Memorandum

MIAMI-DADE COUNTY

Date: January 24, 2012

To: Honorable Joe A. Martinez, Chairman
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: Union Impasse Considerations

We have received from individual Board members inquiries and suggestions on how to resolve, or at least ameliorate, the current union impasse. I really do welcome Board member's input on this issue as it is critical to the County's employees, its operational capabilities and ability to effectively deliver services to our community. However, budgetary recommendations that I make to the County Commission, taking into account input from Board members, union representatives, staff and others, have been and will continue to be based on whether funding sources are verifiable, reliable and recurring and that expenditures maintain, to the extent possible, service levels to our residents.

As the Board is painfully aware, prior to the formation of the FY 2011-12 budget, the County had four years of belt tightening to close budget gaps of more than $1.4 billion. The was done predominantly through operational cuts to accommodate first tax reform at the State level and subsequently the downturn of our tax base due to the hits our national and local economies have taken. The FY 2010-11 budget, however, included employee pay raises which is why I had recommended, and the Board agreed, to the roll back of the millage rates to FY 2009-10 levels and reverse those increases. During the final budget hearings after much debate and discussion, the Board agreed to a budget that contemplated certain levels of service delivery to the public which could only be provided if an additional $238 million of employee concessions were garnered.

After the years of belt tightening, mainly in the form of positions eliminations, rather than salary reductions, the County doesn't have slack within its budget to maintain the desired service levels to the public without drawing upon cash reserves that ensure its future viability and help maintain its credit rating. There are no 'rabbits in the hat', no 'hidden cash in drawers' that can be accessed without damaging the financial wherewithal of the County. If there had been any easy fixes, I would have sought fewer concessions from our employees and identified fewer layoffs.

I have incorporated the inquiries and suggestions as attachments to this memorandum and address them below, in reverse order of date of issue. As you start to review the alternatives, please keep in mind one important point. The additional 5% health insurance contribution has nothing to do with the cost or the amount of insurance coverage for our employees. It is simply a vehicle to balance the budget. An additional 4% salary adjustment would have served just as well as that would have generated the same amount of savings and avoided confusion. However, the benefits to the union membership of the health insurance contribution over the 4% salary adjustment is that the health insurance contribution does not adversely affect Florida Retirement System pension calculations nor does it diminish supplemental pay calculations.

<u>**Attachment A** – Memorandum from Honorable Joe. A. Martinez, Chairman Re: Alternative Proposal for Negotiated Resolution of Pending Impasse Items – Dated January 20, 2012</u>
The memorandum speaks to further negotiations with the unions to amicably resolve the impasse issue by acceptance of an additional two and one-half contribution towards health care. The cost to the

County of reduction for the insurance contribution from 5% to the 2.50% is approximately $32.5 million from all sources of funds.

Chairman Martinez suggests several possible sources to fund the $32.5 million cost of negotiating a 2.50% additional health care contribution. They are summarized below with commentary on our part:

1) *Use $3 million of the Wage Adjustment, FRS Separation and Energy which has a $24.703 million FY 2012 appropriation* - As part of the negotiations with the unions, we offered to cover the 12 percent increase in health insurance premiums for dependent coverage (valued at $7 million), the funding of which was anticipated to be provided by this reserve. Also it should be noted, that reductions of this reserve represents one-time and not recurring revenues. Using it to fund the current year's 12 percent increase of health insurance premiums was considered proper because we hope to modify (with union input) the insurance plans offered to our employees so that both they and the County can save money in future years. Furthermore, this reserve may be necessary to fund termination payments to employees who separate from the County.

2) *Reduce Appropriation for GSA Security Services by $5 million as vendor contracts can be negotiated downwards* – It is unlikely that $5 million can be saved in the General Fund by renegotiating security contracts downward. Although I agree with the Chairman that we should take every opportunity to press our vendors for cost savings, the amount of possible savings cannot be verified and may not be recurring.

3) *Take $20 million from the Health Insurance Trust as it will leave us with more than 60 days of claims in the reserves which is more than sufficient as our actuary has indicated that we need only 30 days of claims in the reserve* - The County's actuary has recommended the minimum and maximum (Safe Harbor) dollar amount of funds which should be on deposit as a reserve in the Health Insurance Trust Fund for FY 2012. As the chart below indicates, coming into FY 2012 our cash position was higher than the Minimum 5% Reserve but lower than the Safe Harbor Two Month Reserve. The chart also indicates that within the Health Insurance Trust Fund, we reserve the General Segment's (non-proprietary) portion of the County's future retiree health benefits liability (know as "Other Post Employee Benefits" aka "OPEB Liability).

Reserve Requirements for FY 2012

	Per Actuary Minimum 5% Reserve	*Per Actuary* Safe Harbor Two Month Reserve	1 month Reserve at Current 'Burn' Rate
FY 2012 Expected Claims	$ 373,107,000	$ 373,107,000	$ 426,407,100
multiple or divide by	5.00%	6	12
Subtotal	18,655,350	62,184,500	35,533,925
FY 2012 IBNR	38,062,000	38,062,000	38,062,000
Targeted Reserve	$ 56,717,350	$ 100,246,500	$ 73,595,925

Available Cash in Health Insurance Trust Fund at Different Reserve Requirement

	Per Actuary Minimum 5% Reserve	*Per Actuary* Safe Harbor Two Month Reserve	1 month Reserve at Current 'Burn'
Ending Cash at 9/30/11	$ 91,487,701	$ 91,487,701	$ 91,487,701
Reserve for OPEB at 9/30/11	$ (25,140,000)	$ (25,140,000)	$ (25,140,000)
Less Targeted Reserve	(56,717,350)	(100,246,500)	(73,595,925)
Available Cash	$ 9,630,351	$ (33,898,799)	$ (7,248,224)

The Chairman is correct in saying that appropriating money out of the Health Insurance Trust Fund was a measure exercised (indirectly) in FY 2009-10. That year $24 million of contributions were never sent to the Trust Fund and remained in departmental budgets to cover other operating expenses. However, the ending cash balance of the Health Insurance Trust Fund ended up being $41.6 million less than at the start of the year due to net expenditures exceeding projections. The Health Insurance Trust Fund needed to be replenished in FY 2010-11 to come close to adequate reserves.

Our greatest concern related to the Health Insurance Trust Fund is that expenditures will exceed projections. Healthcare expenditures are volatile. Already this fiscal year monthly expenditures have exceeded projections and if this trend (our current 'Burn' rate) continues, net expenditures for FY 2012 will be $53 million more than expected. As the right-hand column of the chart above shows, assuming only a 1-month reserve, at our current burn rate, available cash will be a negative $7.2 million which would have the effect of eating into the $25 million reserved for our OPEB liability. It is for that reason; we cannot recommend adopting the Minimum 5% Reserve as our target. Fortunately, the reserve for the OPEB Liability is for long-term use and temporary reductions of it will not have an immediate detrimental cash flow effect.

4) *Re-appropriate $2 million from the Capital Outlay Reserve by delaying projects for 6 months to one year* - This action generates non-recurring revenues and just pushes the funding issues we face to next year. The Capital Outlay Reserve this year only includes funding for projects that are

in the final stages of completion or are a legal obligation and debt service payments. Finding $2 million of accessible cash would be unlikely.

5) *Take $1 million from the Vehicle Replacement Purchases by extending new vehicle purchases by six months to one year* – Anything taken out of the Vehicle Trust Fund would have to be replaced and the fund doesn't have enough to cover its liabilities as it is.

6) *Use the estimated $5 million from the reorganization which were not budgeted this fiscal year as one would reasonable assume that elimination of so many departments would create a large number of vacancies and the consolidation of back office functions* – All except for the most critical vacancies will be frozen for the balance of the fiscal year in order to make up for the delay in executing the collective bargaining agreements. As to the estimated savings from the reorganization, most of it will be generated from the reduction of personnel. It is my intention to have the structure and benefits of the reorganization communicated to the Board during the early stages of the FY 2013 budget process so that affected employees would have time to react accordingly prior to October 1st 2012, when the plan would go into effect.

It should be noted that for each of the recommendations above, consideration should be given as to funding sources. In other words, not all of the indicated funds suggested to be re-appropriated are available for use in the General Fund. Furthermore, contributions to the Health Insurance Trust Fund and Fleet Trust fund, as well as costs associated with security at GSA-managed buildings, are not wholly funded by the general fund and should be returned to funding source of the original contribution.

