund	2,178,633	4,501,912	4,542,186	2,138,359	-1.8%
CIT Rev Bds 2004 Debt Svc Fund	2,671,102	6,391,704	6,388,475	2,674,331	0.1%
CIT Rev Bds 2007 Debt Svc Fund	10,604,984	16,461,983	16,278,962	10,788,005	1.7%
US 301 Expansion Taxable Notes	0	530,202	353,163	177,039	N/A
TSA Non-Adv Ref Rev Bds 05 Debt Svc Fund	983,088	1,337,706	1,327,704	993,090	1.0%
Subtotal	69,207,210	135,773,382	179,816,912	25,163,680	-63.6%
Capital Projects Funds					
Countywide Capital Projects Fund	0	(3,318,193)	4,893,599	(8,211,792)	N/A
Unincorporated Area Capital Projects Fund	0	9,759,466	22,226,754	(12,467,288)	N/A
EPC Facility Acquisition/Rehab Fund	0	6,000	0	6,000	N/A
Enviro Sensitive Lands Tax / Bond Fund	0	350,000	0	350,000	N/A
Court Facil Non-Bond Construction Fund	0	87,500	0	87,500	N/A
Capital Improvement Comm'l Paper Pgm Fd	0	(145,345,463)	(145,345,463)	0	N/A
Subtotal	0	(138,460,690)	(118,225,110)	(20,235,580)	N/A

FY 10 ESTIMATED ENDING FUND BALANCE

Description	Beginning Fund Balance	Revenues and Sources	Expend/ Uses	Ending Fund Balance	Percent Change
Enterprise Funds					
Solid Waste System Enterprise Fund ⁽⁹⁾	73,124,770	253,096,012	243,618,004	82,602,778	13.0%
Water & Wastewater Utility Enterprise Fund ⁽¹⁰⁾	65,693,476	404,271,873	396,801,420	73,163,929	11.4%
Subtotal	138,818,246	657,367,885	640,419,424	155,766,707	12.2%
Internal Service Fund					
Fleet Services Fund	33,268,910	34,612,570	31,976,080	35,905,400	7.9%
County Self Insurance Fund ⁽¹¹⁾	198,518,321	100,079,680	134,256,353	164,341,648	-17.2%
Subtotal	231,787,231	134,692,250	166,232,433	200,247,048	-13.6%
Trust & Agency Funds					
CAU Special Assessment Bonds 2006	0	10,297,075	10,297,075	0	N/A
Transportation Assessment Units Fund	0	9,451	9,451	0	N/A
Recl Water Spcl Assessment Rev Bds 2000	0	519,456	519,456	0	N/A
Capacity Assess Special Assess Bds 2000	0	2,865,221	2,865,221	0	N/A
Subtotal	0	13,691,203	13,691,203	0	N/A
Total	\$863,821,038	\$2,690,142,054	\$2,813,730,467	\$740,232,625	-14.3%

Note:

Funds that are all years are represented by an N/A in the Percent Change column and have no budgeted beginning fund balance. The ending fund balance shown represents the net change to the all years budget for these funds. Some funds have all years subfunds as well as regular subfunds. These include the Enterprise Funds, ELAPP Capital Project Fund, Transportation Fund, Library District Fund and the Unincorporated Area Special Purpose Fund.

Notes:

