Memorandum

MIAMI-DADE COUNTY

Date: June 10, 2008

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Resolution 139-08

Supplement to B&F Agenda Item No. 1(D)1

I would like to clarify in response to Commissioner Gimenez' above referenced memo that a comprehensive analysis of current economic conditions was prepared addressing concerns of the potential impact from a significant downturn in the economy. A report and cover memorandum dated May 5, 2008 was sent to Mayor Carlos Alvarez with copies to the Board of County Commissioners (Attachment I).

The cover memorandum summarized the key findings of the analysis and noted recent trends in mortgage foreclosures, personal and business bankruptcies, local labor market conditions and a number of other local economic indicators. The report acknowledges the constraints that local governments face in attempting to forestall the effects of a national recession, but describes the steps that we are taking to address potential economic threats.

One of the more serious threats is the very sharp increase in mortgage foreclosure that Miami-Dade has seen in the last few months, and the expectation that the level of foreclosures will be higher in 2008 than was experienced in 2007. An internal Foreclosure Assistance and Prevention Task Force has been working on a series of recommendations to strengthen the County's efforts in providing help to local residents facing foreclosure and held its first meeting on May 14, 2008 (Attachment II).

In addition, the County is working to significantly increase the level of construction spending on capital projects funded from non-general fund sources, while maintaining strong fiscal controls and efficiencies. The projections of local economic impacts from the anticipated capital budget indicate substantial benefits in terms of jobs and household income. At the end of this month, sessions will be held with senior staff to finalize the projects that will be part of our economic stimulus package.

Regular economic briefings tracking and analyzing local and national economic conditions have been prepared and have been distributed to Board of County Commissioners as referenced in Resolution 139-08 (Attachment III). These reports are intended to keep the Mayor and the Board apprised of economic conditions as well as important events likely to have a significant impact on the local economy.

Attachments

Jennifer Glazer-Moon, Director
Office of Strategic Business Management

cmo15208

Memorandum

MIAMI-DADE COUNTY

Date: May 5, 2008

To: Honorable Carlos Alvarez
Mayor

From: George M. Burgess
County Manager

Subject: Economic Impact of Recession on Miami-Dade County

For your information, we have prepared the attached report providing an analysis of current economic conditions and the potential local economic impacts of a national recession.

The pace of economic growth in Miami-Dade County has markedly slowed since the spring of 2007, after three years of exceptionally robust economic recovery from the 2001 recession. The local economy now finds itself buffeted by many of the same recessionary pressures affecting the national economy. Although the County is facing the effects of a typical business cycle, the County's economic base remains strong and is expected to return to its positive long run trend.

Among its key findings, the report notes that:

- Total payroll employment in February was virtually unchanged from February 2007. The decline in the rate of growth in private sector jobs has led the decline in the overall pace of job creation. Payroll employment in the private sector actually declined by 1,800 jobs in February when compared to private sector employment a year earlier. (February marked first year-over-year, monthly decline since November 2003.) A series of other indicators also suggest that local economic growth is coming to a halt.
- Taxable sales in Miami-Dade compared to their levels a year earlier have been declining since April of 2007, and when adjusted for price increases, taxable sales have been declining since November of 2006.
- Economic activity in the residential construction and real estate sectors has been contracting for some time now with no signs of a turnaround any time soon. Residential construction authorized by permits was down by 86 percent in the fourth quarter of 2007 when compared to 2006. Sales of existing single family home are at a virtual standstill, with existing home prices down approximately 20 percent from a year ago.
- Foreclosure and personal bankruptcy rates in Miami-Dade County have risen sharply. Approximately 26,400 properties were in foreclosure in all of 2007, compared to 9,800 properties in 2006. The foreclosure rate in 2007 was 31 properties for every 1,000 households, and the number of foreclosures has been steadily rising and 7,200 foreclosures were recorded in January and February of this year.
- Almost 5,000 bankruptcy petitions were filed in 2007 in Miami-Dade – 45 percent more than in 2006. Just over 1,400 bankruptcy petitions were filed in the 3 months from December through February – a 63 percent increase over the same period one year ago.
- Despite the slowdown in job growth, official unemployment rates remain low by historical standards (3.8% in February), and are even below the State unemployment rate of 4.6% and the national unemployment rate of 4.8%. Local unemployment rates, however, can rise sharply with the onset of a national recession.

The U.S. economy is apparently in the early stages of economic recession, shedding nearly 232,000 payroll jobs in the first three months of this year. The contraction in the residential construction and real estate sector has begun to negatively impact other important sectors of the economy: namely, the financial markets and consumer spending. Recessionary pressures in the national economy will likely intensify in the first half of 2008. The debate among economists has shifted from the question of whether or not there will be a recession to questions of how deep the decline in economic activity will be and how long will the recession last.

While strength in international tourism and airport activity helped sustain the growth of local employment through January, growth in these sectors may not be sufficient to maintain positive economic momentum going forward. Miami-Dade's economy is unlikely to be spared from the impacts of a national recession regardless of actions County government may take to forestall a significant disruption to local economic growth and its associated adverse social impacts. Nonetheless, Miami-Dade County is providing economic stimulus to the private sector via its capital improvement projects.

The County has approximately $1.39 billion in capital spending budgeted for the current fiscal year. The estimated local economic impact from this program is: 22,200 non-county government employment positions; $970 million in wages, salaries and employer provided compensation; and $1.32 billion in Miami-Dade's gross domestic product (GDP). (See table below.) The capital spending program for next fiscal year has not yet been determined, but, at this time, we anticipate a proposed $2.45 billion in capital projects. The economic impact from a capital budget of this size is estimated at 38,400 jobs, $1.7 billion in labor compensation and $2.3 billion in Miami-Dade's GDP.

Economic Impact of Capital Spending Projects

	FY2007-08			FY2008-09		
	Direct Impact	Indirect & Induced	**Total Impact**	Direct	Indirect & Induced	**Total Impact**
Capital Projects, Budgeted (million $)	$1,393			$2,445		
Employment (jobs)	12,124	10,100	**22,224**	20,940	17,444	**38,384**
Labor Compensation (million $)	$550	$419	**$969**	$966	$742	**$1,709**
Compensation per Job ($)	$45,386	$41,478	**$43,610**	$46,136	$42,564	**$44,513**
Miami-Dade GDP* (million $)	$644	$673	**$1,317**	$1,130	$1,188	**$2,318**

Note: *Gross domestic product (GDP) is a broad measure of economic activity. It represents the market value of goods and services produced within Miami-Dade County during the fiscal year.

As already noted, mortgage foreclosures in Miami-Dade are at unprecedented levels. Federal government efforts to alleviate this problem have not yielded significant results. Additional federal measures appear to be forthcoming, but they are not yet fully defined. Staff is closely monitoring federal legislation that may provide the County with financial resources for local economic stimulus, as well as funding to deal with the foreclosure crisis and other social problems associated with recession. We are ready to aggressively seek any federal grants that can help us deal with worsening local economic conditions.

An internal task force comprised of staff from Office of Community and Economic Development, Office of Strategic Business Management, and other agencies with expertise in this area will be established to evaluate alternatives and identify funding sources for creating a foreclosure assistance center to serve County homeowners, renters being displaced by foreclosure actions against their landlords, and households experiencing financial problems due to unemployment. A recommendation for the creation of a foreclosure assistance center will be forthcoming upon completion of the task force's work, which I expect to be within the next 45 days, along with a recommendation regarding a reporting system to keep the Board informed of the status of these issues. This group will also develop strategies for the County to address the impacts realized by increases in local unemployment rates. Our Chief Economist, Dr. Robert Curz, will be preparing a weekly economic update report to keep us apprised of current economic trends, conditions and events on as regular basis.

The Board also requested this information through Resolution No. 139-08. In addition to the information provided, the Board also requested an estimate of the ad valorem revenue impact from foreclosures on local governments in Miami-Dade County. We are not able to provide an estimate of this impact until more information becomes available from the property appraiser's office. An analysis of the revenue implications from the decline in residential property values will be provided as soon as this information is available.

Attached is also a copy of a letter from the Social and Economic Development Council regarding current economic challenges facing Miami-Dade County and their recommended set of guiding principles for setting economic policy priorities.

If you have any questions regarding this information, please feel free to contact Dr. Robert Cruz at (305) 375-5143 or me directly.

Attachments

c: Honorable Chairman Bruno A. Barriero
and Members, Board of County Commissioners
Denis Morales, Chief of Staff, Office of the Mayor
Cynthia W. Curry, Senior Advisor, County Manager's Office
Jennifer Glazer-Moon, Special Assistant/Director, OSBM
Robert Cruz, Ph.D., Chief Economist, OSBM
Charles Anderson, Commission Auditor

cmo15108

The Economic Impact of a Mild, Moderate or Severe Recession on Miami-Dade County and County Government Policy Options

Office of Strategic Business Management

Robert D. Cruz, Ph.D
Chief Economist

April 29, 2008

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Contents

The Economic Impacts of Mild, Moderate or Severe Recession on Miami-Dade County and County Government Policy Options

Brief Overview of Current Conditions

The Miami-Dade economy experienced a very robust period of economic recovery from the 2001 recession during 2004 through 2006, with private sector jobs expanding at an annual rate of 2.4 percent over that period. A review of broad macroeconomic indicators, however, reveals that the pace of economic growth in Miami-Dade County reflects national trends and has markedly slowed since the spring of 2007.[1] The pace of overall job creation in the county has declined considerably in recent months. Miami-Dade's economy was adding jobs at a rate of 1,575 jobs per month in the 12 months prior to April 2007, but the pace of job creation fell to just 100 jobs per month in the 12 months ending February of 2008. Total payroll employment in February was virtually unchanged from the prior year. The contraction in the overall rate of job creation resulted almost entirely from slower growth in private sector employment, and job losses in the construction sector were a significant drag on local labor market conditions. Symptoms of economic stress – mortgage foreclosures and bankruptcy filings – also reveal deteriorating business cycle conditions.

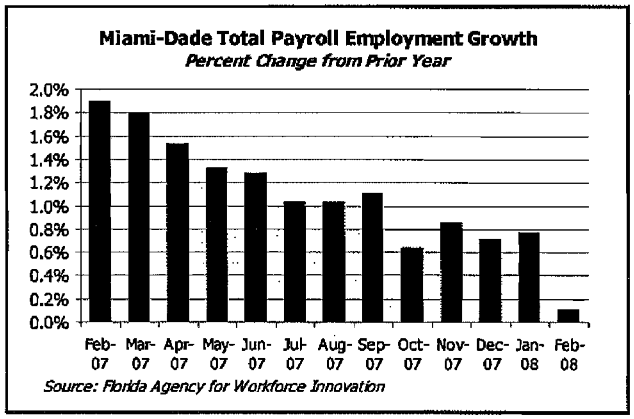

Figure 1

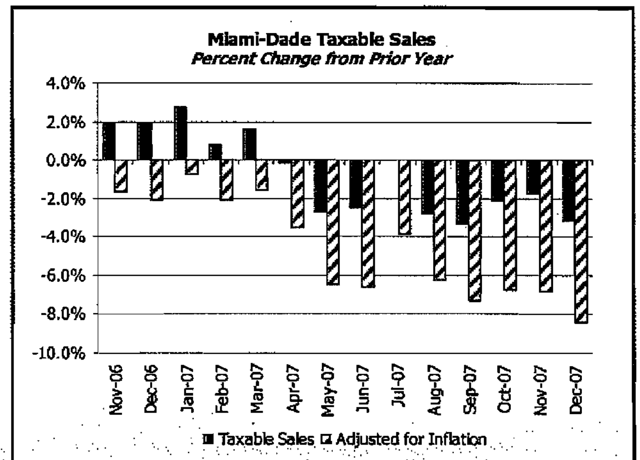

Figure 2

Taxable sales (an indicator of consumer spending) from April to December 2007 were nearly 2.1 percent below sales in the same period in 2006 before adjusting for the effects of price inflation, and 6.3 percent below the prior year after adjusting for price inflation. Economic activity in the residential construction and real estate sectors has been contracting for some time

[1] Accompanying charts in Appendix II illustrate the slowdown in local economic growth through recent trends in a number of macroeconomic indicators.

now with no signs of a turnaround any time soon. Residential construction authorized by permits has been declining since the third quarter of 2005. The number of residential units authorized by permits was down by 86 percent in the fourth quarter of 2007 when compared to their prior quarterly peak in 2005. We anticipate a decline of 30 to 40 percent in the first quarter of 2008 when compared to the first quarter of 2007. Residential real estate sales are at a virtual standstill and home prices also continue to fall. The recovery in this sector, when it begins, moreover, is likely to be very slow.

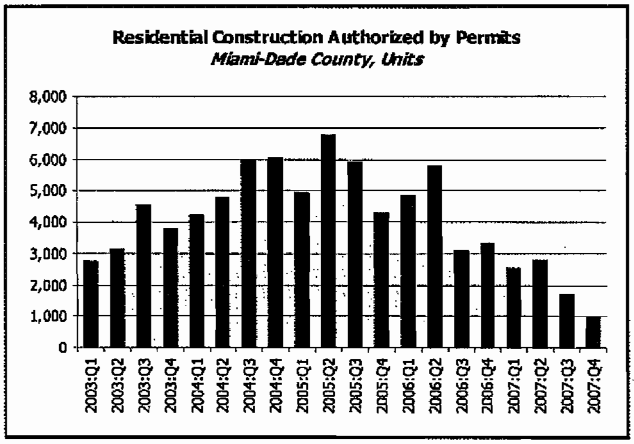

Figure 3

Tourism activity, however, helped to support local economic growth in the latter part of 2007. Air passenger traffic through Miami International Airport was up significantly in 2007, with a strong boost in traffic from August through December and January's traffic figure showed considerable strength as we moved into 2008. The rise in air passenger traffic was led by strong gains in international passengers. Hotel occupancy rates were significantly higher from June through November compared to the same period a year earlier. Average hotel room rates were significantly higher in 2007 compared to 2006, but particularly robust from August through December. Tourism-related tax collections echoed a similar trend to hotel occupancy rates.

The total volume of international cargo handled through Miami International Airport (MIA) registered another strong year of growth in 2007, rising by 5.9 percent after growing 6 percent in 2006. The volume of export cargo rose by 8.2 percent in 2007, while incoming international cargo rose by 4 percent. Although solid growth in MIA's total international cargo occurred last year, the pace of growth in import cargo decelerated during the last six months as U.S. imports of goods declined in the last quarter of 2007.

Cargo activity at the Port of Miami has been declining steadily since 2004. The total number of 20-foot equivalent containers (TEUs) handled through the port fell by 12 percent in 2007 when compared to 2006. The volume of containers handled through the port has declined by 18 percent since 2004. Both inbound (imports) and outbound (exports) cargo have declined, but nearly 60 percent of the total drop in containers occurred in imports. The decline in cargo activity has occurred during a period when U.S. exports and imports of goods were growing at a very robust pace.[2]

[2] U.S. exports, after accounting for price inflation, grew at an annual rate of 8.5 percent between 2004 and 2007, while U.S. imports grew at an annual rate of 4.7 percent over the same period.

Mortgage foreclosure filings and rates have been rising sharply since mid 2006. Foreclosure proceedings were filed on just over 9,800 properties in Miami-Dade County in all of 2006, but the number of properties in foreclosure rose to 26,400 in all of 2007, representing 31 properties in foreclosure for every 1000 housing units. The increase in foreclosure filings does not appear to be abating with nearly 7,200 additional Miami-Dade properties in foreclosure in January and February of 2008, or nearly 143 percent higher than in the first two months of 2007.

