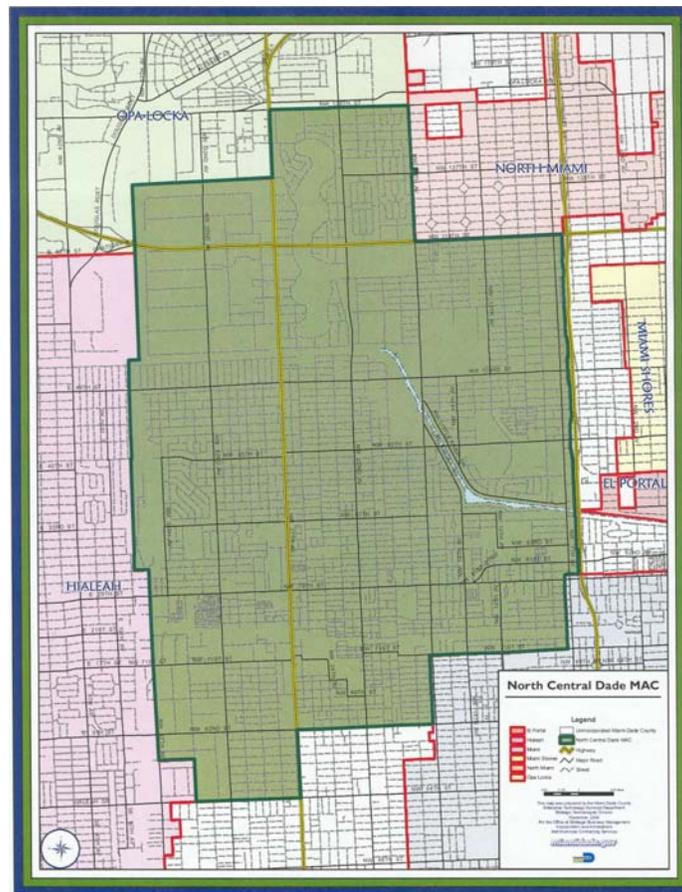


REVIEW OF INCORPORATION ANALYSIS NORTH CENTRAL AREA

DECEMBER 2005



Prepared by: PMG Associates, Inc.

**REVIEW OF INCORPORATION ANALYSIS
NORTH CENTRAL AREA**

PMG Associates, Inc. (PMGA) has been retained by Miami-Dade County to conduct a review of the analysis of potential incorporation for the area known as the North Central area located in the central portion of Miami-Dade County. The area is the following boundaries: (map is included in Exhibit 1.

| | |
|-------|-------------------------------------|
| North | Cities of Opa Locka and North Miami |
| East | I-95 |
| South | NW 82 Street and NW 54 Street |
| West | City of Hialeah |

PURPOSE OF ANALYSIS

Miami-Dade County has developed a process to accept and review petitions from the general public to establish new municipalities in the County. The proposals reflect the general wishes of citizens located in the area to analyze the potential incorporation. Under the Miami-Dade County Charter, analysis is performed by staff in the form of an Impact to UMSA Statement that measures the impact on the UMSA budget. Additionally, each study area is represented by a Municipal Advisory Committee (MAC) which is comprised of residents of the area under consideration. This group prepares an operating pro forma budget for the new municipality.

The expansion of this process was the inclusion of an independent third party review of the previous work to insure impartiality in the analysis. This third party consultant review has recently been added as a result of Resolution No, R-130-05 of the Board of County Commissioners.