Some final comments need to be made regarding the Chairman's memorandum. Oftentimes, unions and management do not see eye-to-eye and impasse comes about. The inability to reach an agreement has nothing to do with "the vitriol spewed on radio talk shows". Sometimes, one man's vitriol is another man's demand for consistent good governance.

A majority of the Board approved the FY 2011-12 budget which defined service levels and anticipated employee concessions. Another majority of the Board voted for no additional group health insurance contributions, the result of which is that if service levels and adequate reserves are to be maintained, employee layoffs must occur. It is both the demand for cost-effective governance and the unfortunate loss of jobs and pay, especially in today's economy, that causes the "odium".

Attachment B – Memorandum from Honorable Commissioner Xavier L. Suarez Re: Budget Savings – Dated January 19, 2012

The memorandum discusses two alternative sliding scales, which range from 1 percent to 10 percent and 1percent to 15 percent, applied against salary in lieu of the additional 'flat' 5 percent health insurance contribution. Also, a third alternative caps all salaries at $150,000. Without verifying the calculations, the amounts generated by the three alternative sliding scales range from $36.76 million to $48.09 million versus the $65 million for the flat 5 percent insurance contribution. However at this stage, these proposals are impractical as they would require the renegotiation of all collective bargaining agreements.

Attachment C – Memorandum from Honorable Commissioner Dennis C. Moss Re: Union Impasse – Dated January 18, 2012

Commission Moss wanted to know:

1) *What would be the number of layoffs would be and what departments would be impacted if the Commission decided not to impose the 5% insurance?* – The total number of layoffs has not been finalized however the chart below gives an indication of the effects of layoff actions on the members of the PBA and GSAF bargaining units and how many of AFSCME 199 filled positions are scheduled to be eliminated. Also, all departments will be impacted.

	PBA	GSAF	AFSCME 199
Positions Eliminated	281	291	469
Vacant Positions	(108)	(90)	(124)
Filled Positions Eliminated	173	201	345
Layoffs	220	209	TBD
Demotions/Exercising Classified Rights	(85)	(141)	TBD
Employees to be separated	135	68	TBD

2) *Whether we have a plan to implement those layoffs in the event the 5% is not approved by the Board?* – Yes, each department has worked up a plan to implement the layoffs in a manner to limit the impact to service delivery as much as possible.

3) *Is there a drawer of money somewhere so that no employees have to lose their jobs and no employees will have to pay the additional 5%?* – Unfortunately, no.

Attachment D – Memorandum from Honorable Commissioner Xavier L. Suarez Re: Task Force Report – Dated December 30, 2011

The major themes of Commissioner's memorandum were as follows:

1) *Eliminate all ranks above captain within the Fire Department, resulting in the reduction of no less than 80 positions with salary and benefits of $150,000 for a savings of $12 million, not counting overhead* - The Fire Department is staffed in accordance to national standards from agencies such as the Commission of Fire Accreditation International and others. The elimination of all ranks above captain will result in breaking the current collective bargaining agreement, cause the County to lose it fire accreditations which will result in higher property insurance premiums, and most importantly, put our citizens at risk as our effective response to major fires are coordinated through Battalion Chiefs. In the normal course of business, we will look to streamlining the Fire Department as appropriate however, it should be noted that 93% of any savings in the Fire Department must accrue to the Fire District as the General Fund only fund 7% of its operations.

2) *The Information Technology Department (ITD) is overstaffed in the range of 10% to 50% and should be streamlined for conservative savings in the range of $37.5 million to $45 million* - The memorandum included, as an attachment, a report that discussed general budgetary, staffing and salary guidelines garnered from the private and public sectors. Neither the memorandum nor the report substantiates the savings amount cited. In fact, the report cites a typical IT budget as having 20% dedicated to Administration and Planning while the County's Information Technology Department has approximately 7% of its budget dedicated to those purposes.

3) *Seek voter approval of any borrowing including for revenue bond issuance and since voter approval is unlikely, use 'capital savings' from the sales of the Miami Intermodal Center for $200 million to pay for capital assets such as 280 trolleys ($56 million), 2,000 neighborhood mini-buses*

($64 million) and provide for an additional $80 million reserve - Seeking voter approval for revenue debt issuance such as at the Airport, WASD, Seaport, etc. would be unworkable and the development of those enterprises would be endangered. Also, the sale of County assets would not be sufficient to develop countywide needed infrastructure. As to the sale of the Miami Intermodal Center, the County owns only the Rental Car Facility (RCF) – FDOT is the major property owner at the MIC. If the RCF were to be sold, all sales proceeds would accrue only to the Airport. The RCF must remain a RCF or the land on which it stands reverts to FDOT. Given the existing lease arrangements with the rental car operators at the site, a sale with this restriction is improbable.

4) *Consolidate the County's Emergency Operation with that of the City of Miami* – This would take a lot of effort and the benefits of it are unclear. Under FS 252 it is the County that is responsible for maintaining an emergency management program that includes all of its municipalities. At this time only the City of Miami, Hialeah, Miami Beach, Coral Gables and Homestead have chosen to fund municipal emergency management programs – most are staffed by one or two personnel. The County's Office of Emergency Management (OEM) engages in the following programs on behalf of all of Miami-Dade County:
    - Sheltering & Mass Care (Hurricane Evacuation Centers, Medical Management Facilities, Pet Friendly Shelters…)
    - Emergency Commodity Distribution (Points of Distribution – water, food, ice, tarps, medicine)
    - Emergency Evacuation Assistance & People with Special Needs (Programs for meeting the needs of special populations)
    - Residential Healthcare Facility Plan Review (FS requirement)
    - Public Outreach (Disaster preparedness)
    - Training & Exercise (All hazards training and exercise for all stakeholders including volunteers)
    - Warning Systems & Incident Management Tracking (EOC Technologies)
    - Health & Medical Planning (Cities Readiness Initiative, Biowatch Program , Pandemics)
    - Radiological Emergency Preparedness (Turkey Point Response)
    - Business Recovery (Private Sector engagement)
    - Mitigation (Lessening the County's impact from disasters)
    - Evacuation (Protective action decision-making)
    - Long Term Recovery (Community resiliency and return to normalcy)
    - Disaster Housing (short and long term recovery needs)

    Our County Program is inclusive of all 35 municipalities, all Miami-Dade County Departments and engagement of all county-wide stakeholders. Miami-Dade has the responsibility for all residents and visitors regardless of a city having a program or not. Therefore, within Miami-Dade County, our OEM is the de-facto EM agency whether or not a city desires to have its own program.

5) *Sell unneeded commercially viable County-owned properties to the private sector* - I agree and we have already been taking steps to identify properties to be sold and the value that may be anticipated from the sale. Similar to the solutions found in Chairman Martinez's proposal, receipts from the sale of must be returned to the source of funds utilized for the initial purchase.

6) *Streamline the number of departments to 10* - I do not believe this is practical.

7) *Consolidate personnel into centralized locations; simplify the pay plan; reduce the number of expenditure codes, reduce the number of pay grades, etc.* – Over time and where it makes sense, we hope to consolidate and streamline our operations including simplifying our processes.

Conclusions

Negotiations with the various unions began in March 2011 under County Manager Hudak. They have continued throughout my term as Mayor.

The time for negotiations is over. The Board must resolve the impasse items as expeditiously as possible so that the County can focus on its core missions completely.

Attachments

c: Robert A. Cuevas, Jr., County Attorney
Office of the Mayor Senior Staff
Jennifer Moon, Budget Director
Lester Sola, Director, Internal Services
Charles Anderson, Commission Auditor

ATTACHMENT A

Office of the Chair

CHAIRMAN
JOE A. MARTINEZ

MIAMI-DADE BOARD OF COUNTY COMMISSIONERS

Memorandum

To: Honorable Carlos A. Gimenez, Mayor

From: Joe A. Martinez, Chairman

Date: January 20, 2012

Re: Alternate Proposal for Negotiated Resolution of Pending Impasse Items

---

During the January 24th meeting, the Board of County Commissioners (Board) must address your vetoes of its decision not to impose an additional five percent health care contribution on employees from the PBA and GSAF bargaining units. The Board must also resolve impasses with other units on the same issue. Procedurally, should your vetoes be sustained the items are back at impasse and unresolved. If that occurs, I will re-open the public hearings on said items and provide reasonable time to both sides to address the Board. In lieu of the Board's imposing a resolution on the parties through the impasse procedure, I recommend the impasses be resolved through further negotiation and the parties' acceptance of a proposal for an additional two and one-half percent contribution toward the cost of health care. This proposal represents a reasonable compromise of the parties' remaining dispute and can be funded from the sources identified below.