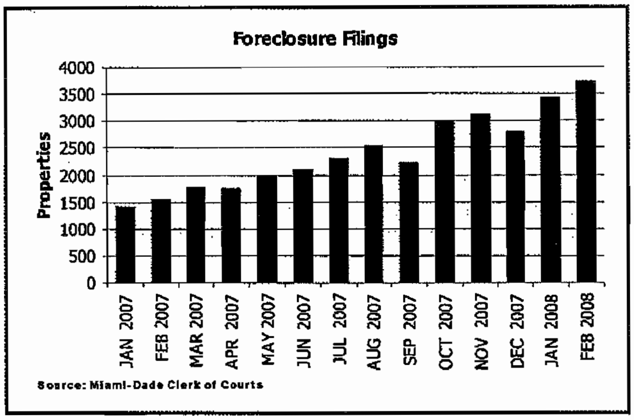

Figure 5

Bankruptcies filed in Miami-Dade County (both personal and business) have also been on the rise. The number of bankruptcy petitions filed in Miami-Dade in 2007 (4,973) were 45 percent above the number filed in 2006. In the last three months (December through February), bankruptcy filings are 63 percent above the number of filings in the same period a year earlier. Approximately 90 to 95 percent of all bankruptcy filings involve consumers.

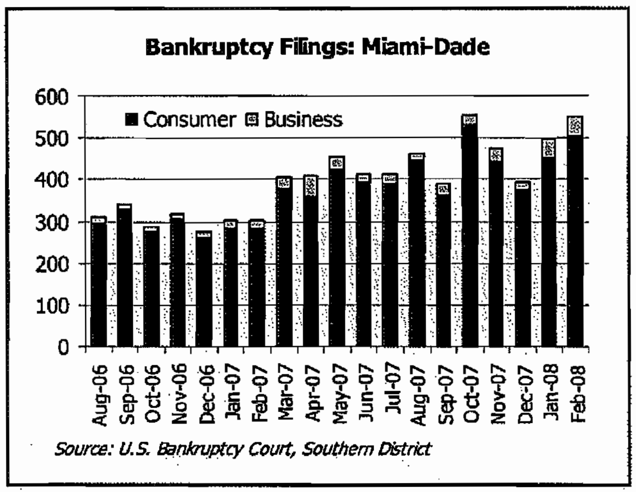

Figure 4

Recessionary pressures in the U.S. economy are driving the short term path of local economic growth. It is becoming increasingly apparent that the national economy is in the early stage of a recession. While U.S. Gross Domestic Product[3] (GDP) managed to grow at a weak 0.6 percent rate in the fourth quarter of 2007, there were strong indications that the contraction in residential construction and the residential real estate market had begun to adversely impact other important sectors of the economy, as well as the financial markets. Consumer spending – a stalwart of economic growth over the last decade – weakened, but still provided enough momentum to prevent an actual contraction in GDP. Personal consumption expenditures from December through February however were flat – a victim of the higher cost of energy and food,

[3] GDP is a broad measure of the nation's economic output and represents the market value of goods and services produced in the economy during a specific period of time. In this case a three-month period.

a loss of purchasing power of earnings, and deteriorating consumer confidence. A decline in U.S. consumer spending, of course, puts Miami-Dade's tourism sector at risk.

The weaker U.S. dollar, along with still robust growth in European and South American economies, however, supported a 6.5 percent growth in U.S. exports in the fourth quarter of 2007 and helped support growth in the national economy.[4] Growth in international trade to both regions will help support local economic growth.

The effects of the national contraction in residential construction and the decline in residential property values has spilled over into the broader credit markets and begun to affect business investment spending, and having ripple effects through the economy. Residential construction in the fourth quarter fell at a seasonally adjusted annual rate of 25 percent. A decline in business fixed investment (structures and equipment) has played a prominent role in past recessions, and the rate of expansion in business fixed investment in the fourth quarter decelerated to approximately half the pace of the prior six-month period. Non-residential construction spending had been increasing until this past November, but has registered two consecutive monthly declines since then. A sharp reduction in business inventories ($22 billion), also a key contributor to past economic recessions, greatly contributed to the fourth quarter slowdown in national economic growth and an indication that businesses are positioning themselves for a decline in demand. Many state and local governments are facing budget shortfalls and are preparing to pare back spending, and without any federal assistance this will add to recessionary pressure in the months ahead.

Figure 6

National employment growth was slow during 2007, but particularly sluggish since mid-2007. The average monthly gain in industry employment (payrolls) slowed to 91,000 from 174,000 jobs in 2006. The U.S. economy has lost 232,000 jobs in the last three months (January to March), and national unemployment rates increased to 5.1 percent in March compared to 4.4 percent a year earlier.

[4] Accelerating inflation in the Eurozone countries, however, threatens to cause the central bank to raise interest rates, cool down the pace of growth and, thereby, bring inflation under control before it becomes a significant economic problem. The economies of Latin America, moreover, are not immune to a slowing of growth or an outright recession in the U.S.

Short term economic indicators offer no signs that market conditions in the national residential construction sector will soon improve. Housing units authorized by permits (a leading indicator of residential construction activity) continue on their downward trend. Permits in February were down by about one-third from February 2007, and less than half their value from two years ago. Housing prices continue to decline and continue to put direct pressure on the residential mortgage credit market and indirectly straining the entire financial system.

The manufacturing sector, moreover, struggles to generate any growth momentum despite strong export demand. Manufacturing output increased 2.2 percent over the past year, but has been essentially unchanged since August of 2007. The Institute for Supply Management's survey of manufactures indicates that this sector is contracting. Its composite index has registered a value of less than 50 (indicates contraction) in three of the last four months. Manufacturers were reporting that production, new orders, and employment were contracting in December, February and March.

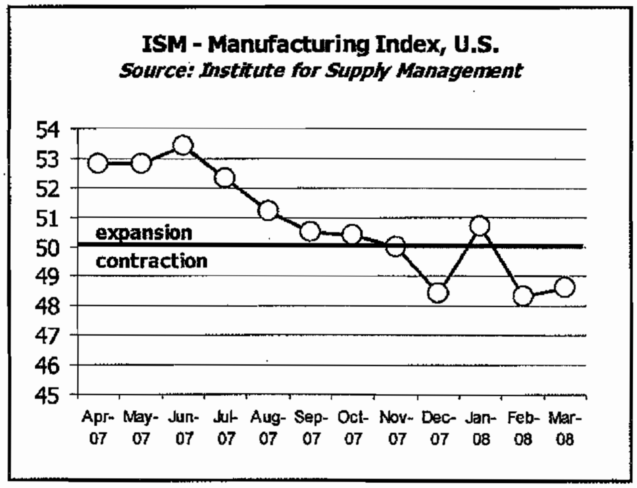

Figure 7

The national economy, and by extension Miami-Dade's economy, faces strong recessionary pressures in the first half of 2008. The index of U.S. leading economic indicators[5] has declined for five straight months, and the last time that occurred was in early 2001. (The last recession began in March 2001.) The broad consensus view among economists in March was for very slow growth through the first half to 2008.[6] Given the revised estimates showing significant job losses in each of the last three months, that consensus may now change to the expectation of recession.

Implications of Economic Recession for Miami-Dade County

Metropolitan economies are strongly linked to their larger regional, state and national economy. The business cycle path of metropolitan economies is dominated by their external trade and financial relations. A large share of the goods and services purchased within the metropolitan economy are produced outside its boundaries, and a large share of goods and

[5] This index is prepared by The Conference Board (www.conference-board.org).

[6] Economists have a notoriously poor record of predicting recessions and even recognizing that one has begun until months after the fact.

services produced within the local economy are sold to customers located outside its boundaries. In Miami-Dade, international events often have a measurable impact on the local economy. Financial capital (borrowing, lending and investing) flows freely between the metropolitan economy and the "rest-of-the-world." Interest rates and access to capital are determined beyond the local economy's boundaries. The *open* nature of Miami-Dade's economy suggests that the future path of the local economy will be largely determined by the economic forces that shape the national economy, and, to a lesser degree, the international economy in 2008. While no two business cycles are exactly alike, the performance of Miami-Dade's economy during the last recession may provide some insight into what we should expect in the event of a mild, moderate or severe recession in 2008.

The number of persons employed in Miami-Dade County fell by nearly five percent from the start of the <u>last</u> recession (March 2001) to the beginning of its recovery (November, 2001).[7] The national recession of 2001 was mild relative to previous recessions – the decline in production was not deep, even though it took approximately nine months to end. U.S. employment fell by 1.6 percent from peak to trough. The number of persons employed in Miami-Dade, like in the U.S. as a whole, was nearly stagnant for approximately one year after the recession was officially over. It was not until September 2002 that local employment began to once again experience steady growth.

If the U.S experiences a mild recession, then 45,000 to 65,000 Miami-Dade residents could lose their jobs from the beginning to the end of the recession.[8] The Bureau of Labor Statistics estimated the unemployment rate in Miami-Dade County at 3.8 percent in February. In a mild-recession scenario that rate could rise to 6.5 percent. If the U.S. experiences a moderate recession, then job losses could range between 55,000 to 75,000, and the unemployment rate is likely to rise to 7.5 percent. If the U.S. were to fall into a severe recession the unemployment rate could rise to 8.0 or 9.0 percent and 75,000 to 100,000 residents could find themselves without a job.

The increase in unemployment will lead more families to seek public financial assistance. States that have already been experiencing rising unemployment have seen significant increases in the number of persons seeking food stamps. The Congressional Budget Office expects that the number of food stamp recipients will grow by 200,000 nationally by late 2008, and 14 states have already seen their food stamp rolls rise to record levels. In Michigan, with an unemployment rate of approximately 7.2 percent, 13 percent of the resident population is receiving food stamps. Florida has seen its unemployment rate rise by one percentage point over the last year (to 4.6 percent from 3.7 percent), and the State has seen a 16 percent increase in

[7] The employment figures quoted here refer to estimates from the Bureau of Labor Statistics' current population survey program. This figure represents the number of persons that have a job (including self-employed), but this measure of employment is more volatile than payroll employment (number of employment positions).
[8] Total employment in February was estimated at 1.15 million.

families receiving food stamps from January 2007 to January 2008. Approximately eight percent of Florida's resident population was receiving food stamps in January 2008. That number is expected to continue to rise over the next year.

Increases in unemployment during the business cycle have a disproportionate impact on teenagers, less educated adults and members of minority groups. The highest rates of unemployment are found among teenage workers even under periods of rapid economic growth. Unemployment rates among young workers tend to be between 10 and 12 percentage points higher than the overall unemployment rate. The unemployment rate among adult workers who had not completed high school has historically been between 2 and 3 percentage points higher than the overall rate. Rising unemployment rates have more than strictly economic consequences.

Economists and sociologists have long recognized the link between property crimes and rising unemployment and declining real wages. During the 1980s labor market conditions for non-college educated young men deteriorated and crime rates increased markedly, but during the 1990s labor market conditions improved for this group and crime rates fell. An empirical study of that experience clearly showed that real wages and unemployment rates among young males had a significant influence on local crime rates, particularly in the case of property crimes.[9] Arrest rates for juveniles and young adults are directly correlated with rising unemployment rates and lower job quality (lower wages and less hours/week).[10]

Declining health insurance coverage is a consequence of job losses and puts additional pressure on the public healthcare system by increasing the demand for health services at a time when public budgets are strained. Miami-Dade's Office of Countywide Healthcare Planning estimates that 28 percent of county residents lack health insurance coverage. OCHP expects that an economic recession will drive that figure even higher as firms pursue cost-cutting strategies, workers reduce insurance coverage to increase net take-home pay, and the possibility that employment will shift from larger companies that provide health insurance to smaller ones that do not.[11] An economic recession can be expected to increase the number of applications for Medicaid and State Children's Health Insurance Program (SCHIP) at a time when the State is looking to reduce expenditures. With fewer public healthcare options, a weakening labor market will push more people to seek care at emergency rooms and, thereby, stress even the private healthcare network.

[9] See E. Gould, B. Weinberg and D. Mustard, "Crime Rates and Local Labor Market Opportunities in the United States: 1979-1997," *The Review of Economics and Statistics*, February 2002, pp. 45-16.
[10] See E. A. Allen and D. Steffensmeir, "Youth, Underemployment and Property Crime: Differential Effects of Job Availability and Job Quality on Juvenile and Young Adult Arrest Rates," *American Sociological Review*, February 1989, pp. 107-123.
[11] See J. Holahan and A. Ghosh, *The Economic Downturn and Changes in Health Insurance Coverage: 2000-2003*, The Kaiser Commission on Medicaid and the Uninsured, September 2004. (http://www.kff.org/uninsured/7174.cfm)

The severity and length of a recession will determine the impact that it will have on Miami-Dade County government revenues. Approximately 30 to 36 percent of general operating revenues are contemporaneously correlated with the business cycle, although (as a group) they do not appear to be very sensitive to changes in short term economic fluctuations. That said, even small reductions in these revenues can have significant budget impacts. During the last recession sales taxes returned to Miami-Dade County fell by 2.3 percent over the nine months from the start of the recession until its *official* end. It took, however, approximately 18 months before taxable sales were on par with their pre-recession levels.

Property taxes are less sensitive to business cycle fluctuations partly because the Save Our Homes (SOH) amendment covers a large proportion of the property tax base, but also because the fiscal impacts of a decline in home values and new construction are experienced with about a nine-month lag. Even when property values decline, taxable values on homestead property can rise by the rate of consumer price inflation, but no more than 3 percent in a given year. Nonetheless, single family home prices in the Miami-Ft. Lauderdale metropolitan area were down 19 percent in January on a year-over-year basis, according to the Case/Shiller price index that tracks the sales price of the same homes. While the fiscal impacts from the decline in home prices are moderated by SOH, approximately 30 percent of taxable property is not covered by this constitutional amendment.[12]

County Government Policy Constraints and Options

The ability of Miami-Dade County to mitigate the local economic impacts of a national recession is very limited. The County's economy, as suggested earlier, is strongly linked to the "rest-of-the-nation" by largely unimpeded trade and financial flows. This structural characteristic constrains the ability of Miami-Dade County government to initiate countercyclical economic stimulus policies that significantly affect local economic conditions in the short term. That is, a large share of increases in local government purchases (even from local vendors), for example, is likely to flow out of the local economy in the form of imported goods and/or services. A standard economic impact model of the County's economy indicates that $10 million in additional local government current and non-tax-financed spending generates an additional 133 employment positions in Miami-Dade, of which 60 are estimated to be generated in the private sector. That additional local government spending generates $8.0 million in additional labor compensation, and $11.1 million in additional Miami-Dade GDP. Even the economic impacts from the acceleration of capital projects are limited largely to the effects generated by local payroll expenditures on such projects since a significant share of construction materials and services are

[12] Properties in foreclosure continue to accrue tax liabilities that must be paid before a transfer of ownership can occur.

purchased from outside the local economy. Using that same computer model, the typical $10 million local government capital investment project (during the course of one year) generates a total of 160 additional jobs, adds $7 million in labor income and $9.4 million in additional Miami-Dade GDP.[13] While these economic impacts are not insignificant, the magnitude of the reduction in jobs and economic activity that characterize the typical recession overwhelm the capacity of Miami-Dade County or any local government (acting on its own) to prevent them.