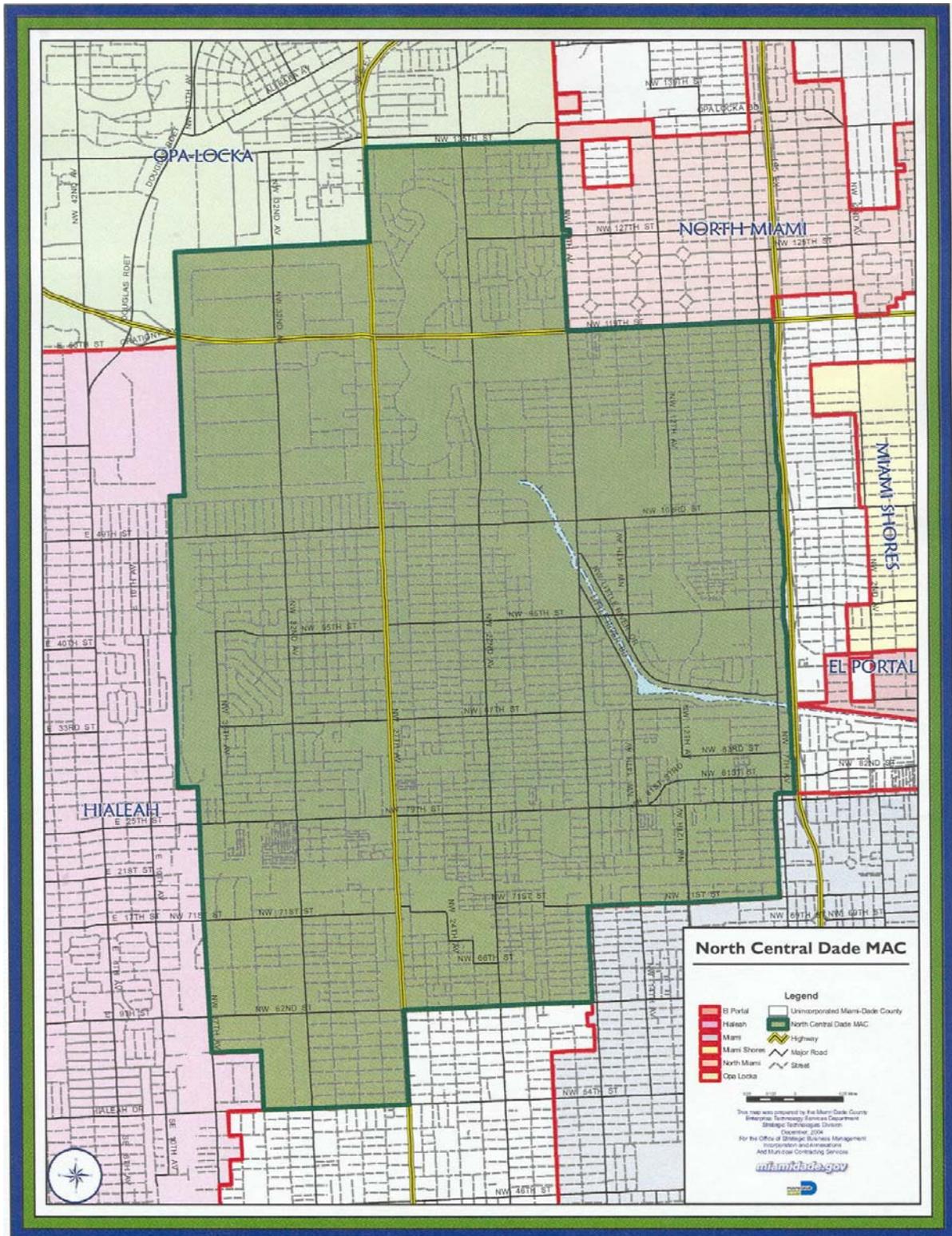
This report is a result of that third party review.

IMPACT TO UMSA MODEL

The current consultant for the incorporation analysis has also previously conducted a review of the Model used to calculate the Impact to the UMSA Budget for potential incorporations. As a result of that analysis, two changes were recommended for the Model. One of the changes added a Revenue source, while the other addresses a change in the method of estimating population for the Study Area. For this analysis, the Revenue section will be presented with both the older method and the recommended method. The population estimate will not change significantly, if at all, from the figure used when this analysis was originally conducted. The change in the population estimation method should be used for all future analyses.

The results of the Impact Analyses are found in Tables 1 and 2.