Our county family stands at a moment in time when life-altering decisions are upon us. As elected leaders, our role in making those weighty decisions is as grave now as it has ever been. These negotiations and the subsequent failure to reach an agreement have led to acrimony between county employees, as not all agree that concessions are shared equally. This failure has pinned neighbor against neighbor, the public sector against the private sector. The vitriol spewed on radio talk shows is indicative of the odium created by the inability to reach an agreement in these negotiations. This must stop. We need to unify during tough times, not divide.

As you may recall from our meeting on the 18th, I advised you that I would submit an alternative proposal. Therefore, I am asking you and the union delegates to consider this proposal or any other proposal that is presented so we can resolve this impasse and move on together. There are certainly no easy paths or crystal clear alternatives when one considers whether employees should be asked to accept an additional five percent contribution to health care costs when they have already agreed to substantial concessions.

You have made your alternative unequivocally obvious: massive lay-offs. Although some lay-offs may be inevitable, I remain steadfast in my conviction that although lay-offs alone is your answer, it is not the only answer. If the Board should find itself in a position where your vetoes are sustained, I urge serious and thoughtful consideration to the negotiation of a two and one-half percent contribution that yields approximately $32.5 million for all remaining unions whose impasse we must resolve. In addition, after reviewing the budget and in consultation with our Commission Auditor, I have identified some areas where responsible cuts may yield the balance needed to fund this proposal. First and foremost is rescinding layoff notices. The main thrust of this recommendation, is to avoid all layoffs and reduce the workforce through attrition and/or reorganization.

Source	Amount	Notes
Wage Adjustment, FRS Separation and Energy Reserve	$3 million	The FY2011-12 Adopted Budget for WAFSER is $24.703 million.
GSA Security Services	$5 million	On average, over the past two years GSA Security Services have been budgeted at 45% higher than expense or $14 million. I have sponsored legislation instructing the administration to renegotiate several contracts. I am aware that the vendors do not have to renegotiate, but as our partners, it would be the right thing to do.
Health Insurance Trust Fund	$20 million	Currently, we have $103.8 million in reserves and according to the attached actuarial memorandum from the Office of Insurance Regulation, Miami-Dade County only needs the equivalent of 30 days claims in the reserves. As such, using $20 million will leave us with more than 60 days of claims in the reserves, which is more than sufficient. This would be a one year action and not recurring. This measure was exercised previously in 2009.
Capital Outlay Reserve	$2 million	To achieve this we would have to delay some capital projects for 6 months to one year. The determination as to how to reprioritize projects will be determined by the Board. Additionally, if some projects are delayed, additional savings related to operations and maintenance will be realized.
Vehicle Replacement Purchases ($5.69 million)	$1 million	By extending the replacement of new vehicle purchases by six months to one year. Currently, there are unused vehicles sitting at the Earlington Heights Station which should be utilized rather than buy more new vehicles.
Departmental Reorganization	$5 million	The estimated $5 million in savings were not budgeted for this fiscal year. A reduction of 21 departments must yield significant savings. One would reasonably assume that the elimination of so many departments would create a large number of vacant positions, as well as the consolidation of back office functions, resulting in substantial savings.
Total	**$36 million**	

The monies identified above will yield approximately $36 million in savings which exceeds the necessary amount needed to close the gap, if the County and its unions agree to an additional two and one-half percent in health care contribution for all units that remain at impasse. These are just some cost savings measures that I could identify with limited information and resources available to the Commission. I am aware that my proposal may create additional operational and administrative challenges; however, a shared sense of sacrifice, urgency, and purpose must be prevalent to move our government and our community beyond this contentious issue. As the renowned physicist William Pollard said: "It is not always what we know or analyzed before we make a decision that makes it a great decision. It is what we do after we make the decision to implement and execute it that makes it a good decision." Regardless of the decision reached, our actions thereafter will dictate its wisdom.

While you may not agree with this proposal, it is a **viable** one which will not affect the County's ability to function or the delivery of services to our residents. I therefore urge you to vet the above-mentioned options with the utmost consideration and I hope you, as well as my colleagues, accept or at least discuss this option or any other option that may be presented. Negotiation is the preferred way of resolving collective bargaining disputes and I hope you will consider negotiating with our unions to resolve the impasse in the manner described or in some other fashion that is mutually acceptable.

Attachment

c: Honorable Vice Chairwoman Audrey M. Edmonson and
Members of the Board of County Commissioners
Robert A. Cuevas, Jr., County Attorney
Christopher Agrippa, Clerk of the Board
Charles Anderson, Commission Auditor
Union Representatives

OFFICE OF INSURANCE REGULATION
I-FILE WORKFLOW SYSTEM

Filing Number: 11-20170

Request Type: Original Only

Actuarial Memorandum
Miami-Dade County Health Plan for Fiscal Year Ending September 30, 2011

Scope

The Miami-Dade County Government ("the County") provides health insurance to its employees through a self-funded health plan administered by AvMed. Florida Statute 112.08 requires self-funded plans sponsored by local governments to submit an annual filing to the Florida Office of Insurance Regulation ("OIR") documenting plan experience and financial position. The filing must include an actuarial memorandum signed by a certified actuary that opines on the actuarial soundness of the plan. This memorandum is intended to comply with that requirement.

I have performed the calculations for the County's self-funded health plan and supervised and reviewed the preparation of the attached reports. In my calculations, I have relied on information provided by the County's Benefits department and on data provided by the plan's administrator. I have not audited this data but I have performed tests to assess the data's consistency with prior years and overall reasonableness, and I believe the data is sufficient for the purposes of this analysis.

Background

AvMed has acted as the County's plan administrator since January 1, 2008. The County offers two HMO benefit options and one POS option for active and pre-Medicare retirees. Medicare retirees can select from a high option plan with or without pharmacy coverage, and a low option plan.

Historically, the employee's of Jackson Memorial Hospital Public Health Trust (PHT employees) were also covered under the County's self-funded plan. Effective January 1, 2011, those employees were moved to a fully insured plan, however effective January 1, 2012 they will once again be covered under the County's self-funded plan. Projections for future years reflect the addition of these lives beginning in 2012.

Credibility

The County's self-funded plan currently covers approximately 50,000 employees, retirees, and dependents. While there are many ways to measure credibility, any reasonable approach will reach 100% credibility at a much lower membership threshold than the County's 50,000 members. Sections of the Florida Administrative Code dealing with credibility issues for rate filings, for example, generally assign 100% credibility at a level of 2,000 subscribers or individual policyholders, which would typically correspond to no more than 5,000 members. Given the size and stability of the County's population, I believe that the County's experience is 100% credible.

Development of Claim Reserves

Incurred medical claims for fiscal year 2011 were developed by adding paid claims to the change in the claim reserve. The closing claim reserve was estimated using the Development method. Because the completion factor for September 2011 claims is so low, incurred claims for that month were estimated using the Completion method.

For pharmacy claims, the lag data suggested that pharmacy claim payment was virtually immediate. Based on our experience, employers plan are typically charged for pharmacy claims every other week, suggesting that the paid date on the lag reports is really the adjudicated date rather than the date the employer plan funds the claims. Consequently, we recommend that in cases where the lag data shows almost no reserve, the employer should hold an equivalent of 2 weeks of claims. We have taken this approach for the County.

Finally, we added a 5% margin to both the medical and pharmacy reserves as a margin against adverse deviation.

Development of Premium Equivalents

Premium equivalents effective January 1, 2012 were developed by the prior consultant to the County. We reviewed the documentation provided and are satisfied that the rates included reasonable provisions for fee for service claims, capitation, and administrative fees. The County renews the plan on a calendar year basis, so the filing reflects fiscal year premiums that are a blend of two calendar years.

Actuarial Memorandum
Miami-Dade County Health Plan for Fiscal Year Ending September 30, 2011

The County reserves the right to change the level of County funding reflected in the 3-year forecast that is part of this filing. Factors such as ongoing labor negotiations and plan experience may affect actual contributions. The County is committed to funding the plan at a level that preserves the actuarial soundness of the program, but in the event that the plan's surplus exceeds a reasonable level, the County may choose to reduce contributions to the plan in order to satisfy other budget requirements.