The ability of local governments to provide short term economic stimulus in recession periods is, of course, also limited by balanced budget requirements. In general, economic stimulus through additional, temporary spending increases or tax reductions require offsetting fiscal actions to maintain balanced budgets. While the utilization of accumulated reserves to finance economic stimulus is possible, the loss of local government revenues that usually occur during periods of recession significantly limits this option. At best, drawing from reserves can partially reduce local government budget cuts required during recessions and that contribute to recessionary pressures. Since the magnitude and duration of the recession cannot be accurately predicted, drawing from reserves to maintain spending levels is not without the risk of larger subsequent budget cuts if the recession lasts longer than expected.

While local governments are limited in what they can do to counter recessionary pressures, that does not mean that they cannot play a vital role in providing needed economic stimulus. The role they can play ultimately depends on the federal government's willingness to provide the financial resources needed to finance countercyclical economic stimulus. The federal government has already adopted an economic stimulus package that is largely oriented toward short term tax breaks for middle and low income taxpayers. Those "rebate" checks will be delivered to taxpayers in May and most of their impact should occur in May and June. The stimulus impact from those checks is uncertain, however, as the impact will depend on the recipients' willingness to spend those checks rather then pay down debt or otherwise save those funds. The April revelation that 232,000 payroll jobs were lost in the January-March period strongly suggests that an additional stimulus package will be forthcoming. That package is likely to contain a larger role for state and local governments than the previous one and less reliance on tax cuts. In response to the 2001 recession, the federal government provided financial aid to state and local governments (about $20 billion) as well as extended unemployment benefits, increased funding under the food stamp program, and provided one-time tax rebates.

State and local governments across the country are facing budget cuts that will involve job cuts and reductions in financial assistance to poor and low income residents. When the Congressional Budget Office advised Congress on economic stimulus options this past January,

[13] The economic impacts from local government expenditures and capital projects are based on a widely used economic impact model developed for Miami-Dade's economy using IMPLAN economic impact modeling software. The economic impacts noted here represent the direct, as well as the indirect and induced economic impacts.

they recognized that federal aid that helped state and local governments avoid spending cuts during a recession could be an important part of a countercyclical stimulus package. In the previous recession Congress temporarily increased the federal matching rate for Medicaid and provided states with $10 billion. This action allowed states to avoid reductions in not just their Medicaid program, but also in other areas of their budget. In addition, the states were provided with another $10 billion in grants that were used in many cases to avoid budget cuts. State and local governments should work for federal legislation now that will provide the same type of relief this summer.

The ($168 million) economic stimulus package passed in February did not include a temporary extension of unemployment benefits or increased funding for the federal food stamp program. Congress is likely to push for inclusion of both of those features in any additional stimulus package. In addition to advocating for federal action that increases financial support for the unemployed and low income households, local governments can establish programs in cooperation with local community groups that assist eligible individuals in obtaining unemployment benefits, food stamps and other income support programs.

It is important to note that Miami-Dade County is currently supporting local economic activity, as it has in the past, through its capital improvement projects. The County may have the ability to accelerate some of those projects in FY2008-09 and thereby provide greater local economic stimulus. The County has approximately $1.39 billion in capital spending budgeted for the current fiscal year ending October 2008. It is estimated that this level of capital investment will support 22,200 (non-county government) employment positions, as well as contribute $970 million in labor compensation[14] and $1.32 billion in Miami-Dade County GDP. The anticipated capital budget for FY2008-09 provides for $2.45 billion in spending on capital projects. The FY2008-09 capital budget can be expected to support 38,380 employment positions, $1.71 billion in labor compensation and $2.32 billion in local GDP.

Economic Impact of Capital Spending Projects

	FY2007-08			FY2008-09		
	Direct	Indirect & Induced	Total	Direct	Indirect & Induced	Total
Capital Projects, Budgeted	$1,393			$2,445		
Employment (jobs)	12,124	10,100	22,224	20,940	17,444	38,384
Labor Compensation (million $)	$550	$419	$969	$966	$742	$1,709
Compensation per Job ($)	$45,386	$41,478	$43,610	$46,136	$42,564	$44,513
Miami-Dade GDP* (million $)	$644	$673	$1,317	$1,130	$1,188	$2,318

Note: *Gross domestic product (GDP) is a broad measure of economic activity. It represents the market value of goods and services produced within Miami-Dade County during the fiscal year.

[14] Labor compensation includes wages and salaries, employer provided benefits and income of self-employed workers.

Potential Programs and Initiatives for Addressing Foreclosures

Federal Initiatives

A number of proposals and initiatives for preventing and mitigating the adverse effects of foreclosures have been put forward at the national, state and local levels. The public policy proposals to deal with this important issue are evolving, with a number of competing proposals making their way through Congress. The Federally chartered, quasi-public residential lenders (Fannie Mae and Freddie Mac) are now working with their borrowers facing foreclosure actions to work out repayment agreements, renegotiating loan terms and approving property sales to third parties at prices lower than the outstanding mortgage balance ("short sales"). These lenders are finding more success in reaching mutually beneficial outcomes by working directly with borrowers, rather than having borrowers work with their loan servicing companies.

The economic stimulus package passed by Congress and signed by the president in late February provided additional capital to the nation's largest mortgage lenders and provided temporary authority allowing them to issue larger mortgages. This measure may stimulate sales of new and existing homes, but would do little to help households facing foreclosure.

The Senate is expected to pass a bill that includes $10 billion in tax-exempt bonds for local housing agencies to refinance subprime loans and provide new mortgages for first-time home buyers, $4 billion in grants for local governments to buy foreclosed properties and $100 million to expand counseling for homeowners at risk of defaulting on their loans. The counseling appropriation would be in addition to the $130 million already approved in the FY2008 budget for foreclosure prevention assistance.[15] The Senate bill is reported to also include $15 million to $20 million in tax credits to purchasers of foreclosed property (up to $7,000 per property), and a provision that allows homebuilders to use current business losses to receive partial refunds of past taxes. Legislation is also being considered in the House of Representatives that is reported to be more aggressive in dealing with the foreclosure crisis and may include a provision giving federal bankruptcy judges the authority to modify the terms of mortgages (including reducing principal). A number of members from both houses of Congress and some state legislatures have also called for a temporary moratorium on foreclosures.

[15] Three Florida agencies – Florida Housing Finance Corp., Miami-Dade Neighborhood Housing Services and Centro Campesino Farmworker Center – received $1.3 million in funding from this federal program.

Three Examples of Local Government Initiatives

The Belair-Edison Neighborhood Initiative (Baltimore Area): BENI is a non-profit community-based organization that uses public records and street-level marketing to reach high-risk borrowers in their community before they fall too far behind in their mortgage payments. In response to rising foreclosures, the agency strengthened the visibility of its counseling services by placing ads in a local newsletter and hanging a banner over the main street in the area. They also worked with other housing organizations and used public records to identify and proactively contact residents with high-interest or adjustable-rate mortgages to offer free counseling and information on low-cost alternatives. BENI also offers pre-homeownership workshops. The agency has a staff of eight full-time employees and an overall budget of $450,000 from public and foundation sources.

Center for NYC Neighborhoods (CNYCN): The CNYCN is a not-for-profit organization, founded in December 2007, with the mission of assisting homeowners at risk of mortgage foreclosure throughout New York City's five boroughs. CNYCN expanded and coordinated foreclosure prevention counseling and referral services, legal assistance, loan remediation and preventive outreach. The organization engages in education, training, research and advocacy around sub-prime lending and the mortgage foreclosure crisis. The center expects to assist 18,000 New Yorker's annually and is reportedly the largest and most comprehensive program of its kind in the U.S.

CNYCN will serve as a clearinghouse for foreclosure prevention *best practices*, conduct ongoing training to build capacity within local groups to serve their clients, and establish quality controls to ensure that New Yorker's receive high-quality counseling and legal services. The goal of the center and its partners is to assess the borrower's capacity to pay for a home, identify best options for the borrower to preserve their home equity, credit ratings and savings, and to avoid scams, bankruptcy and foreclosure where possible. The center also provides assistance to renters facing eviction due to an owner's foreclosure. CNYCN services are accessible by dialing the New York City's 311 customer service center and it also accepts direct walk-ins.

CNYCN has a first-year projected budget of $5.3 million including $2.8 million in City funds. The Open Society Institute, Freddie Mac, HSBC Bank and Citi Foundation are also providing support. The City and CNYCN's Planning Committee are actively seeking philanthropic support to raise the remaining funds from private and foundation sources. The Center is governed by a Board of Directors consisting of representatives from government, philanthropic institutions, the lending industry, academia, community-based organization and community leaders. It will have a staff, including three dozen counseling and support personnel and 22 legal professionals, but CNYCN is expected to act primarily as the hub of a broad network of service providers focused on mitigating foreclosures.

The CNYCN initiative builds on the success of a pilot anti-predatory lending program, "Preserve Assets and Community Equity" (PACE) launched in October 2005 by Mayor Bloomberg and the City Council's Predatory Lending Initiative. During PACE's first 18 months, the program provided one-on-one counseling services to 1,052 clients, and provided information to thousands more through community outreach efforts. During that time period, the PACE program assisted 104 homeowners in obtaining an estimated $26 million in home equity and new loans.

City of West Palm Beach Foreclosure Assistance Center: The City of West Palm Beach partnered with national organizations and banks to create a foreclosure assistance center focused on providing immediate solutions for homeowners facing the loss of their property. Partners and supporters include: The Urban League, Department of Housing and Urban Development, Education and Community Housing, Inc., BankAtlantic, Bank of America, Foreclosure.Com, HSBC Bank, National City Bank, The Housing Partnership, SunTrust Bank, The T.A.C. Companies, Unified Financial Group, United Way of Palm Beach, Consumer Credit Counseling Services. The West Palm Beach center's initial $1 million funding comes from a developer-financed city trust fund (approximately $650,000) and a grant from the U.S. Department of Housing and Urban Development (approximately $350,000). In order to receive any program benefits, homeowners must agree to enter into the center's Housing Counseling and Education Program for a minimum of 12 months. The center is open from 9 to 5 PM from Monday through Friday.

The options/services offered through the center, which opened at the end of March, include:

- Direct payment of past due and delinquent mortgage payments up to $10,000 in certain emergency situations. Recipients must enter into a repayment plan.
- Negotiations with the current mortgage holder for repayment agreements on existing loans.
- Purchase of their home should their current lender agree to a "short sale" arrangement. The City would negotiate with the lender to purchase the home for less than that value of the outstanding mortgage, and purchased homes would then be made available for sale through the city's affordable housing program.
- Employment assistance for those who have lost their jobs.
- Preparation of a Credit Recovery Plan to help repair damaged credit.

Immediate Steps for Miami-Dade County

An internal *Foreclosure Prevention Task Force* should be established for the purpose of designing a program that draws from the experience of each of the local programs identified above, while also considering what is feasible within the County's current budget constraints.

The task force would benefit from the experience and expertise of staff from the Office of Community and Economic Development, the Office of Strategic Budget Management, and other county agencies with experience in providing services to low-income communities. The task force should work to leverage the County's existing resources to serve the greatest number of residents in the most efficient and cost effective manner possible. A County foreclosure prevention program should utilize existing County programs and resources to the maximum extent possible and avoid duplication of effort. The task force would identify community partners, state and federal agencies, and non-profit organizations that are willing to provide financial support and/or other resources that contribute to achieving the goal of reducing the number of foreclosures and finding solutions to associated socioeconomic problems.

Appendix I: Inventory of Miami-Dade County Programs and Resources to Assist Residents Facing Foreclosure or Unemployment

Miami-Dade County Programs and Resources to Assist Residents Facing Foreclosure or Unemployment

Program Name	Department	Description
Miami-Dade Anti-Predatory Lending Program / Foreclosure Prevention Helpline	**Housing Finance Authority (HFA)**	Referrals to Legal Services, HUD-certified foreclosure prevention counseling, and financial assistance for qualified predatory lending victims
Mortgage Fraud Task Force	**Miami-Dade County Office of the Mayor**	Created to reduce mortgage fraud and prevent victimization of individuals and businesses through effective education, legislation, regulation, law enforcement and prosecution.
Emergency Housing Assistance	**Miami-Dade County Department of Human Services**	Miami-Dade County's Department of Human Services provides placement for homeless families for up to four (4) months. Eligibility is assessed at one of the Neighborhood Service Centers.
Emergency Financial Assistance	**Miami-Dade County Department of Human Services**	Miami-Dade County's Department of Human Services provides rental assistance to county residents experiencing a short-term and long-term disability for qualified residents.
Utility Assistance	**Miami-Dade County Department of Human Services**	Miami-Dade County's Department of Human Services provides one month of utility assistance through the Florida Power and Light (FPL) Care to Share Program. Qualified residents can receive up to $250 relief on their FPL electric bill. To qualify families must demonstrate an emergency financial situation resulting in loss of income. Program is limited to funding availability.
Relocation Assistance	**Miami-Dade County Department of Human Services**	Miami-Dade County's Department of Human Services provides one (1) time rental assistance to citizens that have been given a legal eviction notice or mortgage foreclosure. Eligibility is assessed at one of the Neighborhood Service Centers and all documents must be provided.
Low-Income Home Energy Assistance Program (LIHEAP)	**Community Action Agency**	Provides assistance to low-income individuals and families who are experiencing difficulty in paying for utilities such as electricity and gas. This assistance is provided in the form of a credit on an existing utility bill. The program is funded through the Florida Department of Community Affairs Division of Housing and Community Development. LIHEAP provides assistance in three categories: Home Energy, Crisis Energy Assistance, and Weather-related Crisis.
Homeless Trust and the Community Partnership for the Homeless	**Homeless Helpline**	The Homeless Trust provides referrals to homeless persons for housing and/or services. The Community Partnership for the Homeless is the non-for-profit 501(c)(3) approved agency that is the private sector partner of the Miami-Dade County Homeless Trust. CPH operates the two Homeless Assistance Centers currently operational which serve as the intake centers for the continuum of care.
Computer Training and Employment Program	**Community Action Agency**	The Community Action Agency's Self Help Institute provides instruction and training in the use of personal computers as well as training to develop basic office skills. These services are provided to low-income individuals who have a desire to learn about computers or has an interest in entering the workforce in a computer related field. Skills learned through the program will facilitate advancement or immediate entry into the job market.
Greater Miami Service Corps	**Community Action Agency**	The Greater Miami Service Corps (GMSC) is a youth service organization that operates under the hospice of the Miami-Dade Community Action Agency (CAA) and provides out-of-school young people with the resources and services necessary to transition to independence and self-sufficiency. Program emphasis is placed on preparing young people to enter the workforce through education, work experience, internship, job placement and post-program follow-up to placement retention.
Servicing of Homeownership Loans funded through Surtax and SHIP	**Office of Community and Economic Development**	Loan servicing staff works with low-income borrowers who received a second mortgage through the Documentary Stamp Surtax and State Housing Initiative Partnership programs that are delinquent and at risk of default to restructure the loan or enter into a temporary deferral. Staff also assists homeowner in addressing escrow shortages and unexpected special assessments by providing the needed funds upfront and adding the amount to outstanding loan balance.
Commissioner-sponsored Community Seminars on Foreclosure Prevention	**Hosted by Commissioners in their respective districts**	Since May 2007, eight seminars or community meetings have been hosted by various commissioners in conjunction with local banks, non-for-profits, and community organizations to provide information on predatoy lending practices, foreclosure prevention and one-on-one counseling.