EXHIBIT 1 LOCATION MAP



**EXHIBIT 2
ORIGINAL IMPACT ANALYSIS**

N. Central Dade Estimated Revenues and Expense Impact to the UMSA Budget **DRAFT**

| Based on FY 02-03 Budget North Central Dade | Assumptions | |
|---|---|-----------------|
| 2002 Taxable Property Rolls | | \$1,283,848,750 |
| 2000 Census Population | | 73,105 |
| 2002-03 UMSA Millage | | 2.447 |
| Police Calls for Service for 2002 | | 127,410 |
| Cost per Police Call | | \$200 |
| Cost per Lane Mile | | \$1,380 |
| Number of Lane Miles | | 374.86 |
| Per Capita Taxable Value | | \$17,562 |
| Gross Revenue Loss to UMSA | | |
| Property Tax Revenue | <i>Allocation based on tax roll & millage</i> | \$2,984,000 |
| Franchise Fees | <i>Allocation based on tax roll/population</i> | \$1,199,000 |
| Sales Tax | <i>Allocation based on \$59 per person</i> | \$4,290,000 |
| Utility Taxes | <i>Allocattion based on tax roll/population</i> | \$3,070,000 |
| Communications Tax | <i>Allocated based on tax roll/population</i> | \$2,504,000 |
| Alcoholic Beverage License | <i>Allocation based on \$0.21 per person</i> | \$15,000 |
| Occupational License | <i>Allocation based on \$3.17 per person</i> | \$232,000 |
| Fines and Forfeitures | <i>Allocation based on \$6.57 per person</i> | \$480,000 |
| Interest | <i>Allocation based on .53% of all revenues</i> | \$79,000 |
| Miscellaneous Revenues | <i>Allocation based on \$0.80 per person</i> | \$59,000 |
| Gross Revenue to UMSA | | \$14,912,000 |
| Cost of Providing UMSA Services | | |
| Police Department | <i>Based on police calls</i> | |
| | Local Patrol | \$18,627,342 |
| | Specialized & Other | \$6,854,658 |
| Parks and Recreation Dept | <i>Based on cost of parks</i> | \$2,233,316 |
| Public Works | | |
| | Lane Road Miles | |
| | <i>Lane miles times cost per lane mile</i> | \$517,307 |
| Planning, Team Metro and others | <i>Direct cost times 9.3%</i> | \$2,625,634 |
| QNIP (Debt and pay-as you-go) | <i>Direct cost times 11.7%</i> | \$3,303,217 |
| Policy Formulation/Internal Support | <i>Direct cost times 5.3%</i> | \$1,496,329 |
| Cost of Providing UMSA Services | | \$35,657,803 |
| Net Budget Loss / (Gain) to UMSA | | (\$20,745,803) |
| Revised 2/9/05 | | |
| Assumptions: | | |
| 1. Does not include gas tax funded projects | | |
| 2. Does not include canal maintenance revenues or expenses | | |
| 3. Does not include proprietary activities: Building, Zoning, Solid Waste | | |
| 4. Does not include Fire and Library Districts | | |
| 5. Revenues are based on allocations not actuals | | |