Other Income and Expenses

As noted in prior filings, assets from all accounts associated with medical and dental plans (not just accounts specifically identified as self-insured) continue to be available to meet the obligations of the self-insured plan. The net of the activity in these accounts was a net loss to the plan of $7.1 million in fiscal year 2011. This was down from a $7.5 million loss in fiscal year 2010, but still higher than expected. The County has taken steps to reduce the impact of these accounts on the fund balance and it is expected that over time, the losses will get smaller.

We assumed that the investment income allocated to the fund will remain flat, despite the increase in accumulated assets of the plan. Actual investment income has been very consistent over the most recent two years.

Medical Trend

For the three year forecast, we assumed an annual combined medical and pharmacy trend of 10.5% for fiscal year 2012 and then 10.0% for both of fiscal years 2013 and 2014. These trends are based on our experience with other clients in this area, as well as published survey results. We have also considered the impact of healthcare reform, which may result in higher trends in the short term due to benefit mandates. The County's actual medical and pharmacy trends have averaged below 10% over the 2 years ending September 30, 2011.

Surplus

Following two consecutive years of negative operating results, the fiscal year 2011 results were positive, as expected. The plan had an incurred gain of $31.8 million for the year, increasing the accumulated surplus to $66.5 million. This is equal to 236% of the plan's liabilities, which is a substantial increase from last year's value of 106%. We project an additional gain for fiscal year 2012 based on the premium rates and projected expenses.

The plan's incurred claims for fiscal year 2011 totaled $317.1 million. At that annual pace, two months of claims is $52.8 million, so the County now exceeds the 60-day safe harbor threshold. While that is a positive development, we agree with the prior actuary that for a plan of this size and stability, a 60-day surplus target is somewhat excessive and actuarial soundness can reasonably be attained at a lower surplus level. For a group of this size, the main risk of higher than expected claims is related to an unexpected increase in medical trend, and there are practical limits on how large that error will be. The likelihood of seeing actual trend exceed expected by as much as 5% is very low. By comparison, the 60-day safe harbor threshold equals 16.7% of annual claims. I would suggest that even 30 days of claims is more than adequate for these circumstances, and that actuarial soundness could fairly be considered attained at something less than that.

Based on the accumulated surplus as of September 30, 2011 and the funding rates in place for calendar year 2012, I believe the County has adequate assets and sources of funds to meet the plan's benefit obligations under any foreseeable circumstances, and it is my opinion that the County's self-funded health plan is actuarially sound.

Reliance

I relied upon financial reporting, enrollment, and premium information provided by Miami-Dade County and on claim lag information provided by AvMed in preparing this analysis. In my opinion, the data provided was adequate for the purposes of this analysis.

I believe that the procedures and methods used in the exhibits to report past results and project future results are reasonable and have been calculated using sound actuarial principles. The projections are based on assumptions that I believe are reasonable in aggregate, but future experience is likely to vary from these assumptions, and the differences may be material.

Qualifications

I, Glen R. Volk, am a Member of the American Academy of Actuaries. I meet the Academy qualification standards for rendering this statement of actuarial opinion. I am not aware of any relationship between myself or other members of my firm and the County that could create a conflict of interest that would impair, or appear to impair, my objectivity.

Glen R. Volk, FSA, MAAA
Area Vice President & Consulting Actuary

December 22, 2011
Date

ATTACHMENT B

MEMORANDUM
COMMISSIONER XAVIER L. SUAREZ

111 NW First Street, Suite 220 Miami, Florida 33128 Tel. (305) 375-5680 Fax (305) 372-6103

TO:	Mayor Carlos Gimenez	DATE:	January 19th, 2012
CC:	Chairman Joe A. Martinez, and the Board of County Commissioners	RE:	Budget Savings
FROM:	Xavier L. Suarez Commissioner, District 7		

The following proposals suggest different means to achieve anywhere from 60% to 80% of employee concessions that your administration has proposed by the 5% health contribution. (See the attachment for the breakdown of the various salary scales and percent contributions.)

Alternative #1
Using the base salaries obtained from the Commission Auditor's office on January 17, 2012, the following amounts can be saved by implementing the following "sliding scale":

- Employees with base salaries at $50,000 with a 1% contribution;
- Employee contributions increase by 1% at every $10,000 interval up to the base salary of $150,000;
- Employees have a maximum contribution of 10%;
- Employees with base salaries over $150,000 would have a maximum contribution of 10%, this would amount to an additional $3.28 Million in savings.

The total savings from the above measures equal **$36.76 Million.**

Alternative #2
Another means of achieving a significant amount of savings is as follows:

- Employees with base salaries at $50,000 contribute 1% of their base salaries;
- Employee contributions increase by a half percent at every $5,000 interval up to the base salary of $100,000;
- Employees with base salaries above $100,000 would have contributions that increase by 1% at every $5,000 interval until $150,000 with a maximum contribution of 15%;
- Employees with base salaries over $150,000 would have a maximum contribution of 15%, this would amount to an additional $4.92 Million in savings.

The total savings from the above measures equal **$43.19 Million.**

Alternative #3
This is a variation of Alternative #2, except that it caps all salaries at $150,000. According to the Commission Auditor's office, such reductions result in $9.8 Million in savings.
The total savings from the above measures equal **$48.09 Million.**

These are just a couple of suggestions that would resolve the current impasse without having to lay off employees or diminish the quality of our services.

cc: R. A. Cuevas, Jr., County Attorney

Attachment

Percent Contribution by Salary Range		
Base Salary Range (in thousands)	Alternative #1 Contribution (10% max)	Alternative #2 Contribution (15% max)
50-54	1%	1%
55-59		1.5%
60-64	2%	2%
65-69		2.5%
70-74	3%	3%
75-79		3.5%
80-84	4%	4%
85-89		4.5%
90-94	5%	5%
95-99		5.5%
100-104	6%	6%
105-109		7%
110-114	7%	8%
115-119		9%
120-124	8%	10%
125-129		11%
130-134	9%	12%
135-139		13%
140-144	10%	14%
145-149		15%

ATTACHMENT C

MEMORANDUM

OFFICE OF COMMISSIONER DENNIS C. MOSS

MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS

Downtown Office
111 NW 1st Street, Suite 220
Miami, Florida 33128
(305) 375-4832| Fax (305) 372-6011

District North Office
10710 SW 211th Street, Suite 206
Miami, Florida 33189
(305) 234-4938 | Fax (305) 232-2892

District South Office
1634 NW 6th Avenue
Florida City, Florida 33034
(305) 245-4420 | Fax (305) 245-5008

Date: January 18, 2012

To: Honorable Carlos A. Gimenez, Mayor
Miami-Dade County

From: Honorable Dennis C. Moss, Commissioner
Miami-Dade Board of County Commissioners

Re: **Union Impasse**

We have struggled with difficult decisions related to the present union contracts. No one likes the choices that are before us or the impacts that our decisions will have on our employees. To that end, please provide a timely response to the following:

1. If the commission decides not to impose the additional 5% on the remaining bargaining units as was the case in the ones that have come before us previously; what will be the projected number of layoffs and what departments will be impacted?
2. Do you have a current plan in place to implement those layoffs in the event that the additional 5% is not approved by the board?
3. Is there a drawer full of money around some place that can be used, so that no employees have to lose their jobs and no employees will have to pay the additional 5%? I would like a response to the doubters who are making these comments in public and through emails that somehow the administration is hiding funds that could be used to resolve the impasse with our bargaining units.

Thank you for your attention to this matter.

Cc: Honorable Joe A. Martinez, Chairman
and Members Board of County Commissioners
Honorable Harvey Ruvin, Clerk of the Courts
Honorable Pedro J. Garcia, Property Appraiser
Alina T. Hudak, County Manager/Vice Mayor
Robert A. Cuevas, County Attorney
Abigail Price-Williams, First County Attorney
Charles Anderson, Commission Auditor
Joe Rasco, Intergovernmental Affairs
Christopher Agrippa, Division Chief, Clerk of the Board

MEMORANDUM
COMMISSIONER XAVIER L. SUAREZ

111 NW First Street, Suite 220 Miami, Florida 33128 Tel. (305) 375-5680 Fax (305) 372-6103

TO:	Chairman Joe A. Martinez	DATE:	December 30th, 2011
CC:	Miami-Dade County Board of Commissioners	RE:	Task Force Report
FROM:	Xavier L. Suarez Commissioner, District 7		

I. INTRODUCTION

You have asked me to head a task force that would make recommendations to you and the Board of County Commissioners as to how the county's government could be streamlined in a meaningful way.