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Other Local Programs - Not Within County Departments

Program Name	Organization/Sponsor Name	Description
Florida Keys to Home Program	**Miami-Dade Affordable Housing Foundation, Inc. and CitiMortgage**	A dynamic nonprofit–private sector response to counter predatory lending practices. Provides an alternative mortgage loan for lower scoring credit and income borrowers. The program enables these borrowers to obtain a market rate loan that is equal to the loan rate and terms of homebuyer with a higher income/credit score. This statewide program provides the same terms throughout Florida.
Job Placement Assistance	**South Florida Workforce**	Provides job placement, referrals, training, and employability workshops to jobseekers. Additional programs aimed at assisting Veterans, Refugees, Youth, Disabled Persons, Ex-Offenders, Welfare Recipients, and Dislocated Workers.
Legal Services of Greater Miami	**Legal Services of Greater Miami**	Provides free legal services to eligible residents of Miami-Dade and Monroe Counties in a variety of legal matters including foreclosure and predatory lending. The website, also available in Spanish and Creole, has additional information on eligibility.
Prosperity Campaign	**The Children's Trust; Miami-Dade County (Alliance for Human Services); Washington Mutual; Bank of America; Families and Work Institute (Ford Foundation); HSBC Bank; BankUnited; Commercebank; ATT; Royal Caribbean Cruise Lines; City National Bank; and Great Florida Bank**	The Prosperity Campaign connects low-wage workers to existing economic benefits programs

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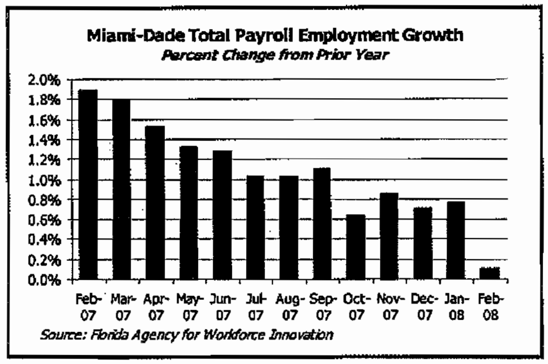
Appendix II. Supporting Charts and Data

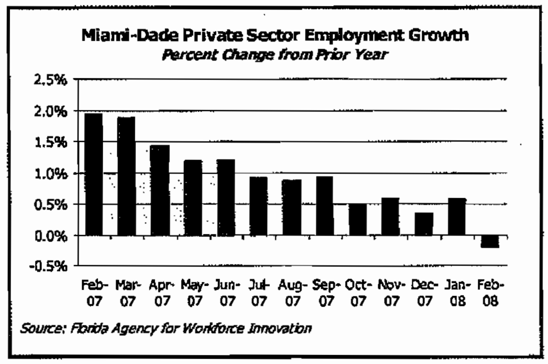
Labor Market Information

Payroll Employment Growth

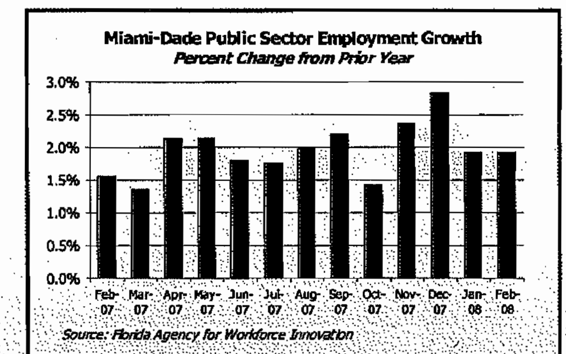
- The pace of total payroll employment growth has slowed since mid-2007. Payroll employment was virtually flat in first two months of 2008



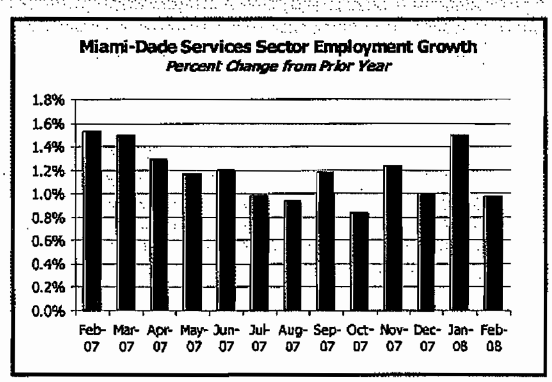
- Payroll employment in the private sector declined in February on a year-over-year comparison. Growth has been below 1 percent since July.



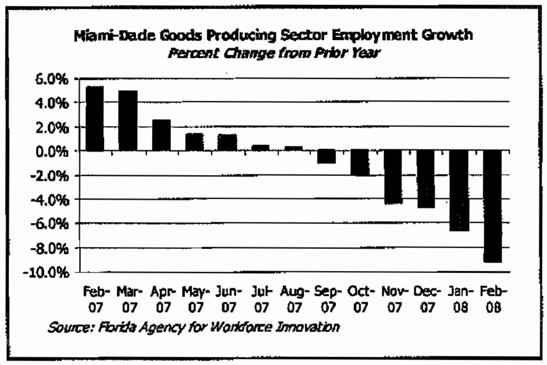
- Public sector employment has prevented an even sharper deceleration in job growth. State and local government budget cuts suggest that declines in public sector employment may occur in early summer.



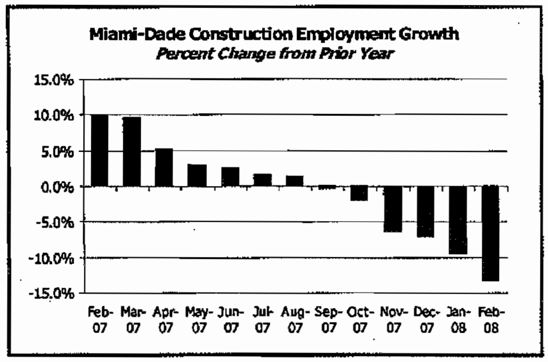
- Employment gains in services sector, a key factor in the growth in total employment, have moderated since the summer.



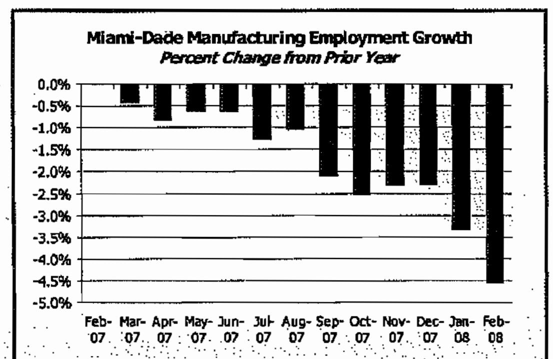
- The weak gains in total payroll employment can be traced mainly to job losses in the goods producing sector.



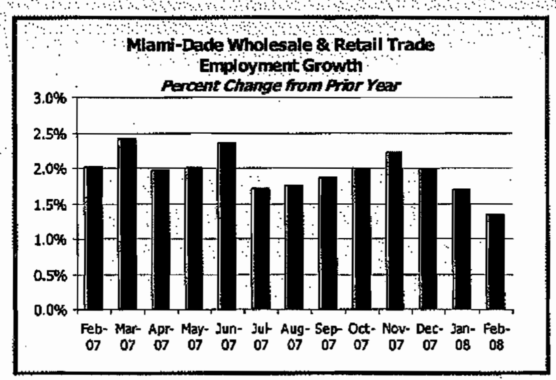
- Job losses in the construction industry led decline in employment in goods producing sector of the economy.



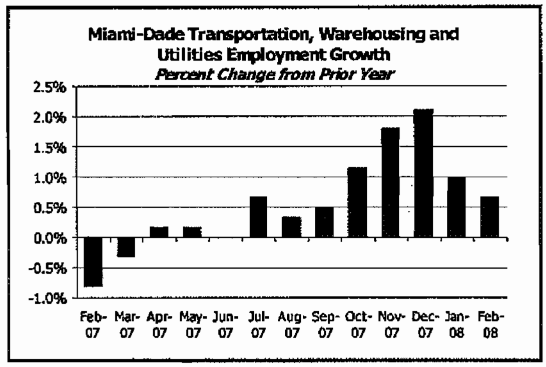
- The manufacturing sector has been losing jobs for several years, but the pace of job losses accelerate in September.



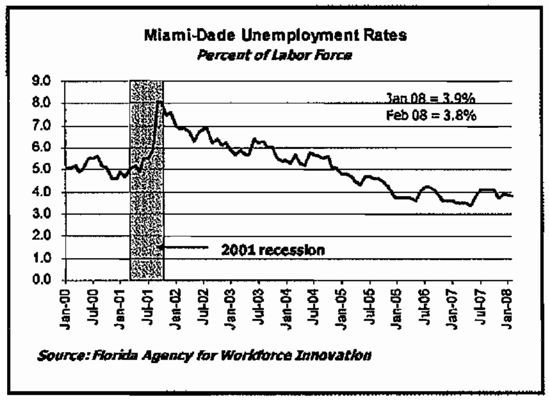
- Weakness in employment growth in Wholesale and Retail Trade reflects the decline in taxable sales.



- Employment growth in the transportation was supporting total growth in payroll employment, but showed signs of weakness in January and February.

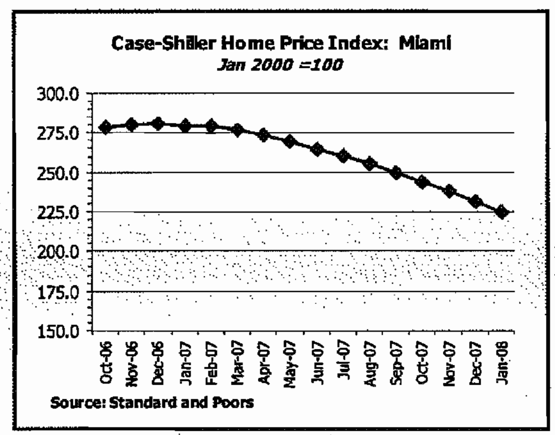


- Unemployment rates are currently low (3.8% in February), but they rise quickly during recessions.

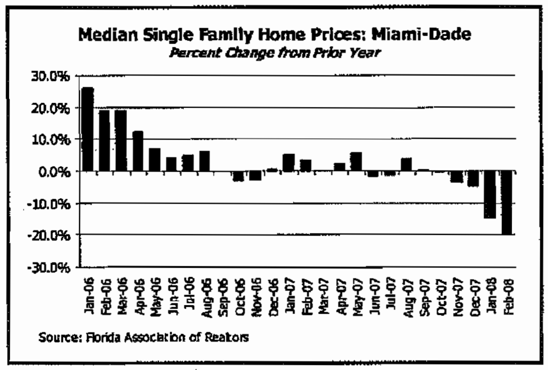


Residential Construction and Real Estate

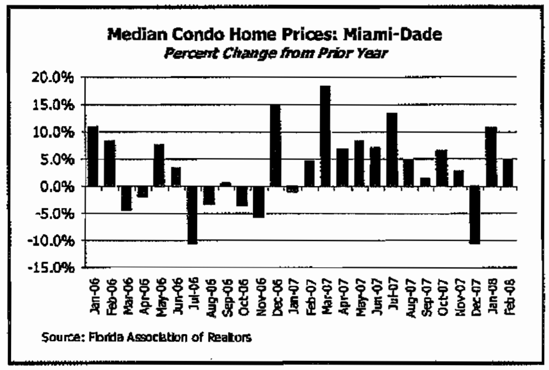
- Case/Shiller Single Family Home Price Index monitors changes in sales price of existing homes in Miami-Ft. Lauderdale Metropolitan Statistical Area (covers Miami-Dade and Broward counties). Index shows a decline in values of 20 % from their peak in December 2006.



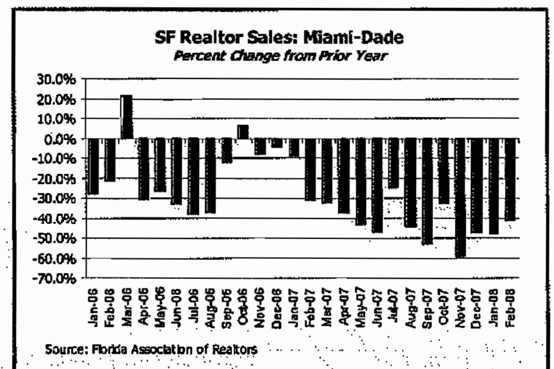
- Florida Association of Realtors index of median sales price for single family homes based on current transactions also shows a downward trend in prices.



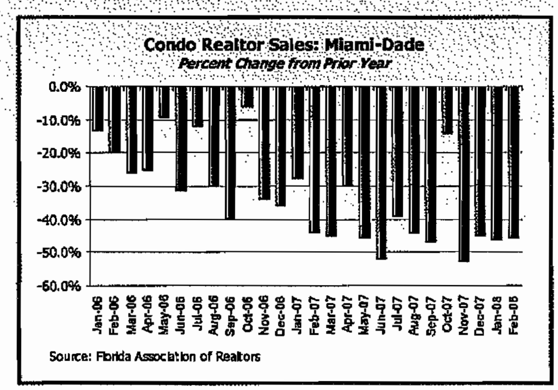
- Condo prices show a modest upward trend but fluctuate greatly. The number of transactions is small, so changes in price should be interpreted with caution.



- The number of sales of existing single family homes has been declining since mid-2005. The number of single family home sold has fallen from an average of 1,240 per month in the summer of 2005 to 244 single family units in February.

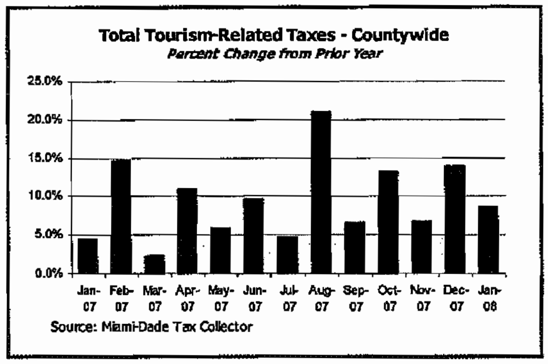


- The number of condominium sales has fallen from an average of 1,415 units per month at its peak from March to June 2005 to just 235 units in February.

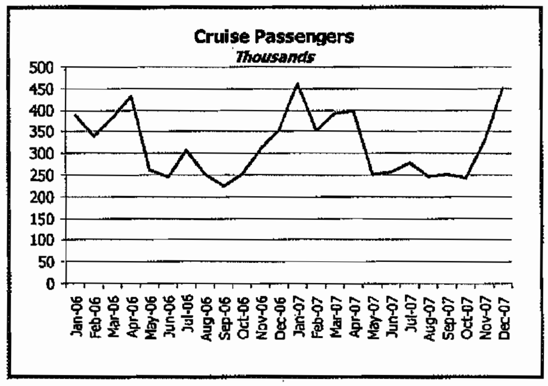


Tourism and Transportation Indicators

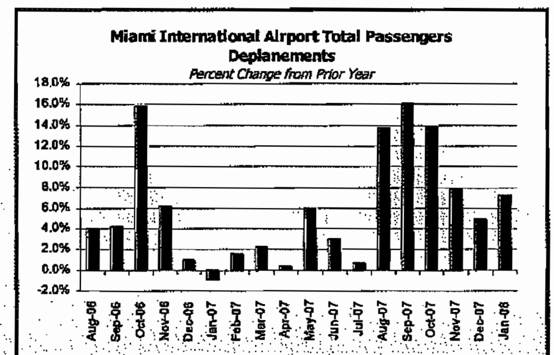
- Tourism related tax collections – consisting of Tourist Development Surtax, Convention Development Tax, Pro-sports Franchise Facility Tax, and the Homeless and Spouse Abuse Tax – grew at a robust rate in the second half of 2007 and continued a relatively strong pace in January.



