FIVE-YEAR FINANCIAL OUTLOOK

The development of the FY 2017-18 Proposed Budget has been challenging working within the constraints imposed by the slowdown of the County’s economically-driven revenues. This budget does not rely upon one-time revenues to support operations and includes targeted enhancements in two critical areas: mosquito control and animal services, focusing on these elements as critical to the future resilience of our community. This five-year financial outlook reflects current service levels, along with planned future enhancements including new libraries and fire units, along with the revenue limitations imposed by the weakened economy and the proposed additional Homestead Exemption likely to be approved by Florida voters and implemented in FY 2019-20. This forecast includes a projection for our four County taxing jurisdictions, as well as selected proprietary functions, including Aviation, Seaport, Solid Waste Management, Water and Sewer, and Transit.

This does not represent a five-year budget; it is a point of departure for future analysis. We have used the best information we have available at this time to project revenues and expenditures for the time period. The five-year financial forecast for the Library District is balanced. The Fire Rescue District and the Countywide budget will face challenges after FY 2019-20, coinciding with the implementation of the additional Homestead Exemption; the Unincorporated Municipal Services Area (UMSA) is expected to generate shortfalls starting in FY 2018-19, impacted by underperforming sales tax revenue, a slowdown in utility taxes, and then the additional Homestead Exemption in FY 2019-20. This forecast continues to include contributions to the Countywide Emergency Contingency Reserve, which will reach the target of $100 million in FY 2020-21.

Property Tax-Supported Budgets

Ad valorem revenues have exceed projections for the past several years as a result of robust tax roll growth. However, we do not anticipate this rate of growth to continue and therefore have projected a 5 percent growth in the Countywide and Library System for FY 2018-19 and 4.5 percent thereafter. In the Fire Rescue District and UMSA we are projecting a 3.5 percent growth for FY 2018-19 and 3.0 percent thereafter. Our assumptions utilize flat millage (tax) rates for the forecast period.

We are projecting moderate growth in non-ad valorem revenues as detailed in the schedules that follow. These projections do not take into account the impact of incorporation or annexation of any of UMSA. While changes in municipal boundaries impact direct service levels and revenues in UMSA, depending on the magnitude of the change, overhead expense for staff that cannot be eliminated will be transferred to the countywide budget, putting further pressure on that budget. Again, this should not be seen as a five year budget, as many of our assumptions can change quickly based on global economic changes, service demands, and other things we cannot anticipate.

Our forecast includes the impacts of the provisions included in our current negotiated collective bargaining agreements, but does not assume future cost of living adjustments. Other personnel-related costs that have greatly impacted our forecasts are the costs of employee health care and worker’s compensation insurance. Over the next few years, we are projecting increases of eight and ten percent in each in order to maintain required reserves in our self-insurance fund.

We have identified $73 million in unmet service needs, which are not addressed in this forecast. These unmet needs are detailed within each departmental narrative in Volumes 2 and 3.
Assumptions

Millage Rates

Operating millage rates for all four taxing jurisdictions are kept at the FY 2016-17 Adopted levels.

Tax Roll Growth

The Countywide and Library System property tax rolls are anticipated to grow 5 percent in FY 2018-19 and 4.5 percent thereafter, the Fire Rescue District and UMSA tax rolls are projected at 3.5 percent in FY 2018-19 and 3.0 percent thereafter.

Inflation*

<table>
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<th>Fiscal Year</th>
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<tr>
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</tr>
<tr>
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<td>2.4%</td>
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<tr>
<td>2023</td>
<td>2.4%</td>
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*Source: Congressional Budget Office

Service Levels

It is assumed that proposed levels of service will continue, as adjusted for known expansions.

Transit Maintenance of Effort (MOE)

The General Fund subsidy to the Department of Transportation and Public Works to support public transit has been increased by 3.5 percent above FY 2016-17. This subsidy increase well above the 3.5 percent MOE requirement during the period reflected in this forecast in order to fund operations and maintenance of the current system as debt service requirements take up more and more of the PTP Surtax revenues. More detail regarding funding for our transit system over the next five years is included in the proprietary portion of this five-year forecast.

New Facilities

The five year forecast includes future libraries in Doral, Hialeah Gardens and Killian, and the deployment of a new Fire Rescue Unit at the Seaport in FY 2017-18 and a new suppression unit at the Dolphin Station in FY 2019-20. Given the uncertainty of future state legislation that may impact our revenue streams, the opening and staffing of new facilities will depend on the fiscal conditions of the County at the time of implementation.
Personnel cost growth:

Elements of negotiated collective bargaining agreements have been included in the forecast, but future cost of living adjustments have not been projected. Health insurance and worker's compensation insurance increases reflect necessary adjustments to fund self-insurance fund reserves.

Emergency Contingency Reserve

Planned transfers to the Countywide Emergency Contingency Reserve will allow the County to reach its target of $100 million in FY 2020-21.