

# INTRODUCTION

The *Introduction* portion of the Budget Forecast: FY16 – FY21 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
- Developing the Forecast
- Purpose of the Forecast
- Using This Document

## Forecasting and the Annual Budget Process

The first step in the annual budget process is to update the Forecast in order to develop the budget guidelines for the FY16 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.

## 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 of County Commissioners. 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

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budget guidelines are communicated to the County's departments and agencies for use during their budget development. At this time, all instructions and resources for preparing budget requests are also distributed.

## Updating the Forecast

After the Forecast is prepared and presented to the Board of County Commissioners in the January timeframe, the Forecast is updated throughout the fiscal year in parallel with the budget development process.

## **Developing the Forecast**

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

## Developing Projections

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

The process for developing the Forecast includes replacing the projections for FY14 with actual revenue and expenditure information following the close out of the fiscal year as of September 30, 2014. At the same time, the current FY15 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 process as departments provide their projections. The coming FY16 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 FY21 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

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and demonstrates a potential need for revenue increases, expenditure reductions, or a mix of both.

## **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 of 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 negative 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 to 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 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.

## **Using This Document**

The *Executive Summary* section of this document summarizes the key elements of the forecast as a whole 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 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* sections which include 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.