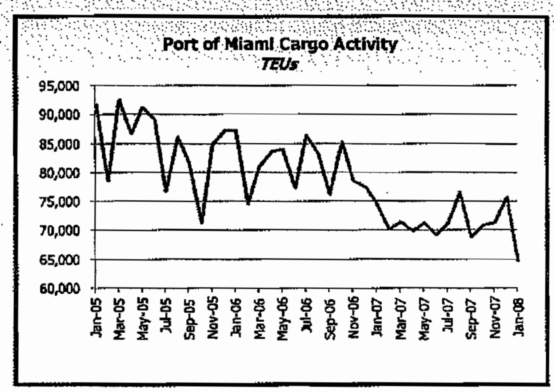
- Cruise passenger activity increased by 4.2 percent in 2007 over passenger levels in 2006.



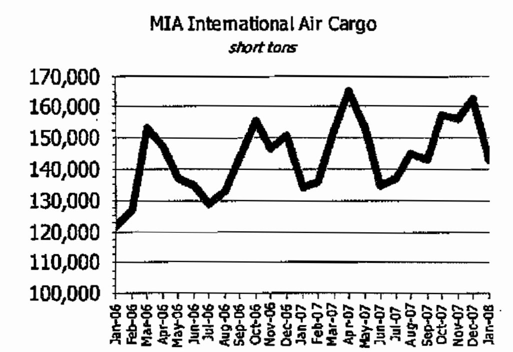
- Total air passenger traffic at Miami International Airport has been on a positive trend. The growth of international passenger traffic was sufficient to offset the decline in domestic passenger traffic that



- Port of Miami cargo activity has been declining since 2004. That decline may have stabilized in 2007, but a reversal of that trend is not yet evident. This trend is particularly worrisome because U.S. total trade (imports and exports) have been rising. TEU represents 20-foot Equivalent Containers – a standard unit of measure used in shipping containerized cargo.



➢ International air cargo has been on a positive trend for two years. Total international freight grew by 5.9% in 2007 after growing 6% in 2006. Pace of growth decelerated from August 2007 to January 2008, as the growth in import cargo began to slow.



Source: Miami International Airport.

Social and Economic Development Council
Miami-Dade County

Dr. Antonio Jorge,
Chairperson

April 21, 2008

Honorable Bruno A. Barreiro, Chairman, Honorable Members of the Board of County Commissioners, and Honorable Carlos Alvarez, Mayor

The Social and Economic Development Council has reviewed and discussed the report on current economic conditions, short-term outlook and County government economic stimulus prepared by Dr. Robert Cruz, Economic Policy Coordinator and Chief Economist. The Council supports the findings of the study and commends Dr. Cruz for the insightful and high quality of his analysis and the Office of Strategic Business Management for its support of the Council and facilitating this timely report.

It is increasingly clear that Miami-Dade County will face significant economic challenges in the short-term, and should adopt policies that support economic growth and strengthens the social safety net to the greatest extent possible. We urge the Board of County Commissioners and the Mayor to consider the Economic Development Mission Statement in the County's Strategic Plan and the policies endorsed in the Economic Element of the Comprehensive Development Master Plan as the County formulates next year's budget. The County's Strategic Plan defines its economic development mission as expanding and further diversifying the County's economy and employment opportunities and implementing economic revitalization policies that reduce socio-economic disparities. During an approaching period of economic recession and distress, as well as shrinking government financial resources, it is important to recognize the needs of the least affluent and most vulnerable members of our community when developing budget priorities. Reducing economic disparities is essential to the meaning of economic development, and a community cannot truly achieve economic progress if a significant segment of its population is continuously falling behind in terms of income per capita, access to healthcare, affordable housing and opportunities for upward social mobility. Several strategies in the Strategic Plan are specifically oriented towards the goal of reducing income disparities and promoting positive social mobility. These and complementary strategies from the Economic Element of the CDMP deserve high priority in your budget decisions.

The SEDC also would like to stress the importance of supporting small and medium-sized enterprises during the economic recession we are likely to face in the near future and that we may, in fact, already be facing today. The SEDC has strongly supported policy ECO-7A of the CDMP that emphasizes "promoting the creation and development of small and medium-sized, labor intensive enterprises geared to the socio-economic needs and opportunities of specific neighborhoods and locations meant to serve a diversity of markets" and we encourage the Board and the administration carefully consider this policy in your budget deliberations. In the awarding of contracts for major infrastructure projects, the Council proposes explicit consideration of local economic impacts and due weight to local job creation presented by alternative projects and/or vendors. The Council also takes this

Social and Economic Development Council
Miami-Dade County

opportunity to encourage you to continue to move forward with CDMP Objective ECO-8 that calls for the development of a small business assistance and entrepreneurship program, and the associated policies under this objective.

The SEDC recently developed a suggested set of *guiding principles for economic policy evaluation* that it offers to the BCC and the executive administration as a tool for making economic policy decisions. These recommended principles were developed with the assistance of the Economic Policy Coordinator and staff from OSBM, and are presented, along with the analysis of Dr. Cruz, as an attachment to this letter. With the assistance of OSBM, we intend to develop a policy/program "scoring" sheet that can assist in prioritizing economic development programs, initiatives and policies. We hope that you find them useful, particularly as you face difficult budgetary choices, and consider them for adoption.

Sincerely yours and on behalf of the SEDC,

Antonio Jorge

Dr. Antonio Jorge,
Professor Emeritus of Political Economy,
College of Arts and Sciences,
Florida International University

cc: SEDC Council Members
Ms. Jennifer Glazer –Moon
Dr. Robert Cruz

Attachments: 2

<u>SEDC Recommended Guiding Principles for Economic Policy Evaluation</u>

Miami-Dade County government policies and investments shall strive to achieve local economic prosperity, an improved quality of life, sustainable economic development and social equity. Recognizing that economic development is a long-term process and that prosperity is defined as a high quality of life for all Miami-Dade residents, the County's economic development policies should:

- **be formulated with a long term perspective that emphasize socio-economic development and reductions in poverty,**
- **address economic disparities that exist both geographically and across social communities within the County,**
- **promote income growth and social equity for all communities,**
- **balance the desire for economic growth and development with the interest of preserving and enhancing the natural environment,**
- **be based on reliable and current economic information and methodologically sound economic analyses,**
- **ensure proper stewardship of the public's scarce financial resources, and**
- **be transparent and provide for clear accountability.**

Revised according to March 14, 2008 SEDC meeting.

Memorandum

MIAMI-DADE COUNTY

Date: May 13, 2008

To: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

From: George M. Burgess, County Manager

Subject: Foreclosure Assistance and Prevention Task Force

The rate of mortgage foreclosures in Miami-Dade County began to accelerate at the end of last year. Nearly 11,400 foreclosure actions were filed in Miami-Dade County Circuit Court over the first three months of this year compared to 4,700 in the first 3 months of 2007. Rising mortgage foreclosures is part of a national trend that began in 2006 and reflects the fallout from a collapsing residential real estate market. Federal efforts to stem the tide of foreclosures have fallen short, and new foreclosure prevention initiatives in Congress are proceeding slowly. The State has yet to offer any programs to deal with this serious issue.

I am convening an internal task force to evaluate alternatives and identify funding sources for creating a foreclosure assistance center to serve County homeowners, renters being displaced by foreclosure actions against their landlords, and households experiencing financial problems due to unemployment.

This task force will be comprised of: Patricia Braynon, Director, Housing Finance Authority; Jose Cintron, Director, Office of Community and Economic Development; John Dixon, Director Metro-Miami Action Plan; Glenn Theobald, Chief Counsel, Miami-Dade Police Department; Daniel Wall, Asst. Director, OSBM; and Dr. Robert Cruz, Chief Economist and Economic Policy Coordinator, OSBM. Dr. Cruz will serve as the chairperson of the task force. Additional county staff from OSBM and the Tax Collector's office will be called upon to assist the task force as needed. The committee will have its first organizational meeting on Wednesday, May 14, 2008, and will complete its report and recommendations by June 20th, 2008.

If you have any questions, please feel free to contact me directly or Jennifer Glazer-Moon at 305 375-5143.

c: Honorable Carlos Alvarez, Mayor
Denis Morales, Chief of Staff, Office of the Mayor
Assistant County Managers
Jennifer Glazer-Moon, Special Asst./OSBM Director
Department Directors
Dr. Robert Cruz, Chief Economist, OSBM
Foreclosure Assistance and Prevention Task Force Members
Charles Anderson, Commission Auditor

cmo16508

Foreclosure Assistance and Prevention Task Force
Minutes of the May 14, 2008

In attendance: Fernando Casamayor (Tax Collector), Robert Cruz (OSBM), John Dixon (MMAP), Amelia Gowdy (HFA and also representing Patricia Braynon), Joann Hicks (MMAP), Glenn Theobald (MDPD), Dan Wall (OSBM).

Meeting convened at 2:10pm

Dr. Cruz provided a brief introduction, presented the members with a packet of information regarding the extent of the foreclosure problem in Miami-Dade County and the purpose of the Task Force. Discussion and introductions continued with members providing information suggesting that: a) the foreclosure problem is likely to get worse before it begins to get better; b) that there are strong indications that the community is very concerned about this issue and many are seeking information and assistance; and c) for various reasons individuals facing foreclosure often seek assistance late into the process, making it more difficult to prevent foreclosures.

Many, although not all, community events already held on this issue have been well attended and the topic frequently comes up at events held on other economic/community issues. The Mayor's task force on mortgage fraud receives many complaints that do not rise to the level of a law enforcement issue and these individuals are then directed to other agencies that can provide assistance.

The members noted that several agencies within the County (including the offices of members of the Board of County Commissioners) have been providing assistance ranging from information and referrals to non-profits to helping homeowners negotiate mortgage workouts with their lenders. It appears that Housing Finance Authority (HFA) has been most active in addressing this problem, but that other agencies like Community Action Agency (CAA) and, previously mentioned Mayor's Mortgage Fraud Task Force (MFTF) have also been involved.

The task force discussed the benefits of organizing these various efforts under a common umbrella to: 1) improve resident access to available services; 2) increase awareness of available services; 3) make more efficient use of existing County personnel and resources in addressing this issue; and 4) increase efforts to develop external funding to assist residents facing foreclosure issues.

Several task force members emphasized the important role that local media – especially radio – can play in raising community awareness of available services. Recruiting media partners in this effort was seen as an important strategy.

Dr. Cruz reminded members of the short time frame to complete the panel's charge and the need to, therefore, focus primarily recommendations rather than analysis – much analysis of this issue has already been done.

The members agreed to meet on a weekly basis until June 20th, recognizing that the members will be working on this issue outside of the meetings. For the next meeting (May 22nd at 10:30 am to 12:30 pm), each member will:

a) Bring an "inventory of resources and activities" that their respective departments/agencies are engaged in with respect to the foreclosure assistance issue. This inventory should identify the activity/service performed, an estimate of the personnel resources (FTE and cost) devoted to this activity, and any additional direct costs supporting this activity).

b) Dan Wall will bring a matrix of possible external grant funding for foreclosure assistance/prevention that OSBM can identify.
c) Bob Cruz will bring additional information regarding City of WPB's foreclosure assistance center, and contact the Director of CAA.
d) Members should be thinking about the following –
    a. What is the best organizational structure for integrating/coordinating the County's foreclosure assistance and prevention services? Lead agencies? Supporting agencies? Community partners? Involvement of key local cities?
    b. Creation of a Foreclosure Assistance and Prevention Center advisory board? Composition?

Meeting adjourned 3:15pm

Note: Future Meetings –

May 22nd (Thursday)	10:30 – 12:30 pm	Rear Conference Room 22nd Floor
May 30th (Friday)	11:00 – 12:30 pm	Conference Room 29th Floor
June 6th (Friday)	10:30 – 12:30 pm	Rear Conference Room 22nd Floor
June 13th (Friday)	10:30 – 12:30 pm	Rear Conference Room 22nd Floor

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Memorandum

MIAMI-DADE COUNTY

Date: May 5, 2008

To: Honorable Carlos Alvarez
Mayor

From: George M. Burgess
County Manager

Subject: Economic News Briefing

The County finds itself in challenging economic times where important events at the national, state and local level are occurring rapidly. I have directed the staff of the Office of Strategic Business Management to prepare a periodic briefing report on major economic events and policies that may have important impacts on the local economy and the County's budget. These short reports should keep us abreast of important developments, help us prepare for potential threats and take advantage of new opportunities, and allow us to react quickly to changes in our business environment.

The first issue of this economic news briefing provides a succinct analysis of a proposed state constitutional amendment that will be before the voters this November. Amendment 5, if adopted, would have very significant impacts at both the state and local level, and we will be developing plans for dealing with the anticipated effects of Amendment 5, if it is approved by the voters. The administration is also analyzing the impacts of other amendments that are being placed on the November ballot by the Taxation and Budget Reform Commission.

This issue of the briefing report also provides a review of national and local economic trends.

Attachment

c: Honorable Chairman Bruno A. Barriero
and Members, Board of County Commissioners
Denis Morales, Chief of Staff, Office of the Mayor
Assistant County Managers
Department Directors
Charles Anderson, Commission Auditor

cmo16308

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Economic News Briefing

Week Ending April 26, 2008

In this issue: Taxation and Budget Reform Commission puts McKay proposal on ballot.
Local employment growth moves into negative territory.
Local construction data show residential real estate sector has not hit bottom yet.
U.S. economic indicators continue to signal weakening economy.

Taxation and Budget Reform Commission

The Taxation and Budget Reform Commission (TBRC) completed its work this week and placed six amendments to the Florida Constitution on the November 2008 ballot. The most significant of these proposed amendments, from an economic impact perspective, is former State Senator John McKay's Amendment 5 – the local school "property tax swap." If approved by the voters, this amendment will shift a significant share of the burden of financing K-12 public education from private property owners to consumers and businesses, diminish Florida's ability to compete in the national and global economy, and reduce the State's economic growth. Those are the findings of the economics consulting firm hired by the TBRC to serve as its staff economists.

The elimination of local school property taxes (the "required local effort" or "RLE") would begin in the 2010-2011 fiscal year, and the amount of financial resources to replace the RLE has been estimated at between \$9 billion and \$11 billion. The TBRC's economists estimated \$9.6 billion in RLE. Amendment 5 provides a future legislature with several options for replacing the RLE. These options may be summarized as: 1) an increase of up to one percentage point to the sales and use tax rate in existence on January 6, 2009; 2) eliminate some current exemptions on goods and services, with certain exceptions and conditions; and 3) reduction in spending in other areas of the state budget or revenues identified or created by the legislature. Except for the limitation on the permissible increase in the sales tax rate, the legislature is given broad authority in deciding how it will deal with the financial implications of eliminating the RLE.

The additional penny sales tax is projected to raise approximately \$4.6 billion and another \$4 billion might be raised from eliminating current exemptions on goods more likely to be purchased by businesses rather than consumers. That leaves an approximately \$1 billion gap that would have to be filled by taxing business services or reducing state spending in other areas. Reliance on taxing services and/or reductions in other areas of the state budget will be larger if the legislature decides not to raise the sales tax rate by 1 percent or chooses to maintain many of the current sales tax exemptions.

The elimination of the RLE will save residential property owners living in the state \$4.7 billion on an after-income-tax basis and will save owners of commercial property \$2.4 billion (before income taxes), according to the analysis by the TBRC's staff. The legislature, however, must raise taxes and/or cut state spending by an estimated \$9.6 billion in FY2010-11. Without cuts in state spending, Amendment 5 represents a <u>net</u> <u>tax</u> <u>increase</u> of about \$2.5 billion. Facing the prospects of such a large tax increase, it is hard to conceive of a future legislature not opting for significant spending cuts. That is perhaps actually the financing approach preferred by many of the proponents of Amendment 5.

