

FIVE-YEAR FINANCIAL OUTLOOK

The development of the FY 2015-16 Proposed Budget is a sustainable spending plan. This five-year financial forecast extends that plan through FY 2020. Decisions regarding service expansion or reduction not only need to align with the Strategic Plan, but also with what can be reasonably expected in terms of future resources. We have developed financial forecasts for all four County taxing jurisdictions, as well as for certain proprietary operations such as Aviation, Seaport, Waste Management operations, Water and Sewer, and Transit which support the economy of our community. The four County taxing jurisdictions continue to be balanced throughout the five-year scope of this document, including contributions to the emergency contingency reserve that will bring us to our stated goal of \$100 million by the end of the forecast period.

In developing the forecast, we utilize a set of assumptions which allow us to make reasonable projections and conclusions. For tax-supported functions, we develop our financial outlook utilizing incremental/inflationary methodology using current year service levels as the baseline for projections, making adjustments for defined and scheduled service expansions or reductions if any are planned. However, these assumptions can be affected at any given time by external forces such legislative actions, changes in the economy, and to the greatest extent, by local policy decisions. We use this document as one of our planning tools and revise it twice each year. This document does not intend to represent a five-year County Budget.

Property Tax-Supported Budgets

After several years of tax roll losses the tax roll began to recover in 2012, growing by 1.98 percent, then 3.39 percent in 2013, 6.80 percent in 2014, and 9.44 percent in 2015. We are assuming a six and half percent growth rate for FY 2016-17 and five and half percent thereafter for Countywide and Library System, and five percent for the UMSA and Fire Rescue District. By recognizing this additional growth for next year, we can now reach our goal of \$100 million in our emergency reserves by FY 2020.

Due to the performance of the County's Tax Rolls, and the strong performance of Non-Ad Valorem revenues such as sales tax, the fiscal outlooks for the four property tax-supported budgets under the purview of the BCC have been significantly improved. The millage rates used to develop the revenue forecast for the property tax-supported budgets assume that the adopted millage rates proposed for FY 2015-16 are held flat thereafter. Under the circumstances, the total general fund balance (Countywide and UMSA combined) is positive through FY 2019-20, as is the case for the Library System and the Fire Rescue District. It is worth mentioning that all four taxing jurisdiction are constantly being challenged to deploy new services. Given these positive outlooks, some of these needs maybe satisfied in the future.

The preliminary unaudited General Fund carryover balance for year-end FY 2014-15 is estimated at \$52 million. The Countywide General Fund Emergency Contingency Reserve balance for FY 2014-15 is \$43 million. In FY 2012-13, a \$9 million transfer from this reserve was made to the Fire Rescue District to compensate for the unexpected losses in ad valorem revenues as a result of Value Adjustment Board refunds. As part of this financial outlook, appropriate expenditure allocations have been made to replenish the Countywide Emergency Contingency Reserve and reach our goal of \$100 million by FY 2019-20.

FY 2015-16 Proposed Budget and Multi-Year Capital Plan

As previously stated, in addition to trying to address service needs for the community, economic trends and federal and state legislation may have a significant impact on the overall County budget. Legislation such as potential increases in Medicaid costs, continuing increases in the County's contribution to the State's retirement fund, and policies that increase inmate jail population can affect the budget significantly. It is our assumption that beyond FY 2015-16, as a result of actuarial updates and unless further plan modifications and/or employee contributions are adopted, the FRS rates may continue to climb as was the case for FY 2015-16.

Increased costs of health care coverage and other unanticipated events may also have an impact. Future incorporations and annexations by existing municipalities could also impact the County's budget. The Fire Rescue District and the Library System will continue to assess any future service expansions within the limits of their revenue performance. The UMSA budget is less dependent on property tax revenue and as such benefits from the growth in other revenues such as sales tax, utility taxes, communication tax, etc., which have shown robust performance in the last few years. However, UMSA is constantly being impacted by increasing law enforcement costs which represent approximately 76 percent of its operating budget.

This plan, however, does not address unmet needs identified by our departments, which total \$148.355 million and are detailed in each department's narrative in Volumes 2 and 3.

Assumptions

Millage Rates

Operating millage rates for all four taxing jurisdictions are kept at the FY 2015-16 proposed levels.

Tax Roll Growth

For planning purposes, the Countywide and Library System property tax rolls are assumed to increase 6.5 percent in FY 2016-17 and five and half percent thereafter. The UMSA and Fire Rescue District property tax roll are expected to grow 5.0 percent in the same span of time.

Inflation*

<u>Fiscal Year</u>	<u>Inflation Adjustment</u>
2017	2.30%
2018	2.30%
2019	2.40%
2020	2.40%

*Source: Congressional Budget Office

Incorporations and Annexations

No new incorporations or significant annexations are assumed for the next five years for purposes of forecasting revenues and expenditures.

FY 2015-16 Proposed Budget and Multi-Year Capital Plan

Service Levels

It is assumed that proposed levels of service for FY 2015-16 are maintained for the next five years.

Transit Growth

General Fund support to the Miami-Dade Transit Department in FY 2015-16 is scheduled to resume its 3.5 percent increases pursuant to local ordinance. Starting in FY 2016-17 and through the scope of this fiscal outlook extraordinary contributions from the General Fund are programmed to deal with increasing debt service obligations.

New Facilities

This year the Fire Rescue District completed construction of the Miami Lakes West, North Miami Beach, and Coconut Palm stations. All units assigned to these new stations were in service at other stations or at temporary locations. The Northeast Library will open in FY 2014-15. Due to funding limitations, the Library System has pushed the Doral, Killian, and Hialeah Gardens branch projects to future years.

One-Time Revenues

FY 2015-16 Proposed Budget does not include one-time revenues supporting on-going operating expenses.

Salary Expense

Salary expenses have been adjusted to reflect the impact of eliminating all union concessions. A one percent cost of living adjustment (COLA) is modeled for FY 2016-17, but no other adjustments are considered through FY 2019-20. COLA adjustments have been negotiated with unions should property tax roll growth exceed the five-year forecast.

Health Insurance Costs

Health Insurance costs are increased approximately eight percent each year after FY 2015-16.

Emergency Contingency Reserve

This five year plan includes the appropriate allocations to increase the Countywide Emergency Contingency Reserve to \$100 million by FY 2019-20.