**EXHIBIT 3
REVISED IMPACT ANALYSIS**

| Based on FY 02-03 Budget North Central Dade | Assumptions | |
|---|--|-----------------|
| 2002 Taxable Property Rolls | | \$1,283,848,750 |
| 2000 Census Population | | 73,105 |
| 2002-03 UMSA Millage | | 2.447 |
| Police Calls for Service for 2002 | | 127,410 |
| Cost per Police Call | | \$200 |
| Cost per Lane Mile | | \$1,380 |
| Number of Lane Miles | | 374.86 |
| Per Capita Taxable Value | | \$17,562 |
| Gross Revenue Loss to UMSA | | |
| State Shared Revenue | <i>Allocation based on \$29 per person</i> | \$2,120,000 |
| Property Tax Revenue | <i>Allocation based on tax roll & millage</i> | \$2,984,000 |
| Franchise Fees | <i>Allocation based on tax roll/population</i> | \$1,199,000 |
| Sales Tax | <i>Allocation based on \$59 per person</i> | \$4,290,000 |
| Utility Taxes | <i>Allocation based on tax roll/population</i> | \$3,070,000 |
| Communications Tax | <i>Allocated based on tax roll/population</i> | \$2,504,000 |
| Alcoholic Beverage License | <i>Allocation based on \$0.21 per person</i> | \$15,000 |
| Occupational License | <i>Allocation based on \$3.17 per person</i> | \$232,000 |
| Fines and Forfeitures | <i>Allocation based on \$6.57 per person</i> | \$480,000 |
| Interest | <i>Allocation based on .53% of all revenues</i> | \$79,000 |
| Miscellaneous Revenues | <i>Allocation based on \$0.80 per person</i> | \$59,000 |
| Gross Revenue to UMSA | | \$17,032,000 |
| Cost of Providing UMSA Services | | |
| Police Department | <i>Based on police calls</i> | |
| | <i>Local Patrol</i> | \$18,627,342 |
| | <i>Specialized & Other</i> | \$6,854,658 |
| Parks and Recreation Dept | <i>Based on cost of parks</i> | \$2,233,316 |
| Public Works | | |
| | <i>Lane Road Miles Lane miles times cost per lane mile</i> | \$517,307 |
| Planning, Team Metro and others | <i>Direct cost times 9.3%</i> | \$2,625,634 |
| QNIP (Debt and pay-as you-go) | <i>Direct cost times 11.7%</i> | \$3,303,217 |
| Policy Formulation/Internal Support | <i>Direct cost times 5.3%</i> | \$1,496,329 |
| Cost of Providing UMSA Services | | \$35,657,803 |
| Net Budget Loss / (Gain) to UMSA | | (\$18,625,803) |
| Revised 2/9/05 | | |
| Assumptions: | | |
| 1. Does not include gas tax funded projects | | |
| 2. Does not include canal maintenance revenues or expenses | | |
| 3. Does not include proprietary activities: Building, Zoning, Solid Waste | | |
| 4. Does not include Fire and Library Districts | | |
| 5. Revenues are based on allocations not actuals | | |

Results of the Analysis

The Impact Model developed for the review of the potential incorporation activity was prepared for the North Central area. Based on the results found in Exhibits 2 and 3, it is clear that the area is a “Recipient Community”, where the Revenue generated is less than the Expenses required to provide service to the community. In the original version of the Model, the Expenses required to serve the area were 2.39 times the Revenues. In the revised version, the ratio decreases to 2.09 times Revenues.

North Central is a “Recipient Community” which requires a substantial amount more in services from the UMSA budget than the Revenues generated. Incorporation for this community will require the residents to pay a higher portion of the cost to provide service.

The impact on UMSA would be significant, in that a net Budget loss of over \$20.7 million in the original Model and over \$18.6 million in the revised Model. A Budget loss means that the UMSA budget would have a net reduction in Expenses.

PRO FORMA BUDGET

Several versions of a potential municipal budget were produced for review by the MAC. One known as the “MAC Working Budget” was compiled with input from staff from Miami-Dade County. The second version is referred to as a “Break-Even Budget” which reduced some costs if the Working Budget generated a deficit.

One major assumption in the analysis was that the new municipality would continue to levy a millage rate equal to the current UMSA rate. This assumption is appropriate since many residents may only wish to incorporate if taxes do not go up. Retaining the millage rate at the current UMSA levy would be the most reasonable approach.

Analysis of Budget Data

PMGA conducted a separate review of the Budget amount for the North Central area. This review consisted of a review of the Pro Forma amounts, research into the basis for the staffing and other cost estimates and review of budgets of other municipalities of similar size.

The analysis concentrated on the four principal functions. This analysis should not be interpreted to indicate that the other municipal functions are not important. Instead, these functions were selected since they are more open to interpretation, especially when discussing the Level of Service. Many functions, such as Administration, Finance, etc. do not have a great deal of flexibility. In addition, the functions chosen for examination also typically provide the greatest cost. The four functions are:

- Police
- Planning, Building and Zoning

- Parks and Recreation
- Public Works

Working Budget

The Working Budget for the North Central MAC was determined to generate a deficit with Expenses of \$22,510,209 and Revenues of \$17,539,769. The deficit of \$4,539,440 represents over 20% of the Expense projections.

The largest of the Expense items is Police with a total of \$16,704,339 or over 74% of the entire budget. This figure is significantly lower than the \$25,482,000 which is the estimate of UMSA expenses based on the number of calls received. Members of the MAC expressed concern over this cost estimate feeling that the figure was too high (discussed in a later section of this report). A Break Even Budget was produced that reduced the Police expense to \$12,164,899 to generate a balance.