In pursuance of that task, I have conducted the following meetings and fact ascertainments:

1. Sunshine Meeting with Chairman Joe Martinez (October 19, 2011).
2. Sunshine Meeting with Commissioner Sally Heyman (November 2, 2011).
3. Procurement fact ascertainment with Deputy Mayor Alina Hudak and Internal Services Director Lester Sola (November 16, 2011).
4. Extensive discussions with Internal Auditor Charles Anderson and Assistant Keith Conner.
5. A host of discussions and shared research with outside advisors on specific comparative budgets. (See attachment prepared by Paul Alcazar, PE, on Information Technology Department.)

II. The Task

The task you have assigned to me is monumental. To illustrate the magnitude of the task, below is a list of the parameters of what we are dealing with:

- The county owns approximately 4,500 facilities and/or fee simple lots.
- The county leases approximately 158 properties.
- There are currently 26 separate county departments, plus three self-supporting enterprises and the Public Health Trust ("PHT").
- Outstanding debt is approximately $14 billion. Of this amount, about $11.444 billion is revenue/special obligation debt, supported by special taxes, franchise fees, user fees and other non-*ad valorem* taxes. Since municipal debt is incurred in the range of 3.8% to 5.5% rate of interest, that means we are tying up as much as $765 million annually of enterprise fees and similar revenues that could otherwise be used for operations or tax reductions.
- To manage its operating budget of $4.440 billion, and its capital budget of $1.674 billion, plus a host of grant programs, the county has concocted no less than 33,000 budgetary codes.
- The county's collective-bargaining employees number approximately 27,000 and are organized into ten labor unions.
- There are approximately 2,000 different salary levels in the county. The factors which go into calculating a particular employee's paycheck are myriad. They include risk of occupation, number of years of service, overtime and merit increases based on rank. (By comparison, the Federal Government, with 2,840,000 employees, has twenty-two basic "GS" pay classifications.)
- There are more than 3,000 county employees whose annual salary and benefits exceed $100,000.
- The county's overall "span-of-control" (ratio of supervisors to rank-and-file) is less than 5:1.

III. SHORT-TERM SOLUTIONS

I begin the short-term analysis by analyzing two key departments which, at first blush, seem either over-staffed, overpaid, or both.

A. Micro Analysis #1 - Fire Department

This department is the best example of how not to manage a governmental function that has seen little modification in half a century. Department personnel totals slightly over 2,000 and, of those, no less than 689 (about one-third) are supervisory, to wit: lieutenants, captains, chief fire officers, and assistant chiefs. The ratio of supervisory personnel to rank-and-file ("span-of-control") is thus about 2:1.

Having a span-of-control equivalent of 2:1 is ludicrous. The justification given is that rescue and other vehicles are manned by a minimum of three firefighters, of which one should be supervisory (according to conventional wisdom). That justification is even more ludicrous.

Streamlining this department should start by elimination of all ranks above captain, resulting in elimination of no less than 80 positions, with salary and benefits of $150,000, for a saving of $12 million, not counting overhead.

B. Micro Analysis #2 - Information Technology Department

It is almost impossible to isolate this variable for short-term analysis, as the Information Technology ("IT") Department is inextricably linked to the current, unwieldy bureaucracy that is Miami-Dade County. More particularly, the role this department plays in supporting the 311 and 911 systems is not clear enough for a specific recommendation as to how much of its 538-employee staff, and $124 million budget, can reasonably be reduced in the short term.

Intuitively, I have no doubt that the 311 system should be disbanded, and all calls routed to the appropriate department by a team of switchboard operators. In regards to the 911 system, it is almost entirely managed and operated by police and fire services.

In an attempt to find comparative figures for analogous departments and enterprises, I asked Paul Alcazar, PE, to analyze similar public and private agencies. His analysis is contained in Attachment #2 which compares our IT functions to those of other governments and the private sector. The problem with comparisons to governments is that **all governments appear to over-rely on IT**. The comparison is also made difficult, in our case, since at least four agencies/enterprises in Miami-Dade County have their own in-house IT services. That includes the airport, seaport, Water and Sewer Department ("WASD"), and PHT.

It is not clear to me, at this point, whether the remaining functions of the county require IT services to the tune of $124 million. The corporate analysis performed by Paul Alcazar concludes with a very rough estimate that the department is over-staffed in the range of 10% to 50%.

The highly technical nature of this department precludes any greater specificity at this time. Certainly, it is an ideal candidate for privatization. That process, if carried out competitively, would flush out what private entities would propose by way of substitute services, as well as what savings can be obtained therefrom.

Based on the above, there is no short-term savings from this proposed micro-reform.

C. Conclusions of Short-Term Analysis and Recommendations

In regards to short-term savings, it is impossible to have an accurate calculation of savings from non-personnel related reductions. Therefore, we limit the quantification of proposed savings to personnel reductions, leaving out, for the moment, consolidation of facilities, reform of procurement processes, and other overhead-related measures.

Using the same parameters as applied to the Fire Department, I would propose immediate elimination of 300 supervisory level positions.

Total annualized savings, assuming $125,000 to $150,000 in combined salary and benefits, total $37.5 million to $45 million.

Undoubtedly, these personnel savings would be accompanied by some measure of overhead savings. In regards to overhead, the savings are (1) difficult to calculate; and (2) mostly in the long-term. Due to the difficulty in quantifying, I will simply assume that overhead savings will offset any "bumping" effects from administrators who choose to resign their civil service functions. Given the salary level of most administrators and their pension benefits, it can be assumed that very few will choose to regain their civil service positions since (by definition) those eligible to "bump" down to their highest pre-existing civil service positions are also those who have served longest as civil servants and have the highest pension benefits vested.

In view of the above, it is fair to conclude that the figure of $37.5 million to $45 million is conservative. In my opinion, it can be adopted as part of a mid-year budget modification, with future savings applied to other needs or returned to the taxpayers, as the commissioners might decide.

IV. LONG-TERM SOLUTIONS

For the fiscal year 2012-13, the following are the basic reforms, without which the ever-expanding bureaucracy will simply implode under its own weight. It is understood that the four existing enterprises (airport, seaport, WASD, and PHT) will continue functioning under their current accounting/management configuration.

A. Consolidation of Departments Into No More Than Ten, as Follows:

1. Building, Zoning and Planning;
2. Corrections;
3. Courts;
4. Cultural/Arts;
5. Fire;
6. Parks;
7. Police;
8. Public Works;
9. Transportation;
10. Administrative Services, including Legal.

B. Maximum of Ten Salary Levels per Department

At most, the civil service ranks would have seven pay grades, with fixed salary levels for the entire fiscal year. Exempt classifications would be limited to two (director and assistant director) or three (where a division chief is needed).

C. Maximum of Ten Expenditure Billing Codes or Categories per Department, Listed Provisionally as Follows:

1. Vehicles;
2. Rental of facilities;
3. Communications;
4. Utilities;
5. Fuel;
6. Salaries and benefits;
7. Replacement/Repair of equipment;
8. Supplies;
9. Interest on debt;
10. Miscellaneous.

Note: Simplifying the revenue codes is a difficult task at this point. The multiplicity of grant programs and inter-governmental fund transfers makes this task prohibitive within the time constraints imposed. Certainly it can be assumed that no more than 100 separate revenue codes are needed.

D. Immediate Cessation of all Non-General Obligation Bonds

The county should not be expanding its physical presence by committing special taxes, user fees, franchise fees, etc., to capital projects using special obligation bonds. Even revenue bonds, issued by enterprises such as the airport, seaport, and WASD, should be approved by voters and used sparingly when it is clear that current capacity is inefficient for short-term needs.

Furthermore, any commercially viable space should be sold to the highest private bidder immediately, which has the effect of (1) infusing cash into the treasury, (2) eliminating management costs of the facility sold, and (3) creating an *ad valorem* tax stream of revenues.

It is troubling that both the airport and seaport, which are managed by competent administrators, see as their function to develop county-owned properties into commercial facilities. The Port of Miami, for example, is undergoing a major and costly dredging effort (with doubtful economic benefits) and now proposes to add "commercial aspects to the business portfolio." It is questionable, and potentially self-defeating, for the public sector to even contemplate adding "commercial aspects to its business portfolio," when it should be moving expeditiously to transfer any surplus property to the private sector.

The same is true for the airport which is discussing a huge "airport city" at a time when its bonds are being downgraded due to the American Airlines bankruptcy. It behooves the county commission to immediately instruct the airport manager to evaluate all properties not needed for current services or future expansion, with a view to selling such holdings to the private sector.