The combination of sales tax increases and spending reductions from the passage of Amendment 5 would reduce employment and income growth within Florida. The analysis from the TBRC's economists indicates statewide employment would be lower than it would be otherwise by approximately 51,000 in the third year after eliminating the RLE. This estimate is based on 90 percent of the replacement funding for the RLE coming from increases in sales taxes and only 10 percent from reduced spending in non-education areas of the state budget. If the elimination of the RLE were to be financed entirely through reductions in non-education areas of the state budget, then employment would be lower than otherwise by 113,000 in the third year after eliminating the RLE. Not surprisingly, roughly 85 percent of those job losses would occur in the public sector under that scenario.

After the TBRC's economic consultant's presentation of the macroeconomic impact of Amendment 5, the Chair of the TBRC granted the principal sponsor's request for another analysis by an economist selected by the sponsor. That analysis argued that elimination of the RLE would immediately increase private property values in the Florida by ten times the size of the RLE in the current fiscal year or $80 billion. Elimination of the RLE, according to the subsequent analysis, would stimulate migration to Florida and increase the state's population by 57,000, generating $9.7 billion in new residential and non-residential construction – notwithstanding current conditions and trends in this sector of the economy. According to that analysis, replacing the RLE entirely with higher sales taxes would create 34,700 jobs statewide in the third year after eliminating the RLE and 72,500 jobs in the 5th year. This subsequent analysis, however, is based on unreasonable assumptions unsupported by historical experience or empirical research.

Amendment 5 does not directly affect county property tax collections, except for a reduction from 10 percent to 5 percent in the current cap on the annual growth in the taxable assessed value of non-residential private property. The broadening of the sales tax base by elimination of some exemptions could bring additional, albeit modest, revenues from sales tax revenue sharing and local option sales taxes. The more significant impacts to the County are likely to be: 1) economic growth would be adversely affected by the net increase in business taxes due to a higher sales tax rate, the potential loss of exemptions on items that consumers and businesses purchase, and the potential taxation of business services; 2) income disparity would grow from the shift in the local school tax burden from property owners to renters through higher sales taxes; and 3) fiscal pressures would increase from the potential loss of state transfers to local governments to the extent that replacement of RLE is accomplished via spending cuts in non-education portions of the state budget.

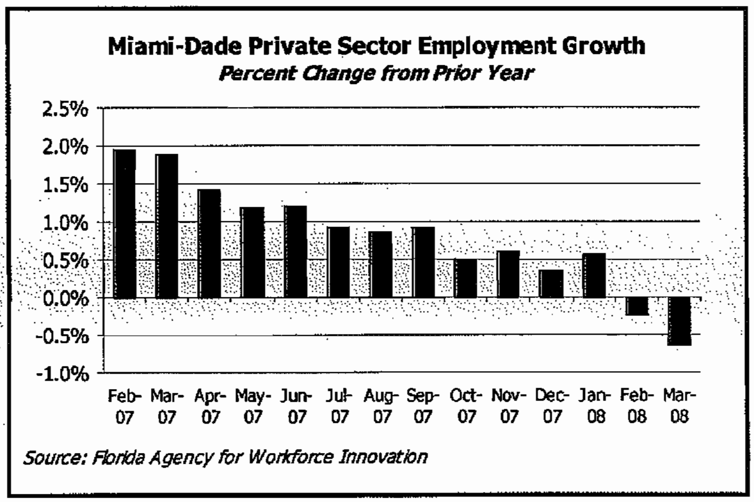
Miami-Dade County's economy is largely based on small businesses. Approximately 80 percent of the private (non-farm) businesses in Miami-Dade County have less than 10 employees, and about two-thirds have less than 5 employees. Forty (40) to 50 percent of businesses with less than 10 employees are found in service industries that could be affected by a tax on services. One can expect that the burden of higher sales taxes and compliance costs associated with any new tax on services will be especially challenging for small businesses. Florida has tried a services tax before and Michigan tried one last year – both failed and were quickly repealed.

Approximately 40 percent of the County's households were renters in 2006 and that proportion is likely to be higher now and in FY2010-11 when Amendment 5 would take effect. This indicates, of course, that 40 percent (perhaps more) of the County's households would not receive any savings from elimination of the RLE, but would suffer the financial effects of higher sales taxes and possibly lower government services. This shift in the tax burden widens the income gap between high and low income residents. The median household income of renters was less than half the median income of homeowners in 2006 ($25,489 vs. $55,192 for homeowners).

Amendment 5 contains a "hold education harmless" provision intended to prevent the legislature from funding the replacement of the RLE by reducing the amount of education financing that the state provides from other funding sources. If the legislature chooses to replace the RLE by reducing state spending in FY2010-11, then it must cut from programs excluding K-12 public education. State financial transfers to local governments not mandated by federal laws or regulation would be on the table of potential budget cuts. Miami-Dade receives approximately 9 percent of general fund revenues from state and federal government transfers and the bulk of those transfers come from the state. Those County programs that depend on state funding for a large share of their budget would be a risk if Amendment 5 is approved.

Local Employment Beginning to Contract

Total payroll employment in Miami-Dade County fell by 0.3 percent in March when compared to March of 2007.[1] Employment growth began to slow considerably at the beginning of this past summer, but March was the first month since November 2003 that we have seen a year-over-year decline in total employment. The emerging decline in total employment reflects job losses in the private sector, but, unlike in February, growth in public sector employment was not enough to prevent a decline in total employment. Public sector job growth in March continued to offset weakness in the private sector, but they are also beginning to demonstrate a retrenchment as state and local governments begin adjusting to shrinking budgets.



Private sector employment in March was down by 0.6% from the prior year, continuing the decline in employment witnessed in February (-0.2%). These two consecutive months of decline reflect a similar pattern developing in the national labor market, but the loss of jobs locally has not yet been as sharp. Employment in the local construction industry continued to lead the decline in jobs, falling 15 percent below the prior year's level. Manufacturing industry employment was down 4.3 percent compared to a year ago. Employment in transportation, warehousing and utilities also experienced a slight decline.

[1] Comparisons to the employment in the same month of the prior year are used to distinguish business cycle fluctuations and longer term trends from normal seasonal fluctuations in employment. March employment levels are typically higher than February and January levels.

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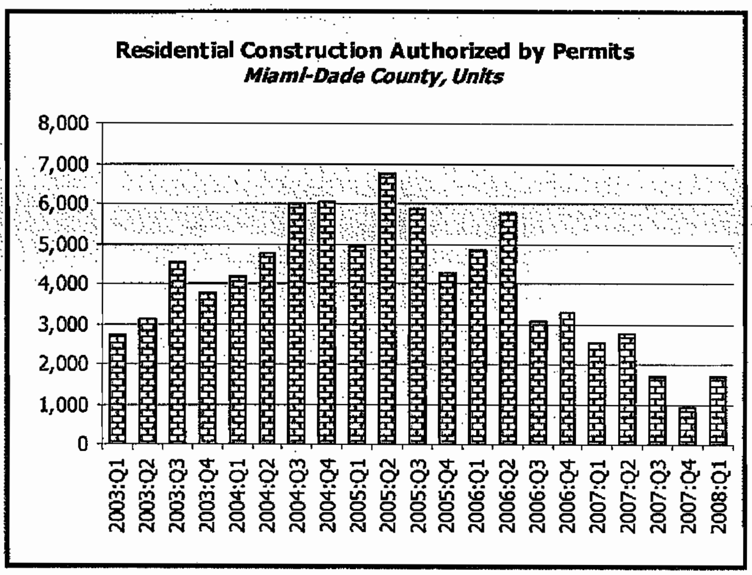
We are also now beginning to see a significant deceleration in the growth of private sector service jobs, led by slow growth in the retail and wholesale industries. March employment in private sector services was just 0.6% above employment a year ago. Employment growth in retail and wholesale fell to just 0.5% compared to the prior year. Retail and wholesale industry employment growth had been in the 1.5% to 2.5% range in the 12 months that ended this January.

Household survey data from the Bureau of Labor Statistics showed that Miami-Dade's unemployment rate held steady at 3.9% in March. But the low unemployment rate obscures the weakness being experienced in the local labor market. Since October of last year the local unemployment rate has either declined or held steady because growth in the labor force has diminished just as employment growth has slowed. Approximately 10,000 workers lost (or left) their jobs between February and March, but the labor force contracted by a similar number. (In order to be counted as unemployed, a person without a job must be actively seeking employment.) Had it not been for the contraction in the labor force, the reduction in employment would have led to a significant rise in local unemployment rates.

Local Residential Construction Activity Continues to Decline

The long decline in the residential construction and real estate sector in Miami-Dade has not yet appeared to hit bottom. Residential construction units authorized by permit were down again in March when compared to a year ago. The latest data shows a decline of 31 percent compared to March 2007. The March decline in permits was similar to the decline seen in February. Building permits for just 542 residential units were observed in March compared to 740 units authorized by permit in March of 2007, and substantially below the average 1,823 permits per month issued in 2005. Although units authorized by permits in the first 3 months of this year are running well below the first 3 months of 2007, permits in the first quarter were much higher than in the final 3 months of 2008.



Sales of existing single family homes in Miami-Dade continued to fall in March, with realtors reporting only 276 sales – less than half the number of sales one year ago. Sales of single family homes fell by 18 percent during the first 3 months of 2008 compared to the last 3 months of 2007, and were 50 percent below the first 3 months of 2007. The median price of a single family home in March was $337,900, slightly higher than February but still 12 percent below prices in March 2007.

The number of condo units sold through realtors in the first quarter of this year is down by nearly one half from the first quarter of last year. Transaction prices are approximately the same as in the first quarter of 2007.

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U.S. Economic Indicators Continue to Point to Weakening Economy

Economic data released last week portray a slumping U.S. economy. New home and existing home sales in the U.S. continue to indicate that the recession in the national residential real estate market is not yet over. New home sales in March fell to their lowest levels since the recession of the early 1990s and the inventory of unsold units reached a level not seen in a little more than a quarter century. The decline in sales was experienced in all four regions of the country. The drop in sales and prices both suggest further job losses and contraction in the industry. Further downward pressure on prices will not, of course, help stanch the large and rising numbers of mortgage foreclosures and the problems they are creating in the financial market.

Orders for durable goods, a leading indicator of future manufacturing activity, fell in March for the third consecutive month. A number of components in the index, however, showed a recovery from declines observed in January and February, and some previously reported reductions were revised to reflect less of a decline than initially reported. Overall it seems that manufacturing activity is currently flat, but showing indications of a potential contraction in the coming months.

Consumer confidence, weighed down by higher prices for necessities and weak labor market conditions, reached a 26 year low in April according to a national survey regularly conducted by the University of Michigan. More consumers were pessimistic about economic conditions six-months from now, and are also more concerned about inflation than they were last month. The survey indicates that confidence has been on a clear downward trend for 15 months. The decline in confidence, job losses in the first three months of this year and rising food and fuel prices suggest that consumer spending, which accounts for over 70 percent of total spending in the economy, will continue to decline in the months ahead.

Problems in the mortgage market continue to impact the financial sector. Bank of America reported its third consecutive quarter of decline in earnings, and it expects significant losses from its consumer credit business as borrowers fall behind and eventually default on credit card and installment loan debt. The American Bankers Association has indicated that delinquencies on non-mortgage credit are rising. The problems in the financial market extend beyond the U.S. A number of European countries, led by Ireland, Spain and England, are now facing housing market problems similar to those in the U.S., along with their associated impacts on the financial markets. Credit Suisse reported this week that it wrote down $5.3 billion in bad investments, and realized a quarterly loss of $2.1 billion. Banks around the world have written down $300 billion in assets since the summer of last year, and this trend does not appear to be over yet.

Memorandum

Date: May 6, 2008

To: Honorable Carlos Alvarez
Mayor

From: George M. Burgess
County Manager

Subject: Economic Impact of Recession on Miami-Dade County

Attached please find the Economic News Briefing for the week ending May 2, 2008. This briefing contains an analysis of recent trends in foreclosures and bankruptcies in Miami-Dade County. The number of foreclosures and bankruptcies continue to rise, reflecting continuing difficulties in the residential market and the slowdown in the local economy. Federal legislation that would provide effective solutions to the foreclosure crisis continues to proceed slowly through Congress.

Consumers are taking stock of deteriorating conditions in the labor market and the rising cost of living, and becoming more pessimistic about their own financial conditions in the months ahead. These sentiments are reducing consumer spending plans and negatively affecting vacation plans. The latter, of course, is especially important for Miami-Dade County's economy.

Economic conditions at the national level continue to reflect recessionary pressure; if not the start of an "official" recession. It also appears that federal interest rate policy is approaching a crossroads, with concerns of economic recession challenged by concerns over price inflation.

c: Honorable Chairman Bruno Barriero,
and Members, Board of County Commissioners
Denis Morales, Chief of Staff, Office of the Mayor
Assistant County Managers
Department Directors
Charles Anderson, Commission Auditor

cmo16408

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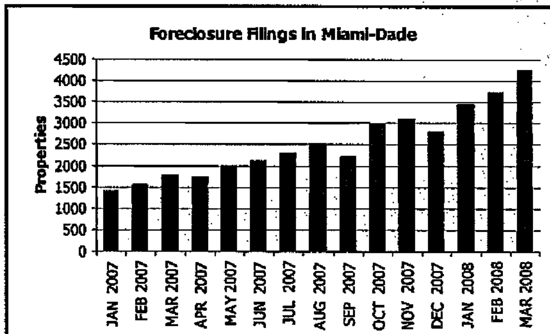
Economic News Briefing

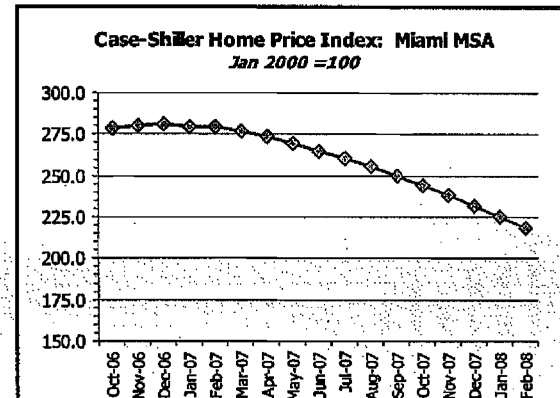
Week Ending May 2, 2008

In this issue: Foreclosures and bankruptcies in Miami-Dade continue to rise.
Advance estimate of U.S. GDP growth in the first 3 months of 2008
Interest rate policy: *between a rock and a hard place.*
Consumer confidence continues to decline.

Foreclosures and bankruptcies in Miami-Dade



Source: Miami-Dade Clerk of Courts



Source: Standard and Poors

Foreclosure actions in Miami-Dade continued their rising trend in March reaching 4,238 – up 14% from February and 141% from March 2007. Nearly 11,400 foreclosure actions were filed with the Court over the first 3 months of this year. If that pace continues through the rest of this year, the County would see almost 46,000 foreclosure filings in 2008 compared to just over 26,400 last year.

Foreclosure assistance legislation continues to move slowly through Congress over differences between Democrats and Republicans, with Republicans seeking more limited approaches along the lines the president has proposed. The House is further along in the process than the Senate. The proposal in the House would require lenders to reduce the principal owed on homeowner mortgages at risk of default and compel restructuring of loans to fixed interest rates and 30-year repayment terms in exchange for Federal Housing Administration (FHA) loan guarantees. FHA guarantees and loan restructuring would make it possible for banks to sell those loans, providing banks with financial sources to make new mortgage loans. The availability of mortgage credit is necessary to finance new construction and essential for ending the decline in residential construction. The approach preferred by the president and Senate Republicans would modernize the regulatory structure of FHA and the government sponsored mortgage credit corporations Fannie Mae and Freddie Mac, but it also allows state and local government to use tax-exempt bonds to refinance troubled mortgage loans.