Based on the Working Budget, one of two actions must be taken:

1. Reduce the Police Expense amount by approximately \$4.5 million
2. Increase the Ad Valorem Rate to 6.1321

Comparison with other Communities

PMGA conducted a review of municipalities from across the State of Florida as well as those located in Miami-Dade County. Municipalities were selected with a population similar to North Central (plus or minus 10%) and the budgets reviewed. Only budgets from the same fiscal year as those used in the North Central Working Budget were analyzed. The four functions identified earlier were selected for more in depth analysis. The municipalities considered for comparison to North Central are:

- Boca Raton
- Davie
- Deltona
- Lakeland
- Largo
- Melbourne
- Miramar
- Palm Bay
- Pompano Beach

Some of the municipalities were discarded (such as Boca Raton) due to the unique nature of that community. The results were that the budget for North Central was comparable to most of these communities. The costs for Police were typically lower in North Central than the other municipalities. This is likely due to the fact that the other communities have stand alone Police Departments and the amount of senior staff is greater. The estimate of 146 sworn officers for the

community results in a ratio of 2.0 officers per one thousand population, which is equal to the national standard.

In Parks and Recreation, the costs are also less than the other communities. Although there are 21 parks in the boundary of North Central, the budget amount exactly equals the existing budgets of these facilities. Additionally, there are two County parks in the area. The municipality would not have to maintain these facilities.

The budget amount for Planning, Building and Zoning is also less than the comparison communities. The amount is approximately one-fourth of the budgets for these locations. Although there will not be significant growth, redevelopment and code enforcement could be required. The budget for this department may require additional funding.

The budget for Public Works appears to be significantly low for the municipality of this size. The figures are approximately one-fourth of the budgets for other communities. The reason is that the County will retain control of the canal maintenance until the municipality wishes to take on this function themselves, if ever. Also Gas Tax funded projects have not been included. Eliminating the drainage and roadway maintenance functions will significantly reduce the costs.

The overall budget for the community is generally within acceptable limits, based on the review. However, the budget cannot be balanced at the higher (\$16.7 million) figure for the Police Department.

CONTACTS WITH NORTH CENTRAL MAC INDIVIDUALS:

Members of the North Central Municipal Advisory Committee were contacted to discuss their confidence in the budget prepared for the potential incorporation of the area or any other point regarding incorporation. Interviews were conducted since it was very difficult to attempt to organize a special meeting. The interviews also allowed the members to discuss their issues without influence from other parties.

The committee members contacted indicated some concerns. The Police portion of the budget was a concern voiced by the members. Members indicated that they were not given any leeway for negotiation of the financial amounts or personnel numbers. Also mentioned was that not enough information was given as back-up regarding the figures/numbers that they were given. It was conveyed to PMGA that members felt a number was given for these service that reflected the level of service and resources being provided at that time from existing precincts and with existing equipment and staffing. One member believed this was unrealistic and that services would not have been appropriate at existing levels from existing facilities should a new city be created. Another member was particularly uncomfortable with the cited cost of the service to the potential city of 73,000 persons would have been very similar to that provided to Miami Gardens, a city of over 100,000.

Another item that a member indicated caused some trepidation was revenue projections. It was felt that revenue projections, specifically State Shared Revenues were low and that this needed to be revisited to see if more revenue would be available.

OTHER FACTORS

A portion of the North Central area is currently under study by the Miami-Dade Office of Community and Economic Development for consideration as a CRA. A Finding of Necessity is currently under review. This report is a precursor to the formation of a CRA. Under the provisions of the CRA legislation, a County formed CRA cannot operate within municipal limits. If the CRA is created, this will pose a problem legislatively for the municipality. Additionally, a CRA would limit the expansion of the tax base while Tax Increment Financing (TIF) is applied. If the area incorporates, the County may be required to disband the CRA. If the municipality does decide to keep the CRA, additional interlocal agreements are required. The TIF amount will restrict the growth of the General Fund Revenues for the time frame that the TIF is in place. In the long-run, the CRA could help revenues by assisting in the increase in property values.

SUMMARY

The budget as currently estimated does not permit a viable municipality. The Police budget line item must be reduced significantly. The other option of increasing the millage rate is not considered viable.

The issue of the CRA must also be settled prior to the establishment of the new municipality.