- (1) - Increase primarily due to FY 10 \$1.3 million reduction in budgeted charges for services and permit fees offset by \$2.9 million reduction FY 10 in budgeted personnel and operating and maintenance costs in Building Services Fund.
- (2) - Dollar amount change not material.
- (3) - Decrease reflects drawdown of reserves resulting from lower FY 10 indigent healthcare surtax revenue offset by relatively stable costs. FY 10 changes to benefits currently under study should significantly reduce amount of the actual drawdown.
- (4) - Decrease due to FY 10 use of remainder of one time Sunshine Line grant revenues received in FY 07 and FY 08 per grant agreement.
- (5) - Decrease primarily due to one time use of \$8.7 million in excess transportation reserves to help defease debt.
- (6) - This fund is budgeted on an all years basis, from appropriation inception through the current reporting period, not on an annual fiscal year basis. The reduction in revenue shown reflects the FY 10 change to the all years budget.
- (7) - Changes reflect annual reserve adjustments required under bond covenants.
- (8) - Reduction reflects planned defeasance in FY 10 with corresponding elimination in required reserves.
- (9) - Increase in Solid Waste System Enterprise Fund reflects budgeted fee increases required under bond covenants.
- (10) - Increase reflects budgeted reductions in Water Resource Services FY 10 personnel, operating and capital costs.
- (11) - Decrease primarily reflects planned FY 10 drawdown in health insurance reserves pending new health insurance contract.

FY 11 ESTIMATED ENDING FUND BALANCE

Description	Beginning Fund Balance	Revenues and Sources	Expend/ Uses	Ending Fund Balance	Percent Change
General Fund					
Countywide General Fund	\$110,085,709	\$520,417,435	\$520,970,035	\$109,533,109	-0.5%
Unincorporated Area General Fund	94,474,379	332,088,245	332,326,147	94,236,477	-0.3%
Subtotal	204,560,088	852,505,680	853,296,182	203,769,586	-0.4%
Special Revenue Funds					
Countywide Special Purpose Fund	54,713,613	194,351,896	193,749,645	55,315,864	1.1%
Unincorporated Area Special Purpose Fund	6,809,381	17,415,976	17,388,543	6,836,814	0.4%
County Blended Component Units Fund ⁽¹⁾	29,367	8,533,392	8,538,392	24,367	-17.0%
Florida Health Care Surtax Trust Fund ⁽²⁾	46,011,454	95,196,181	135,659,559	5,548,076	-87.9%
Sales Tax Revenue Fund	36,638,932	194,247,378	191,960,294	38,926,016	6.2%
Intergovernmental Grants	0	90,240,307	90,240,307	0	N/A
County Transportation Trust Fund	8,975,610	125,147,419	124,362,590	9,760,439	8.7%
Library Tax District Fund ⁽³⁾	34,146,845	46,900,172	53,933,460	27,113,557	-20.6%
Infrastructure Surtax Fixed Project Fund	0	507,531,843	511,220,781	(3,688,938)	N/A
Subtotal	187,325,202	1,279,564,564	1,327,053,571	139,836,195	-25.4%
Debt Service Funds ⁽⁴⁾					
Cap Imp Non-Adval Rev Bds Ser 98/08 Fund	359,109	1,442,142	1,441,438	359,813	0.2%
Fuel Tax Ref Revenue Bonds Debt Svc Fund	443,300	1,203,786	1,389,450	257,636	-41.9%
4th Cent Tourist Development Tax Fund	800,994	1,169,561	1,158,190	812,365	1.4%
5th Cent Tourist Development Tax Fund	582,294	1,804,843	1,771,627	615,510	5.7%
P&R G.O. Bnds 93/96/02 Dbt. Svc. Fund	131,117	1,432,259	1,379,813	183,563	40.0%
ELAPP Limited Ad Valorem Tax Bonds	550,000	5,014,766	5,339,043	225,723	-59.0%
Court Facil Rev Bonds 99 & 05 Debt Svc Fund	1,625,577	2,557,644	2,536,996	1,646,225	1.3%
CIP Rev Bonds 94/96/06 Debt Svc Fund	3,790,063	3,290,327	3,284,625	3,795,765	0.2%
Capital Improvement Commercial Paper Prog Fd	110,402	1,849,342	1,849,301	110,443	0.0%
CIT Rev Bds 2001 A & B Debt Svc Fund	2,138,359	4,552,341	4,542,462	2,148,238	0.5%
CIT Rev Bds 2004 Debt Svc Fund	2,674,331	6,405,499	6,399,544	2,680,286	0.2%
CIT Rev Bds 2007 Debt Svc Fund	10,788,005	16,444,048	16,261,588	10,970,465	1.7%
US 301 Expansion Taxable Notes	177,039	353,150	353,110	177,079	0.0%
TSA Non-Adv Ref Rev Bds 05 Debt Svc Fund	993,090	1,338,180	1,316,205	1,015,065	2.2%
Subtotal	25,163,680	48,857,888	49,023,392	24,998,176	-0.7%
Capital Projects Funds					
Countywide Capital Projects Fund	0	0	0	0	N/A
Unincorporated Area Capital Projects Fund	0	9,921,473	11,369,571	(1,448,098)	N/A
EPC Facility Acquisition/Rehab Fund	6,000	0	0	6,000	N/A
Enviro Sensitive Lands Tax / Bond Fund	0	350,000	0	350,000	N/A
Court Facil Non-Bond Construction Fund	0	87,500	0	87,500	N/A
Capital Improvement Comm'l Paper Pgm Fd	0	(3,376,237)	(3,376,237)	0	N/A
Subtotal	6,000	6,982,736	7,993,334	(1,004,598)	N/A