E. Competitive Bidding for all County Acquisitions and Construction Projects

The county's procurement process is broken beyond comprehension. Three recent examples are worth mentioning.

Example #1

One example is a non-competitive (bid waiver) three-year contract award worth approximately $100 million to AT&T, with projected savings of about $2 million (2%) from what was effectively a sole-source purchase of service. On further inquiry, it appears that the communications service is for voice and data transmission over fiber lines, including about 18 large county facilities (which are inter-connected by county-owned trunk lines) and approximately 1,200 facilities that must rely on existing AT&T trunk lines. It is quite possible that the bid could have been bifurcated into two components: an inexpensive in-house system to communicate voice/data among those facilities which are already connected by county-owned trunk lines and a competitive bid for the rest of the facilities, most of which do not need to transmit large amounts of data **and can probably rely on wireless technology.**

Example #2

Another is a current outstanding bid for rail cars to replace existing ones in the Metrorail system. This $330 million bid should have been done by strict price competition through sealed bids.

In this connection, it must be emphasized that the replacement of vehicles in a system that has been in operation for more than two decades is a **classic example of a contract that should be awarded by strict, sealed-bid, price competition.**

Example #3

A third example is a recent bid for aerial photography, amounting to approximately $7 million. The county justifies this acquisition by referring to specs that require a visual resolution in the range of 3 inches for the four airport complexes. Since the four airports are owned and operated by the county, the exact height of each structure located therein can be ascertained by simple measurement or visual observation, which can be to the nearest centimeter. For the rest of the properties photographed, the resolution proposed is one foot, which is equivalent to 30.5 cm. It should be noted that the experts we have consulted are certain that cheaply available technology can provide a resolution of 41 to 46 cm. The commission was never informed of that alternative.

F. Sale of all Commercially Viable Properties

A classic example of commercially viable properties currently controlled by the county is found at the Miami Intermodal Center. Commercially viable space in that facility, adding up to 5.9 million square feet (if aggregated to the unused acreage abutting 37th Avenue, currently owned by Florida Department of Transportation) should be sold immediately, generating no less than $129.8 million for the county – based on current area sales in the range of $20/sq. ft.

A complete analysis of facilities and properties that can be consolidated or sold is contained in Attachment #1.

G. In-House Management (Reverse-Outsourcing) of Trunk-Line County Communications

See *Competitive bidding for all county acquisitions and construction projects - Example #1* above.

H. Reverse Outsourcing of Existing Low-Cost Public Services

To the extent possible, the county should take advantage of existing investments that have a high fixed-cost component and low marginal cost for additional users. A classic example is healthcare services, where Jackson Memorial Hospital currently provides medical services to a large population.

It should be noted that the current administration of Jackson Memorial Hospital seems to understand this principle. The concept is thus exemplified by the PHT's recent takeover of medical exams given yearly to county employees.

These medical exams had been awarded by bid contract to Mount Sinai Medical Center and were taken back by commission action at the request of the PHT.

It behooves the county to follow the PHT's example in providing public services at lower cost to the users, where large fixed cost investments have already been absorbed. A good example is in the area of mass transit where the county should immediately move to reduce fares for Metrorail and Metrobus. Having built the required infrastructure and acquired the rolling stock (vehicles) at a huge fixed cost, it is incumbent on the county to reduce fares as close as possible to the marginal cost of each additional user so that the overall benefit to the citizenry is maximized.

I. Outsourcing of Wireless Communications

See Attachment #2 and the discussion outlined in *Short Term Solutions – Micro Analysis #2*, which deals with the reorganization or privatization of the entire Information Technology Department.

J. Elimination of all Non-Functional Take-Home Vehicles

The county currently funds about 3,400 take-home vehicles to all personnel. About one-fifth of all take-home vehicles are not currently being used to provide emergency or protective services. Limiting take-home vehicle privileges to the Miami-Dade Police Department and other emergency personnel in marked cars who reside within county limits would help achieve long-term savings versus the present system in which take-home vehicles are awarded to other personnel not performing these essential and/or emergency services.

Immediate savings cannot be quantified, as there is a need for evaluation of the entire take-home vehicle program and its participants. (Note that the administration has promised to complete an evaluation of this program and will hopefully report to the commission by year's end.)

K. Consolidation of all Non-Supervisory Staff into Stephen P. Clark Building

As can be seen in the mentioned Attachment #1 (*memo from Janelle Jay to Commissioner Xavier Suarez*), at minimum a total of four administrative facilities can be sold due to consolidation. **Total current estimated value of said facilities is $66 million**.

L. Consolidation (with City of Miami) of Emergency Operations

There is no justification for having separate county and city emergency operations centers. The City of Miami facility is located a couple of blocks from the main county building and houses similar equipment to that of the county. It is manned 24 hours a day, is built to resist a Category 5 hurricane, and has communications capabilities that equal those of the county.

Most importantly, it receives power from underground cable lines that do not get knocked out during the most intense hurricane, such as Andrew in 1992. Also, it has emergency power generation on-site and at high enough elevation to avoid flooding under the most dire conditions.

This and other possible consolidations will result in substantial savings to the county. Ultimately, the entire administrative services of the county should be housed in the Stephen P. Clark building, whose 29 stories are more than enough to manage a governmental entity that renders basic services which are inherently decentralized.

The fact of the matter is that the county's basic municipal services have not substantially changed in a half-century and are inherently decentralized. Thus, we would never be able (or want to) consolidate 265 parks, 65 fire stations, 12 police stations, sewage and waste disposal facilities, and commuter transit stations -- not to mention a requisite number of jails and court facilities. However, as to all other administrative facilities, given the speed and facility of modern communications, it is unconscionable for a county like ours to require more administrative space than what is contained in a 29-story building.

It is incumbent on us to strive for that goal.

V. Quantifying The Long-Term Recommendations

A. Savings From Personnel Reductions

Using the span-of-control analysis for the entire county, and a benchmark workforce of 30,000 employees, we can estimate savings as follows:

Total Employees:	30,000
Current Supervisory (using 5:1 span-of-control	5,000
Current Rank-and-file	25,000

Modified Supervisory (using 7:1 span-of-control)	3,600
Net Reduction in Supervisors	1,400

As before, the personnel savings are calculated based on a range of $125,000 to $150,000 per employee, including benefits. Applying these figures to the supervisory personnel reduction of 1,400 positions means a total savings of $175 million to $210 million.

B. Savings From Salary Reductions

To the above must be added the savings from imposing a salary cap of $150,000, including salaries and benefits, for the remaining supervisory employees. Assuming current proportions of these who exceed $150,000 in salary and benefits, that adds up to $9.8 million in additional savings which must be reduced by a factor of 1400/5000 for positions already eliminated. That results in a net reduction of $7.1 million just for salary reductions.

C. Overhead Savings

To the above personnel and salary savings must be added overhead savings, which I estimate as an additional factor of 100%, based on 51.3% of the operating budget being consumed by salaries and benefits (leaving approximately 49% as overhead, or a nearly dollar-for-dollar equivalency). Thus, the personnel savings of $175 million to $210 million translate to $350 million to $420 million, not counting savings from salary reductions.

D. Grand Total/Operating

Adding all of the above estimates, we can fairly conclude that the proposed streamlining measures add up to $357.1 million to $427.1 million in operational savings.

E. Grand Total/Capital

From sale of existing facilities outlined in *Long-Term Solutions- Consolidation of all supervisory staff into Stephen P. Clark Building*, the county can be expected to derive $66 million. To that should be added the sale of commercially viable space as described in *Long-Term Solutions - Sale of all commercially viable properties*, estimated at a little less than $130 million.

Therefore, the total potential sale of these capital assets constitutes approximately $200 million, assuming almost no increase in the present value.

In the following section, we discuss how both operating and capital savings can be used to improve the services rendered by the county and how the reforms can lead to the creation of almost 2,300 jobs.

VI. BUILDING BETTER COMMUNITIES THROUGH REFORM

Short History of Capital Project Funding

In 2004, the county voters approved $2.9 billion in General Obligation debt, in a bond initiative called "Building Better Communities." The new capital was projected as a 15-year investment and is slowly, but surely, being used to provide infrastructure, arts complexes, landfill clean-up, and affordable housing.

At various times, Revenue and Special Obligation bonds have been issued. In the case of the enterprises, the expansion of facilities at the airport, seaport, and WASD has presumably been carried out to serve projected increases in demand. However, borrowing money without voter approval, by pledging operational revenues, is a fiscally dangerous practice that has greatly indebted the county.