The continuing decline in home prices contributes to the rising incidence of foreclosure. The latest Case-Shiller Home Price Index for the Miami-Ft. Lauderdale metropolitan area shows prices of existing single family homes falling by 22% from February 2007 to February 2008. The decline in prices was second highest in the nation behind the Las Vegas metro area. Prices in Miami-Ft. Lauderdale, according to this

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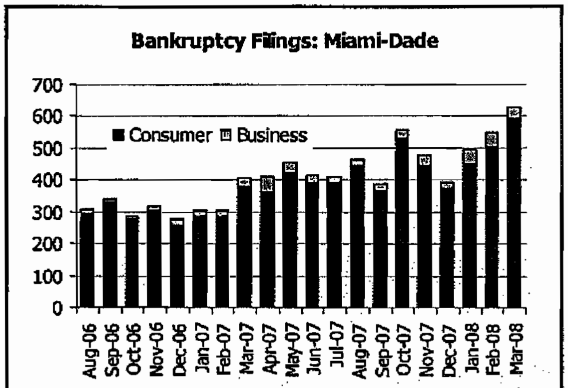
price index, peaked in December 2006, while at the national level prices have been declining since June of 2006.

Consumers and businesses filing for bankruptcies in Miami-Dade County rose again in March, when 627 bankruptcies were filed compare with 550 filings in February. The entire increase in filings is attributable to consumers (individuals), as the number of business filings was down to 32 versus 45 in February. (Monthly business filings, however, fluctuate greatly and business filings for the first 3 months of 2008 are nearly twice the filings in the first 3 months of 2007) Bankruptcy petitions filed during the first 3 months of 2008 were 65% higher than in the first three months of last year.



Source: U.S. Bankruptcy Court, Southern District

Advance Estimate: U.S. Economy Grew 0.6% in 1st Quarter – Matching Growth Rate in 4th Quarter of 2007

The Department of Commerce announced its first estimate of Gross Domestic Product (GDP) for the first quarter of 2008.[1] The Department estimates that the value of the nation's production expanded at an annual rate of just 0.6% (after accounting for price inflation). The final estimate of economic growth in the November to December quarter of 2007 was also 0.6%, but the behavior of the individual components of GDP reflect significant changes in the economy from the 4th quarter of 2007 to the 1st quarter of 2008. Specifically, the accumulation of private sector inventories of unsold goods and goods in production contributed 0.81 percentage points to GDP growth. That is, excluding inventory accumulation from GDP indicates that final sales of goods and services actually fell by 0.2%, and reveals the extent of weakness in the U.S. economy.

Residential construction continued to act as a drag on the macro economy, as it has for over two years now, falling at an annualized rate of nearly 27 percent in the 1st quarter compared to the 4th quarter of last year. A worrisome sign, however, is that private nonresidential investment in both structures and equipment declined as well in the 1st quarter. Personal consumer spending is no longer providing the support to economic growth that it had throughout 2006 and 2007. Consumer spending grew at a rate of 1% in the 1st quarter compared to 2.3% in the last quarter of 2007. Export activity continued to support economic growth in the 1st quarter but to lesser extent than in the last half of 2007. Federal defense spending also buoyed economic growth this quarter.

Looking ahead to the 2nd quarter, the likelihood of further weakness in consumer spending, a deceleration in export growth and a paring of inventories suggests a significant likelihood of negative GDP growth from April through June.

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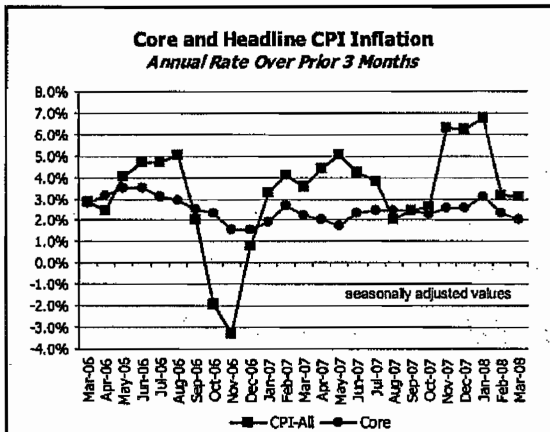
[1] There are three estimates of quarterly GDP: the advance estimate, the preliminary estimate (as more data becomes available) and the final estimate – each estimate is about one month apart. It is not unusual to the advance estimates to be revised significantly when the preliminary estimates are released.

Interest Rate Policy – Federal Reserve Lowered Short Term Rates to 2.00%



Source: Bureau of Labor Statistics

The Federal Reserve ("Fed") lowered short term interest rates by 0.25% to 2.0% on Wednesday. As of 3 weeks ago most economists and financial analysts were expecting a 0.5% reduction in the target *federal funds rate*,[2] but recent trends in price inflation has placed monetary authorities in the difficult position of providing needed economic stimulus to a weak economy without accelerating price inflation.

The residential construction and real estate sector has been in recession since the 2nd quarter of 2006, manufacturing industries with strong links to construction are suffering, retail sales have been sluggish and the national labor market has experienced 4 consecutive months of significant job losses (-260,000 since December 2007). The problems in the real estate sector have, in addition, led to significant problems in the financial sector both in the U.S. and internationally. Most economic forecasters have recently lowered their predictions of growth not just in the U.S., but in the world economy as well. These trends suggest, of course, the need for monetary stimulus to the economy.

Consumer price inflation excluding food and energy prices (so called, "core" inflation) has been running modestly above the 2% annual rate that the Fed considers potentially threatening to the economy. Core inflation has diminished somewhat over the last two months, but consumer price inflation for all goods and services ("headline" inflation) has been consistently higher than core inflation for the last two years. Price inflation at the wholesale or producers' level, which tends to foretell future rates of consumer price inflation, has accelerated in the past 3 months. Price inflation in the rest-of-the-world, moreover, is also accelerating, and providing an additional threat to price stability. Rising price inflation encourages the Fed to exercise monetary restraint to keep inflationary pressures contained. History suggests that periods of high inflation end only after a deep recession and this, of course, what the Fed wants to avoid.

A debate within the Fed's policy setting committee has emerged with a minority contingent taking the position that accelerating inflation is now a greater threat to the economy than recession. The preliminary estimate of U.S. economic growth in the 1st quarter (very weak but still positive) and a preliminary estimate of "just" 20,000 job losses in March, compared to an average monthly loss of 80,000 jobs from January to March, increase the likelihood of a Fed pause in interest rate cuts until clearer signs on the future pace of price inflation and the impact of the current tax stimulus package become available.

[2] This is the interest rate that banks charge one another for overnight loans, and the market interest rate most sensitive to manipulation by the Federal Reserve's monetary policies. The Fed attempts to reduce longer term interest rates (interest rates on mortgages and loans to businesses) that are more important for economic growth by reducing short term interest rates.

Consumer Confidence: Households anxious over economic outlook

Two separate indices of consumer confidence reveal the depth of consumers' concerns over the strength of the economy as well as their own financial condition going forward. The Reuters/University of Michigan Survey of Consumers registered the lowest reading in its Consumer Sentiment Index in 25 years. The Index of Consumer Expectations, which is designed to predict consumer spending over the next few months, was down sharply in April compared to March. Ninety (90) percent of survey respondents believe the economy was already in recession and 75 percent held the view that bad economic times would persist for at least one more year. Only 20 percent of the survey respondents anticipate that their own financial conditions will improve over the next 12 months. Consumer expectations for the economy, as measured by this survey, have not been this low since the early 1980s.

The widespread pessimism among consumers suggests that the tax rebates households will be receiving in the next few weeks will not generate a significant boost in consumer spending. Seven of ten respondents to the University of Michigan survey indicated that federal tax relief would be used to pay down debt and add to savings. Plans for purchases of big-ticket items such as home appliances, electronics, furniture and similar goods were reported to be at their lowest level since the mid- 1980s. The survey also suggests that auto sales will be weak in the coming months.

The Conference Board also conducts a survey of consumer sentiment, and the April reading for this survey was again fell after a sharp decline in March. The Conference Board's index had not registered as low a reading in the past five years. The results of this survey confirm those of the University of Michigan, with consumer sentiment being adversely affected by low expectations for the labor market, higher prices for basic goods (food and fuel), and an expectation of higher price inflation to come. Almost 30 percent of survey respondents indicated that they expected business conditions to worsen over the next six months, and only 10 percent believed that conditions would improve. A significant proportion of consumers were pessimistic about labor market conditions (harder to find jobs and rising unemployment rates) and their incomes rising. Of particular significance to Miami-Dade and South Florida, the Conference Board reported that the proportion of respondents intending to take a vacation within the next six months had declined to a 30-year low.

Memorandum

MIAMI-DADE COUNTY

Date: May 15, 2008

To: Honorable Carlos Alvarez
Mayor

From: George M. Burgess
County Manager

Subject: Economic News Briefing

Attached please find the Economic News Briefing for the week ending May 9, 2008. This briefing contains an analysis of recent trends in U.S. trade, which plays an important role in the County's economy. Increases in international trade have been an important factor in helping to sustain economic growth both at the national and local levels. The first decline in U.S. trade in over one year indicates that we should be carefully watching this sector of the economy over the coming months.

Exports from South Florida have experienced strong growth over the past year, and helped Miami-Dade maintain a positive growth momentum in the face of a difficult real estate market. Strong growth in the economies in South America, particularly Brazil, has translated into robust growth in South Florida exports. Economic growth in our southern neighbors is expected to continue in the near term.

International cargo at the airport continued to expand in the first 3 months of this year, and the decline in port cargo activity appears to be coming to an end. There are good prospects that port cargo activity is now poised for growth. A strong international sector will benefit Miami-Dade's economy in the coming months.

Gasoline and world oil prices have risen sharply since March and represent a risk to the national and local economy. Energy prices are expected to continue to rise and this underscores the importance of energy conservation and investment in our public transit infrastructure.

c: Honorable Chairman Bruno Barriero,
and Members, Board of County Commissioners
Denis Morales, Chief of Staff, Office of the Mayor
Assistant County Managers
Department Directors
Charles Anderson, Commission Auditor

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Economic News Briefing

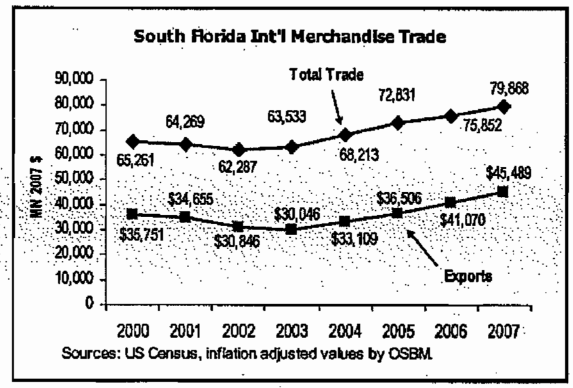
Week Ending May 9, 2008

In this issue: Latest U.S. trade data shows export sales declined in March, but trade deficit narrowed
International trade growth important to local economic outlook for 2008
Airport and seaport cargo activity in March
Energy prices continue to climb.

U.S. Trade in March

The U.S. Department of Commerce reported on Friday (5/9/08) that export sales of goods and services decline by 1.7% in March from February's level, representing the first monthly decline in exports since February of 2007. U.S. exports of goods fell by 2.4% in March (by 4.3%, after adjusting for price inflation). Exports sales have been providing economic support to U.S. businesses in the past year as domestic demand has weakened. If the decline in exports registered in March represents the beginning of a trend, then this would be trouble for U.S. manufacturers. Despite the decline in exports, however, the U.S. trade deficit narrowed by 5.7% as total imports declined by almost 3%, reflecting the general decline in U.S. demand. The reduction in imports was led by declines in purchases of crude oil, vehicles, and consumer goods.

International Trade in 2008 Important for Local Economic Outlook



International trade is an important sector of Miami-Dade's economy. A recent study concluded that international trade accounted for approximately 7.6% of total employment in Miami-Dade County in 2006 and workers directly employed in this activity typically earned 31 percent more than the average annual compensation for all workers in the county.[1]

Merchandise trade serviced through South Florida airports and seaport (Customs District 52) has grown rapidly since 2003, supporting local employment and income growth. The gains in international trade are an important reason why the County's economy has held up reasonably well over the past year despite the significant contraction in the local real estate market. Total international trade in 2007 increased by 5.3 percent over 2006, after accounting for rising prices, reaching nearly $80 billion. The recent growth in

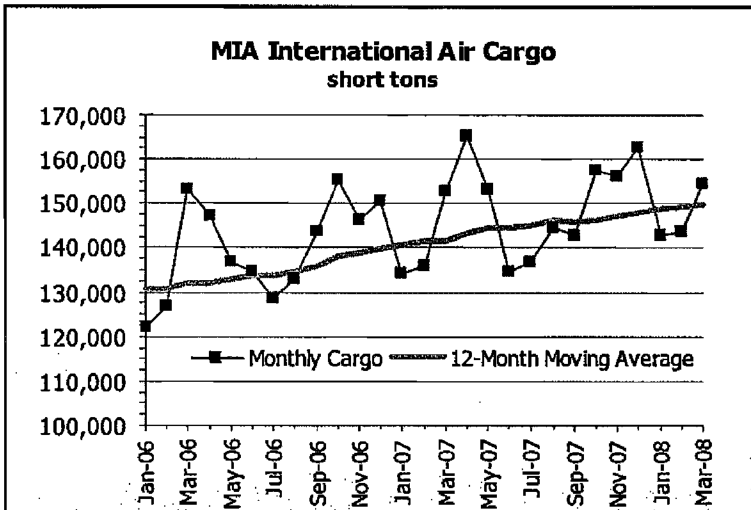
[1] *The Economic Impact of International Merchandise Trade in Miami-Dade County*, StratInfo (Dec. 2006), The Jay Malina International Trade Consortium. The estimate of 105,000 jobs attributable to international trade includes persons directly or indirectly employed by international trade activity, and compensation includes both salaries and employer provided benefits.

foreign trade activity was led by the increase in exports, which rose by nearly 11 percent in 2007. Exports to Brazil led the strong expansion in exports, growing 24 percent even after accounting for price inflation. Exports to several other Latin American countries, especially Colombia (+16%) and Argentina (+17%), also experienced robust growth. Brazil, Colombia and Argentina accounted for 45% of the total rise in South Florida's merchandise exports. Imports serviced through South Florida airports and seaports decreased slightly in 2007(-1.1%), after accounting for price inflation.

Looking forward over the next 6 to 12 months, the outlook for continued growth in exports to the major countries of South America (with the exception of Venezuela) looks quite positive. South Florida's major international export destinations have benefited from the general rise in the prices of key commodity exports and that trend is expected to continue in the near term. The depth and duration of a U.S. recession is, of course, the principal risk to this outlook.

International Cargo Activity at Miami International Airport and the Port of Miami

International cargo shipped via Miami International Airport (MIA) continued along a positive trend path through the first three months of this year. Both outbound (exports) and inbound (imports) freight tonnage increased at a strong pace over the past year, although outbound tonnage grew at a modestly faster pace than inbound. The pace of expansion in international freight, however, did decelerate somewhat in the first three months of 2008. Cargo activity at MIA has demonstrated considerable variation in year-over-year growth rates, and, therefore, April and May cargo data will help to better discern whether the recent moderation in growth marks a change in the trend or just a temporary variation from the trend.