FY 11 ESTIMATED ENDING FUND BALANCE

Description	Beginning Fund Balance	Revenues and Sources	Expend/ Uses	Ending Fund Balance	Percent Change
Enterprise Funds					
Solid Waste System Enterprise Fund	82,602,778	250,073,395	244,688,459	87,987,714	6.5%
Water & Wastewater Utility Enterprise Fund ⁽⁵⁾	73,163,929	455,886,667	443,297,450	85,753,146	17.2%
Subtotal	155,766,707	705,960,062	687,985,909	173,740,860	11.5%
Internal Service Fund					
Fleet Services Fund	35,905,400	34,855,330	32,677,060	38,083,670	6.1%
County Self Insurance Fund ⁽⁶⁾	164,341,648	130,348,185	112,930,031	181,759,802	10.6%
Subtotal	200,247,048	165,203,515	145,607,091	219,843,472	9.8%
Trust & Agency Funds					
CAU Special Assessment Bonds 2006	0	10,262,249	9,317,903	944,346	N/A
Transportation Assessment Units Fund	0	9,345	434	8,911	N/A
Recl Water Spcl Assessment Rev Bds 2000	0	515,891	450,128	65,763	N/A
Capacity Assess Special Assess Bds 2000	0	2,848,530	2,526,612	321,918	N/A
Subtotal	0	13,636,015	12,295,077	1,340,938	N/A
Total	\$773,068,725	\$3,072,710,460	\$3,083,254,556	\$762,524,629	-1.4%

Note:

Funds that are all years are represented by an N/A in the Percent Change column and have no budgeted beginning fund balance. The ending fund balance shown represents the net change to the all years budget for these funds. Some funds have all years subfunds as well as regular subfunds; these include the Enterprise Funds, ELAPP Capital Project Fund, Transportation Trust Fund, Library District Fund and the Countywide and Unincorporated Area Special Purpose Funds.

Notes:

- (1) - Dollar amount change not material.
- (2) - Decrease reflects drawdown of reserves resulting from lower FY 11 indigent healthcare surtax revenue offset by relatively stable costs. Plan changes to be considered in FY 10 should significantly reduce amount of the actual drawdown.
- (3) - Decrease of \$7.0 million reflects planned drawdown of reserves to fund replacement of the Seminole Heights library.
- (4) - Changes reflect annual reserve adjustments required under bond covenants.
- (5) - Increase reflects \$7.5 million lower Water Resource Services capital equipment expenditures coupled with higher anticipated revenues.
- (6) - Increase reflects additional health insurance fund reserves needed to maintain required Incurred But Not Recorded (IBNR) and contingency reserves.