To make matters worse, from the standpoint of voter confidence, even voter approved tax impositions have not resulted in the kinds of capital improvements expected by the community. In fact, very little has been done to augment the county's mass transit system, using the half-cent sales tax, which is currently managed under the People's Transportation Plan.

The result has been additional taxpayer alienation in the matter of public project financing. As a consequence, it is highly unlikely that voters will approve long term indebtedness to fund capital projects. The best prospect for funding future improvements is therefore to use capital savings from consolidation of facilities and consequent sale of unused properties, as further described below.

Funding Capital Improvements for Public Transportation

Future capital projects not funded by general obligation debt should use only capital savings and not streams of operational revenues, as has been the case in the past.

Under this approach, the sale of existing facilities and commercially viable space at the Miami Intermodal Center would generate approximately $200 million. Allocating $80 million of this amount to reserves (which duplicates our current estimate of $80 million in reserves) still leaves $120 million that can be used to purchase 280 trolleys (costing $56 million at $200,000/ea.) and another $64 million that may be used to purchase 2,000 neighborhood circulators/mini-buses at $32,000 per van. **Note that this initiative, referred to as "rubberized mass transit," would create no less than 2,280 new permanent jobs.**

What the Future Holds for Operational Budgets

On the operational side, I hesitate to make recommendations as to how to manage long-term savings. A good rule of thumb is to use one-half of the savings to reduce taxes and one-half to improve services. That is for county commissioners to decide. And it should be noted that the savings can greatly exceed the estimates shown here, once the reforms are in place.

Moreover, ending the practice of special obligation and revenue debt will generate savings that will ultimately result in returning $765 million a year to the operating budget. This process will take approximately 25 years, as outstanding bonds are being retired at the approximate rate of 4% per year.

In effect, if the county holds the line on issuance of non-general obligation debt, **each year's operating revenue will increase at the rate of approximately $30 million which is close to 1% of what will be the reduced operating budget.**

A Final Word on the Potential for Operational Savings

It should be emphasized that long-term overhead savings resulting from the streamlining proposed here are incalculable, but bound to be much greater than the estimates given here. A county with no more than 100 salary levels (as opposed to 2,000 now), 200 expenditure and revenue codes in its non-enterprise functions (as opposed to 33,000 now, including enterprise functions), and one facility for administrative services (as opposed to eighteen now) will be enormously easier and cheaper to manage.

Span-of-control, which here is proposed to be increased from 5:1 to 7:1, could ultimately reach the levels found in the private sector (10:1 or higher). If that were to happen, the county would be managed more like a business and less like the top-heavy, almost indecipherable bureaucracy that exists today.

If this goal is reached, it is entirely possible that the county can not only decrease tax rates substantially but increase basic services. As the county's tax base increases with increased efficiency in the delivery of services, one can easily envision better parks programs, enhanced recycling of waste, additional police-beat patrols, additional rescue vehicles (resulting in shorter response time), and a much larger fleet of mass transportation vehicles serving substantially larger number of commuters.

One can also envision personnel hired for the specific purpose of welcoming tourists and passengers arriving at the airport, seaport, and other points of arrival. A county that depends greatly on tourism for its economic health should offer a friendly face and guiding hand to both visitors and residents.

Xavier L. Suarez
Commissioner
District 7

ATTACHMENT #1

Janelle Jay

References available for viewing upon request.

INTERNAL MEMORANDUM
OFFICE OF COMMISSIONER XAVIER L. SUAREZ

111 NW First Street, Suite 220 Miami, Florida 33128 Tel. (305) 375-5680 Fax (305) 372-6103

TO:	Xavier Suarez, County Commissioner	DATE:	December 9th, 2011
CC:		RE:	Facilities
FROM:	Janelle Jay Commission Aide		

As per your request, please find an update on facilities below.

<u>OVERALL</u>

The total number of properties owned by the County is 4,515. (See attachment 1 – Summary of County Owned Property by Property Type)

<u>VACANT LAND</u>

The county owns approximately 754 properties that are considered to be "vacant land."

Of these vacant properties, two hundred eighteen (218) are to be sold to adjacent property owners; total value of these properties is $4.247M. (The timeframe for this disposal method is unknown)

Twenty five vacant properties are projected to be sold via sealed bid; total assessed value of these properties is $2.892M.

It should be noted that the valuations of these properties may be inaccurate as the method for valuation is unknown.

Also, if the amount of savings and revenue realized with the sale of these lands could be projected, the extent of our savings in maintenance costs and the potential revenue raised in property taxes would be realized.

<u>BUILDINGS</u>

Miami-Dade County owns more than 3400 buildings of different sizes and uses with more than 1200 folio numbers according to a report issued by the Property Appraiser's office.

The main administrative buildings that should retain their current usage include the Stephen P. Clark Government Center, Animal Shelter, Correctional Facilities, Courts, North Dade Justice Center, and the South Dade Government Center.

Additionally, all of the enterprises (Airport, Seaport, WASD and Public Health Trust/ Jackson Hospital) should remain in the existing administrative facilities.

There are about thirteen buildings on the eight properties that Miami Dade County owns classified as "Administrative Offices." (See attachment 2 – County Owned Properties by Property Type: Administrative Offices & Attachment 3 – County Owned Buildings by Folio Number)

At least four of the departments operating in the eight properties can be moved to the Stephen P. Clark Government Center. These departments include:

1. General Services Administration (currently under the name of Internal Services Administration) with buildings in different locations whose combined values are in excess of $20 Million

2. Department of Elections that is currently housed in Doral Facilities valued at over $11 Million

3. Enterprise Technology Services Department (currently known as the Information Technology Department) currently housed in facilities whose value is estimated at $10 Million

4. Transit Department whose facility located in the Downtown area is valued at over $25 Million

Another consideration would be to use the City of Miami's Emergency Management facilities instead of our own as the City of Miami facility is located within blocks of our own main center. The sale of facilities currently used by Emergency Management would provide an influx of capital that the county needs, generate more streams of revenues in the future and provide for greater efficiency and synergy by working cooperatively with the city of Miami.

It should be noted that working with cities and other municipalities is crucial to eliminate wasteful spending, reduce the duplication of services and layers of bureaucracy. By consolidating and streamlining services, substantial savings can be achieved using economies of scope.

Fire Rescue and Police Stations located throughout Miami Dade County should not experience any changes. However, all administrative offices for both departments should be consolidated in the Stephen P. Clark Center.

Service facilities providing neighborhood services should remain in their capacities. Neighborhood service centers should also be evaluated to ensure that we are providing essential services in appropriate areas and continue to be effective.

Other service facilities including processing plants and service stations for departments such as Public Works and Solid Waste should also remain as they provide essential services to residents.

Transit facilities, including structures associated with Metro-Bus, Metro-Mover and Metro-Rail, should not change. A recommendation is to evaluate the current maintenance facilities that are currently used by the transit department with the goal of eliminating facilities that are no longer serving their intended purpose. An example of this would be the two properties listed as "Old Shops" found in Attachment 1 worth approximately $2.83 Million whose intended purpose may no longer be served.

The parks and recreations facilities currently under Miami-Dade County Administration (about 265) should remain in use.

Please note that these recommendations are for the short term. Each department should be evaluated to ensure that it falls in line with the main services that our county government should offer in the mid to long term.

<u>LEASED PROPERTIES</u>

There are approximately **158** properties currently being leased by the county. (See attachment 4 – County Leased Properties by Department) According to a report dated March 23rd, 2011, there are about **1300** county owned properties leased to other entities. (See attachment 5 – Report on County Leases)

NOT DETERMINED

Based upon this investigation, there are approximately 724 properties classified as "undetermined." The total assessed value is approximately $1.364 billion. In the scope of the report, we have been informed that once properties have been deemed "undetermined," these properties undergo no further review.

It is recommended to establish a mechanism to determine classifications (property types). Consequently, if any properties are not found to be useful in providing essential services to county residents, then disposal methods would also need to be determined for these individual properties.

ATTACHMENT #2

Paul Alcazar, PE

A General Framework for an Efficient Information Technology Operation

The *qualitative* information contained in this document represents a compendium of opinions from public as well as private sources and is intended to provide a general guideline regarding the role of an Information Technology department.

The *quantitative* information which follows was gathered from publicly available sources and is intended to provide a framework of metrics benchmarks with which to gauge and control Information Technology expenditures.

Qualitative Considerations

The fundamental role of IT is to improve the business agility of the organization it serves, be it industry or government. IT of itself offers no intrinsic economic value other than to enhance other functions, such as providing better services to customers (or taxpayers) served by the organization.