Source: Miami International Airport.

Cargo activity at the Port of Miami has experienced a negative trend since approximately the end of 2004, but that steady decline appears to be at or near an end. The number of cargo containers loaded or unloaded at the port was virtually unchanged from February to March at approximately 68,000 TEUs (20-foot equivalent units) and slight up from January (+5%). This is certainly an important development as we move into the summer, and help to sustain local economic growth.

Energy Prices Continue to Climb

The average retail price of gasoline in the U.S. reached a new high of $3.61 per gallon according to the federal Energy Information Administration (EIA). This was the 6th consecutive weekly increase in retail gasoline prices. Average gas prices have now risen 56 cents a gallon since this past December (+18%) and we have yet to enter into the peak driving season. EIA forecasts an additional increase of 10 cents per gallon in the average price in the July-September quarter, even as gasoline consumption is expected to fall. Rising gasoline prices are reportedly leading to increased ridership for mass transit systems across the country. South Florida Tri-Rail ridership was up 28% last month compared to April 2007 ridership and the commuter system has been achieving record breaking ridership for several months now. (Miami-Dade Transit has yet to see a similar increase in ridership.)

World oil prices reached $121.82 per barrel on May 9th, and increased above the $125 mark this week. World oil prices have risen approximately 25% since clearly breaking the $100 per barrel threshold in early March. While short term fluctuations in oil prices are very sensitive to speculative pressures, the longer term trend in prices reflect fundamental supply and demand pressures. The positive trend in oil prices since the 2003 reflect growth in demand outpacing the growth in supply. Barring a significant world economic recession (that diminishes energy demand), the demand/supply imbalance should keep prices on a positive trend in the near term. There are early signs, however, that higher prices are beginning to change energy consumption behavior, but those changes should not be expected to change the underlying price dynamics for some time.

Rising energy prices themselves pose a risk to economic growth, but the world economy has continued to expand in the face of higher energy prices. If world oil prices sustain their present levels or rise further, positive growth momentum will be very difficult to maintain.

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Memorandum

MIAMI-DADE COUNTY

Date: June 4, 2008

To: Honorable Carlos Alvarez
Mayor

From: George M. Burgess
County Manager

Subject: Economic News Briefing

Attached please find the Economic News Briefing for May 30, 2008. This briefing contains an analysis of the most recent data on Miami-Dade employment and unemployment, personal bankruptcy filings, foreclosure filings and taxable sales.

Private sector employment levels have declined modestly during the first three months of this year, but the significant declines in construction and manufacturing jobs experienced during the past year have moderated.

Miami-Dade consumers, however, are feeling the effects of a stagnant if not declining economy with filings of both personal bankruptcy petitions and foreclosure actions continuing to rise. Personal bankruptcies so far this year are running 67 percent above their levels a year ago, while mortgage foreclosure actions through April have more than doubled over the same period last year. Foreclosure actions this year are on pace to more than double last year's level of 26,400.

Taxable sales in Miami-Dade County are running well below last year's level, with significant declines in consumer spending on durable goods. Taxable sales of non-durable goods have recently begun to decline after considering the affect of recent price increases.

In keeping with Countywide efforts to maximize revenue from external (non-local tax) sources, the Department of Planning and Zoning recently completed research that has identified 137,400 addresses omitted from the Census Bureau's preliminary list of addresses to include in the 2010 Decennial Census of Population. Updating this list of addresses for use in the upcoming census will help reduce the chances of a significant population undercount, help us get a more accurate picture of socio-economic conditions, and ensure that Miami-Dade receives its fair share of future federal and state funding.

c: Honorable Chairman Bruno Barriero,
and Members, Board of County Commissioners
Denis Morales, Chief of Staff, Office of the Mayor
Assistant County Managers
Department Directors
Charles Anderson, Commission Auditor

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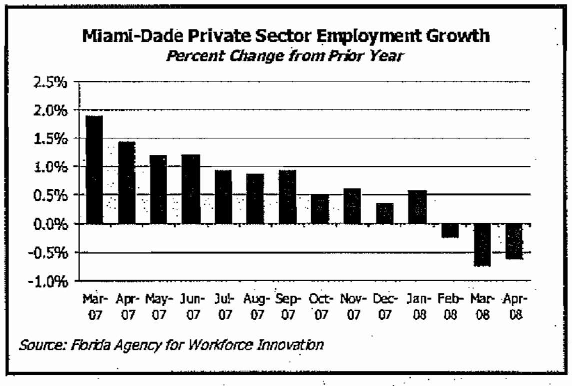
Economic News Briefing

May 30, 2008

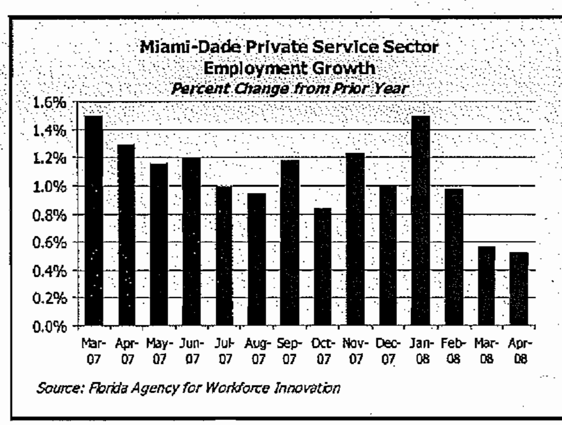
In this issue: Miami-Dade payroll employment declines in April and unemployment rate rises to 4.7%
Personal bankruptcy filings in Miami-Dade continue to rise
Foreclosure filings rise again in April, median sales price of single family homes fell sharply in April and volume of realtor sales continue at historically low levels
Taxable sales in Miami-Dade decline in March
Planning Department research identifies missing residential units from preliminary 2010 Census files that could yield millions of dollars in additional federal aid.

Miami-Dade Payroll Employment Declines Slightly; Unemployment Rate Rises

Payroll employment in private sector establishments has declined modestly in each of the past three months, when compared to the same month last year. Employment in private sector establishments in the three months from February through April was 4,900 or 0.5% less than in the same period one year ago.



The decline in private sector jobs observed in April continues to represent job losses in both construction and manufacturing from a year earlier. On a positive note, the pace of job losses in both construction and manufacturing has moderated considerably and showing possible signs of approaching the bottom of their cyclical downturn. It is still too early to tell, however, if we are just seeing a temporary pause in job losses in these two industries. National macroeconomic conditions over the next six months will play the deciding role in determining whether these industries will stop shedding jobs and are ready to regain growth.

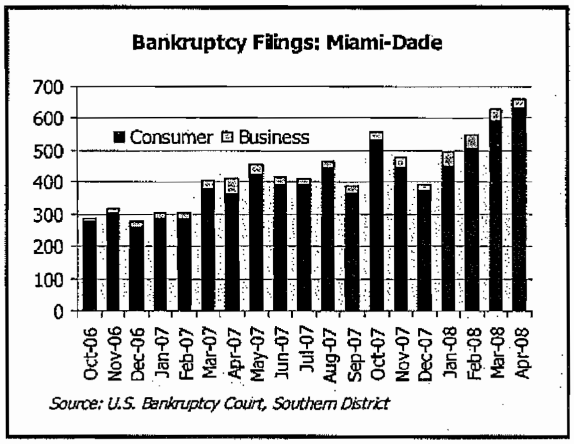


Private enterprise jobs in the aggregate services sector are holding up fairly well in the current economic environment and continue to grow, albeit, at a slow pace – 0.7% in the last three months compared with last year. The job growth experienced within this broad sector varies by sub-industry, however. Employment in the information and professional and business services categories have both seen declines of nearly 4% during the last three-month period compared to a year ago.[1] Employment in education and health services experienced gains of almost 4% in the during the February-April period compared to a year earlier. Employment in other private services is roughly on par with last year's levels.

The official unemployment rate for April was 4.7% compared to 3.9% in March and 3.5% in April 2007.[2] According to the latest estimates there were nearly 56,000 county residents without a job and actively seeking employment. The unemployment estimates do not count persons who do not have a job, but have stopped looking for work because the prospects of finding a job are viewed as too low ("discouraged workers"). Similarly, this unemployment rate does not include persons working on a part-time basis, although they would prefer to have a full-time job ("under-employed"). Adding both discouraged workers and under-employed workers to the unemployed would likely lead to a significant increase in the unemployment rate.[3]

Personal Filings for Bankruptcy Rose Sharply in April

Personal bankruptcy filings continued to climb in April registering a 6.7% increase from filings in March, and 76% higher than in April of 2007. Personal bankruptcies so far this year are running 67% above the number of petitions filed from January through April of 2007.



Business bankruptcy filings from January through April of this year are 35% higher than the number of filings for the same period in 2007.

Total bankruptcy filings in Miami-Dade have been on an upward path since 2007, but the pace of bankruptcy filings in 2008 have been accelerating.

Foreclosure Filings Continue to Rise in April

Foreclosure activity in Miami-Dade County continued to rise in April with new filings reaching 4,478, and approximately 156% higher than the number of filings in April of 2007. From January through April

[1] The "information" sector contains sub-industries such as publishing industries, film and video production and distribution, sound recording, broadcasting, telecommunications and data processing. The "professional and business services" sector include a broad range of services from professional and technical services such as legal, accounting, architecture, engineering and related services to office administrative services to waste management services.

[2] The national unemployment rate in April was 5.0% -- slightly below the 5.1% rate in March.

[3] For example, accounting for discouraged workers and other "marginally attached" workers plus persons working part-time who want and are available for full-time employment would increase the national unemployment rate in April from 5.0% to 9.2%.

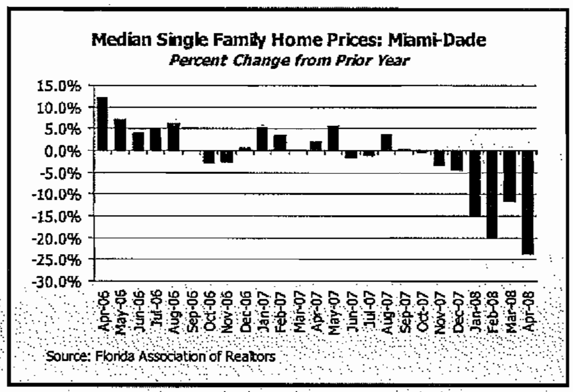
of this year 15,871 properties entered into the foreclosure process compared to 6,455 in the same period last year. Foreclosures in 2008 are on pace to more than double the 26,441 filings experienced in 2007.

Federal legislation to provide relief to homeowners facing foreclosure moved a step forward last week when Senate negotiators reached a bipartisan compromise on a new housing stimulus package. (The House had earlier passed a bill providing homeowners with foreclosure relief.) The Senate bill contains several components, but those more directly related to foreclosures include: 1) $4 billion in supplemental Community Development Block Grant Funds to communities that may be used to purchase and rehabilitate or redevelop foreclosed homes, and thereby stabilize neighborhoods and stem the decline in neighboring house values; 2) $100 million in additional funding for pre-foreclosure counseling to be distributed through the Neighborhood Reinvestment Corporation by the end of this year; 3) $10 billion in Federal tax-exempt private bond authority to provide refinancing of subprime loans, mortgages for first-time homebuyers and multi-family rental housing; and 4) a $7,000 federal income tax credit (taken over two years) to purchasers of foreclosed homes.

Both the Senate and House would need to pass reconciled legislation, but it appears the Senate compromise has a good chance of being passed by Congress before the August recess. The White House has not signaled clear opposition to the Senate bipartisan compromise, and, there is, therefore, a reasonable chance that a bill close to the one negotiated in the Senate will become law.

Median Home Prices Continue to Slide

The median price of a single family home in Miami-Dade declined sharply in April, falling to $291,900 from $382,600 one year ago (–24%) and down from the previous peak of $395,500 in January 2007 (–26%). Median prices statewide declined about 17% over the same period and are down 22% from their previous peak in June 2006. (These prices are based on realtor sales.)



The number of single family homes sold in Miami-Dade through realtors continues to run at approximate half the level of what they were one year ago and are off by approximately 80 percent from what they were at their peak in June 2005.

The Case–Shiller Home Price Index for the Miami–Ft. Lauderdale metropolitan area also shows that home prices continue to decline. Single family home prices in March in the two-county region had fallen 25% from their levels one year ago. The year-over-year decline in prices in Miami–Ft. Lauderdale was the second highest in the nation in March behind the 26% price decline observed in Las Vegas, NV.[4]

[4] The Standard and Poors Case-Shiller Home Price Price Index tracks changes in the price of single family homes using a repeat sales pricing technique. The advantage of this technique is that it measures changes in housing market prices controlling for a price changes due to changes in the types and sizes of houses or changes in the physical characteristics of houses sold in a particular month.

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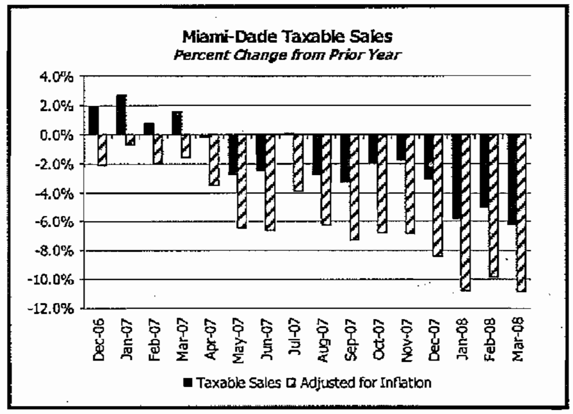
Taxable Sales in Miami-Dade Have Been Declining Since April of Last Year



Information on taxable sales is available with a two-month time lag, and taxable sales for March were released on May 21st. The latest data show that taxable sales are continuing along a negative trend that began in April of 2007. The decline in taxable sales, however, accelerated during the first three months of this year as increases in fuel and food prices and the loss in consumer confidence are apparently taking a toll on local sales of autos and other durable consumer goods.

Taxable sales during the first three months of 2008 are down 5.7% from the first three months of 2007. Total taxable sales in March were down 6.3% compared to March 2007, but the year-over-year decline in March after taking local price inflation into account was nearly 11%. Sales of non-durable consumer goods, after adjusting for price inflation, have also begun to decline, which typically occurs during periods of economic recession.

Planning Department Research Helps Ensure Accurate 2010 Census Population Count

The Miami-Dade County Planning and Zoning Department led an effort to update the U.S. Census Bureau's list of addresses that will be used in conducting population surveys and population counts for the 2010 Decennial Census. Using digital computer technology, and combining information from various County and State databases and aerial photographs, the Department's Research Section was able to identify approximately 137,000 residential addresses that were missing from the Census Bureau's preliminary address list. This research effort was partially funded through a Department of Community Affairs (DCA) grant, obtained with the assistance of the Revenue Maximization and Grants Division of the Office of Strategic Business Management.

The address list is an essential element in determining an accurate population count and has important fiscal implications for the County and its municipalities. The missing addresses could have potentially led to a population undercount of up to 386,000 persons, based on the most recently available estimate of average household size in the County.

Each missing address in the Census list is worth approximately $2,500 in federal funds and grants to state and local government, according to Florida DCA. The 137,000 addresses added to the list could potentially yield an additional $342.5 million in federal funding. In addition to federal grants, many state funding allocations to local governments are based on population counts, and an accurate population count is necessary for Miami-Dade receiving its fair share of future state funding.

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