FIVE-YEAR FINANCIAL OUTLOOK

The development of the annual budget provides us the opportunity to look at future revenue and expenditure trends. 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 and the sustainability of our community.

In developing the forecast, we utilize a set of assumptions which allow us to make reasonable projections and conclusions. However, these assumptions can be affected at any given time by external forces such legislative actions, changes in the economy, and to a great extent, by local policy decisions. We use this document as one of our planning tools and revise it twice each year.

For our 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 service expansions or reductions. We use the Strategic Plan to help us plan for County services beyond those currently provided.

Property Tax-Supported Budgets

The Countywide property tax roll for FY 2013-14 increased 3.39 percent, as compared to FY 2012-13. However, the fiscal outlooks for the four property tax-supported budgets under the purview of the BCC have been and will continue to be significantly challenged. The FY 2013-14 Proposed Budget includes operating millage adjustments to sustain the Fire and Library districts at the same level of services as in FY 2012-13 for the next two fiscal years. It also includes a countywide millage adjustment of 0.1079 to fund improved animal services countywide. The Proposed Budget also increases the debt service millage countywide to 0.422 to pay required debt obligations. Although the Countywide general fund gap of $54 million identified for FY 2014-15 is significant, notwithstanding unexpected actions by the State regarding retirement rates and Medicaid obligations, and a deterioration of the economy in general, the County should be able to narrow the budgetary challenge through targeted efficiencies and improved non-ad valorem revenues and therefore, minimize the need for further millage adjustments.

After a number of years of unexpected growth, tax roll losses for 2009 and 2010 were minus 9.5 and 13.4 percent, respectively. For 2011, the final property tax roll experienced a loss 2.76 percent of its value. The tax roll growth performance in 2012 was 1.98 percent and 3.39 percent in 2013, showing positive growth for the first time in many years. Based on this, we assume a four percent growth rate during this five year period for all jurisdictions except UMSA which is expected to grow two percent per year. The millage rates used to develop the revenue forecast for the property tax supported budgets assume that the FY 2013-14 proposed millage rates are held flat for FY 2014-15 and thereafter.

The General Fund carryover balance for year-end FY 2012-13 is estimated at $70 million. The Countywide General Fund Emergency Contingency Reserve balance for FY 2012-13 is estimated at $52 million, and is expected to grow by earned interest through the end of FY 2013-14. The Fire District Emergency Contingency Reserve was fully appropriated to support operations in FY 2010-11. As part of this financial outlook, appropriate expenditure allocations have been made to replenish the Countywide Emergency Contingency Reserve to the FY 2008-09 levels starting in FY 2015-16. The Library System sets aside an operating reserve every year equivalent to five percent of its operating expenditures starting in FY 2015-16.

As stated above, 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 tremendously. For FY 2014-15, it is expected that the State legislature may keep Florida Retirement System rate contributions the same as in FY 2013-14; however, beyond FY 2014-15, as a result of actuarial updates and unless further plan modifications and/or employee contributions are adopted, it is our expectation that the FRS rates may continue to climb. Increase 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 budget.

Our practice is to be extraordinarily conservative with our revenue and expenditure projections. That coupled with the conditions previously described, create substantial fiscal challenges within the scope of this financial outlook for our tax-supported budgets. Specifically, it is assumed that all concessions negotiated into the current bargaining agreements are maintained through FY 2014-15. Countywide operations are forecasted to generate operational funding gaps throughout this five-year outlook. The Fire Rescue District and the Library system are expected to keep a positive balance through FY 2015-16 and FY 2014-15, respectively. 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 year. However, UMSA is constantly being impacted by increasing law enforcement costs which represent approximately 75 percent of its operating budget and as a result is forecasted to generate deficits in the last three years of this forecast. This forecast does not take into account potential incorporations or annexations. The Fire Rescue District and the Library System have curtailed any future service expansions due to revenue limitations.

Strategies to address the funding gaps include new service provision opportunities and the implementation of new recurring revenues and/or the aggressive implementation of operational adjustments and efficiencies, within the goals and objectives dictated by the County's Strategic Plan. All of the County's jurisdictions are already benefiting from the long-term labor concessions that include employees' contributions of five percent of their salary toward health insurance costs. These strategies, however, will not systematically address all unmet needs identified by our departments, which total $60.7 million and $5.343 billion of unfunded capital projects, and are detailed in each department’s narrative in Volume 2.

Assumptions

<u>Millage Rates</u>

Operating millage rates for all four taxing jurisdictions are kept at the FY 2013-14 millage levels.

<u>Tax Roll Growth</u>

For planning purposes, the Countywide, Fire District and Library system property tax rolls are assumed to increase 4.0 percent in FY 2014-15 and thereafter. The UMSA property tax roll is only expected to grow 2.0 percent in the same span of time.

Inflation*

Fiscal Year	Inflation Adjustment
2015	2.10%
2016	2.10%
2017	2.20%
2018	2.30%

*Source: Congressional Budget Office

Incorporations and Annexations

No new incorporations or significant annexations are assumed for the next five years.

Service Levels

It is assumed that proposed levels of service for FY 2013-14 are maintained for the next five years except for additional facilities programmed to come online such as the Mental Health Diversion Facility programmed to start operations in FY 2014-15.

Transit Growth

General Fund support to the Miami-Dade Transit Department in FY 2014-15 is increased by $16 million to offset increased debt service obligations that will limit the ability to utilize surtax funds to support operations.

New Facilities

This year the Fire Rescue District will commence construction of the North Bay Village, Miami Lakes West, and Palmetto Bay stations and begin the expansion of the North Miami Beach station. All units to be assigned to these new stations are currently in service at other stations or at temporary locations. This year the Library system is expected to open the Northeast Library and due to funding limitations, the Library System has pushed out the Doral, Killian, and Hialeah Gardens branch projects to future years.

One-Time Revenues

FY 2013-14 Proposed Budget includes approximately $26 million of one-time revenue consisting of tourist taxes and recaptured special taxing district funds.

Salary Expense

Based in the assumptions included in the Proposed Budgets, through FY 2014-15, the following labor concessions have been incorporated into this document: elimination of the cost of living adjustments, and the freezing of premium and flex benefits. Premium and flex benefits are incorporated back into the budget in FY 2015-16, as is the elimination of furlough days.

Health Insurance Costs

Health Insurance costs are expected to remain stable through FY 2014-15 and increase approximately eight percent each year thereafter. The employee contribution for group health insurance continues through FY 2014-15 and is eliminated thereafter.

Emergency Contingency Reserve

This five year plan includes the appropriate allocations to bring the Countywide Emergency Contingency Reserve back to the FY 2008-09 levels by FY 2015-16.