Technology is not the focus of IT. How technology is applied to serve the essential needs of the business (or government) is. The driving question behind the role of IT is to constantly question how it is serving and contributing to achieving the basic business elements of the organization.

If a scorecard is to be kept on IT performance, it should focus on the basic business elements, which break down into four categories: financial, customer, internal processes and learning / growth.

Quantitative Considerations

The typical *IT budgetary breakdown* is as follows:

Admin & Planning	20%
Development	16%
Enhancements	9%
Maintenance & Support	11%
Technology / Networks	44%

In the *staffing / personnel* area total employees to IT employee ratios are available for a number of major industries which could provide a framework for government as well.

Overall IT-to-Total	1:50
Airlines	1:57
Transportation	1:51
Insurance	1:14

As a percentage of overall organizational *budget vs. IT budget*, the breakdown for some key industries is as follows:

Education	1.9%
Finance	4.9%

Government	9.7%
Health Care	4.8%
Manufacturing	3.3%
Retail / Wholesale	2.4%
Services / Consulting	4.5%
Telecom	8.4%
Transportation	3.8%
Utilities	3.0%

Interestingly, government is featured in the above table and ranks the highest in the percentage of expense budgeted towards IT, followed by Telecommunications which essentially depends on IT to operate its networks and bill its customers. Is this the result of realistic requirements, or a reflection of a lack of bottom line restrains on expenditures more often found in government than in private industry?

The following table shows the *CapEx benchmarks* for various industries, as a percentage of CapEx budget:

Education	1.9%
Finance	3.9%
Government	3.0%
Healthcare	1.7%
Manufacturing	0.8%
Retail / Wholesale	5.6%
Services / Consulting	2.4%
Telecom	15.8%
Transportation	1.8%
Utilities	1.0%

In CapEx government expenditure seems more in line with private industry, although the nature of the industry would determine the scope of CapEx requirements (i.e., telecommunications with its major investment in equipment and networks).

Since operational expenditures in IT seem to account for over half of the total IT budget, special attention should be given to the staffing and compensation requirements.

Average IT spending per employee for key industries is as follows:

Banking	$14,764	Manufacturing	$4,541
Insurance	$13,564	Electronics	$4,351
Utilities	$10,388	Consumer Products	$4,318
Pharmaceutical	$7,528	Aerospace	$4,014
Chemical	$6,736	Healthcare	$3,047
Transportation	$6,365	Metallurgical	$3,038
Medical	$5,705	Professional Services	$1,952
Energy	$5,405	Food Processing	$1,349

The following salary benchmarks can also be helpful in gauging government's pay scale. Analysis and comparisons of these numbers should take into consideration that they were compiled nationally while as a region, the southeast U.S. lags 15% or more behind the rest of the country in IT compensation. Another important factor to consider in the analysis are the costs of employee benefits, such as: paid holidays, healthcare, retirement, etc., extended public employees, while normally not offered to private sector employees.

The IT salary averages for large enterprises in 2011 were as follows:

Executives	$140.7 K
Middle Managers	$80.3 K
Staff	$66.1 K
Overall	$81.7 K

Following are average IT salaries for various functions, broken down into base salary plus bonuses and by management level:

Senior Management:

	Salary	Bonus	Total
CIO	$152.7 K	$25.6 K	$178.3 K
CSO	$141.7 K	$20.4 K	$162.1 K
CTO	$154.3 K	$35.2 K	$189.5 K
Dir. / VP Systems Development	$141.7 K	$26.0 K	$167.6 K
Dir. IT / IS	$110.9 K	$11.1 K	$122.0 K
IT Architect / Strategist	$126.9 K	$16.6 K	$143.5 K

Middle Management:

	Salary	Bonus	Total
Communications Mgr.	$84.2 K	$6.4 K	$90.6 K
Computer Ops Mgr.	$90.1 K	$7.5 K	$97.6 K
Data Warehousing Mgr.	$105.8 K	$13.2 K	$119.1 K
Data Base Mgr.	$90.7 K	$7.6 K	$84.4 K
Help Desk, Tech. Support Mgr	$71.2 K	$5.6 K	$78.7 K
IT / IS Mgr.	$84.3 K	$5.2 K	$89.5 K
Information Security Mgr.	$100.6 K	$7.8 K	$108.5 K
Internet / Intranet Mgr.	$87.0 K	$2.1 K	$89.1 K
Network Mgr.	$79.1 K	$4.2 K	$83.3 K
Programming / Apps. Dev. Mgr.	$107.0 K	$6.0 K	$113.0 K
Project Mgr.	$94.9 K	$6.3 K	$101.2 K

Staff and Entry Level positions:

	Salary	Bonus	Total
Business Intelligence Analyst	$76.4 K	$6.3 K	$82.7 K
Communications Specialist	$75.5 K	$6.6 K	$82.1 K
Computer Operator	$50.6 K	$2.7 K	$53.3 K
Database Administrator	$84.2 K	$2.6 K	$86.8 K
Database Analyst	$77.0 K	$3.4 K	$80.4 K
Database Architect	$101.8 K	$8.6 K	$110.4 K
Data Base Developer	$76.0 K	$4.7 K	$80.7 K
Help Desk Support Specialist	$49.4 K	$1.0 K	$50.4 K
IT/IS Tech, Bus. Sys. Analyst	$77.0 K	$3.4 K	$80.4 K
Information Security Specialist	$87.0 K	$6.7 K	$93.7 K
Messaging / email Specialist	$86.6 K	$5.6 K	$92.2 K
Network Administrator	$60.8 K	$2.2 K	$63.0 K
Network Architect	$94.5 K	$4.4 K	$98.9 K
Network Engineer	$74.0 K	$5.1 K	$79.1 K
Programmer Analyst	$71.7 K	$1.6 K	$73.3 K
Project Leader	$85.9 K	$4.2 K	$90.1 K
Quality Assurance Specialist	$73.0 K	$2.8 K	$75.8 K
Senior Sys. Analyst	$85.5 K	$4.7 K	$90.2 K
Software Developer	$81.7 K	$4.7 K	$86.4 K
Software Engineer	$88.7 K	$4.3 K	$92.9 K
Storage Administrator	$77.9 K	$2.0 K	$79.9 K
Storage Arch. / Engineer	$105.3 K	$7.9 K	$113.2 K
Systems Administrator	$69.0 K	$2.5 K	$71.5 K
Systems Analyst	$73.4 K	$3.8 K	$77.2 K
Systems Architect	$101.0 K	$7.7 K	$108.7 K
Systems Programmer	$87.5 K	$2.1 K	$89.6 K
Technical trainer	$66.1 K	$3.6 K	$69.7 K
Web Developer	$63.3 K	$3.6 K	$66.9 K
Webmaster	$64.4 K	$0.0 K	$64.4 K

A superficial analysis of the present Miami-Dade County IT Department compensation data, which includes only salary plus supplementary pay, but not the cost of associated benefits, reveals that 200 IT personnel, over one-third of the entire IT staff, perceived over $100,000 in compensation during FY2010-2011. This relationship does not appear to match well with the positions and compensation levels on the previous tables and surely could stand budgetary scrutiny for the next fiscal year.

Closing Observations:

In light of the economic situation affecting practically all sectors of the economy, government must be extra vigilant in protecting "shareholder" (i.e., taxpayer) interests, particularly in non-essential services which serve as support for other functions. This is particularly true with regards to personnel compensation which takes up a significant percentage of the overall IT expenditures.

As the big spending Y2K era drove IT expenditures in the recent past, the IT industry now looks to: web.2.0 / gov2.0 / web2.0 technologies; to a transition from client-server architectures and applications; to a wider use of the external cloud; to more open use of social media, websites, portals, call centers, etc.; to an edge-to-core approach; and to "consumerization" of the services by way of more decentralization and networking.

Government IT departments must refocus their mission on core requirements and not view their role as being all things to all people simply because it can be done. It must insure that its future operating costs, particularly staffing, and its investments in equipment and technology are in line with reality and with other sectors of the economy.

The key element short of drastic cutbacks is for the IT *Balanced Scorecard* to be able to reflect real value to the overall role of government vs. not just doing things for the sake of doing them. The focus of any scorecard metric must be on the efficient management of internal processes, finances, employees and the customer; in this case the taxpayer who is footing the bill. (The scope of this document is not to delve into specific scorecards or metrics, or into the future trends in IT, subjects better left to the IT managers along with those they serve to resolve.)