

Evolution of Surtax Collection During the COVID-19 Pandemic & Beyond

July 2021 Update





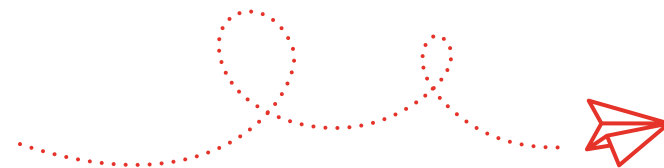
Disclaimer

The scenarios were developed by IMG Rebel Advisory, Inc. and PEG (hereinafter "Rebel Team"). Inputs and calculations for this analysis have not been audited. Although this analysis has been constructed with due care and diligence, the Rebel Team does not accept any responsibility for the extent to which the assumptions, calculations, and results are correct and complete. Users of this analysis are advised to check the assumptions, calculations, and results before reaching conclusions.

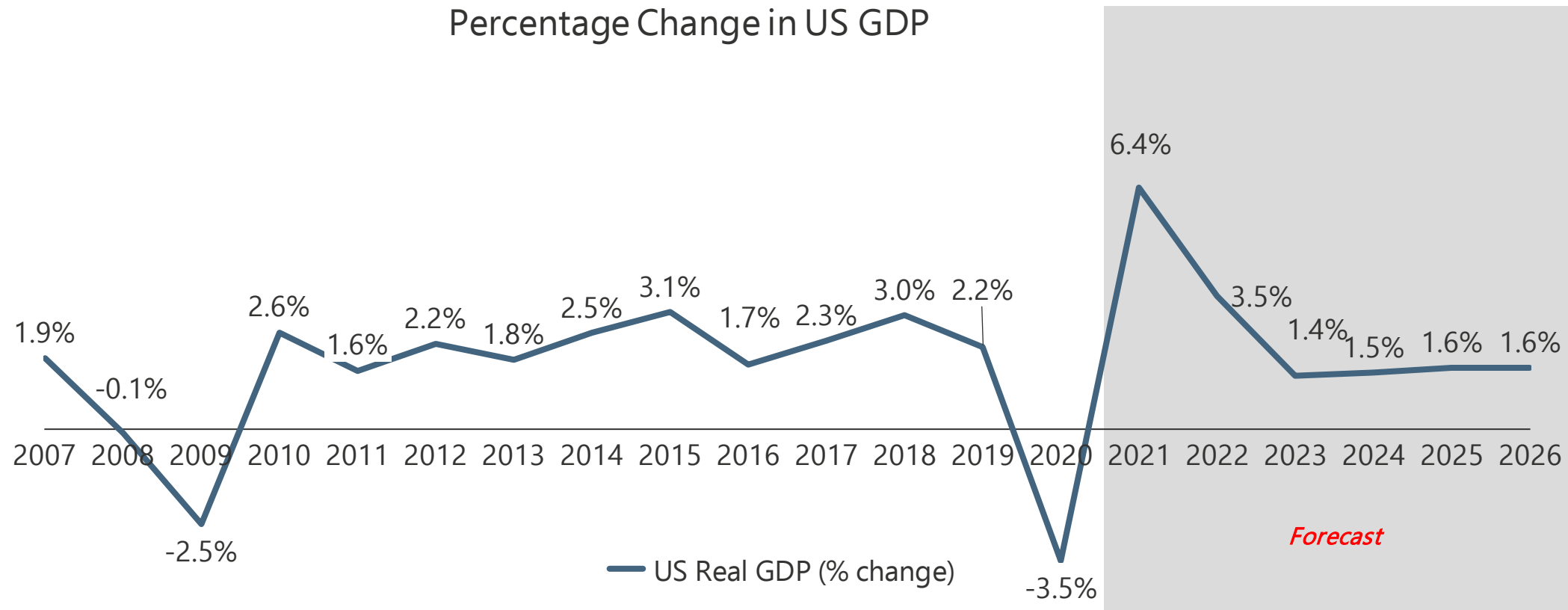


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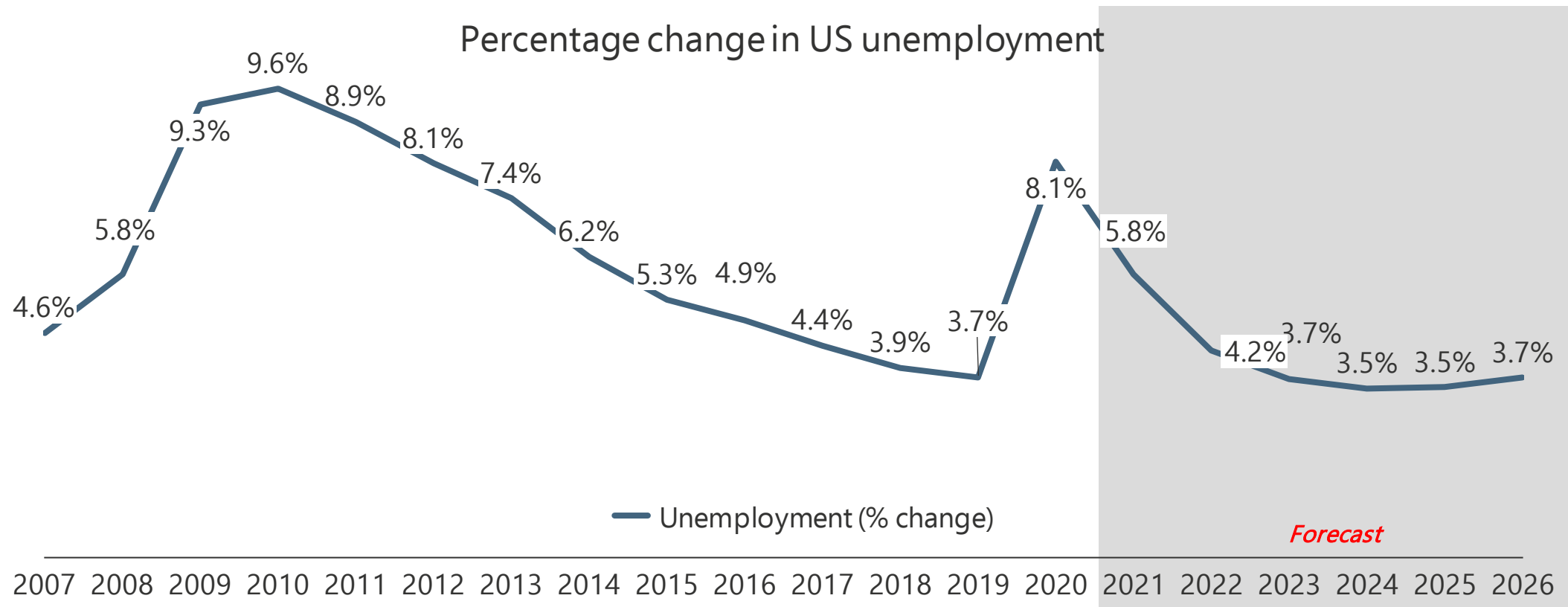
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Although the economic decline in 2020 was steeper than the previous recession, the expected recovery might come much faster than the previous recession



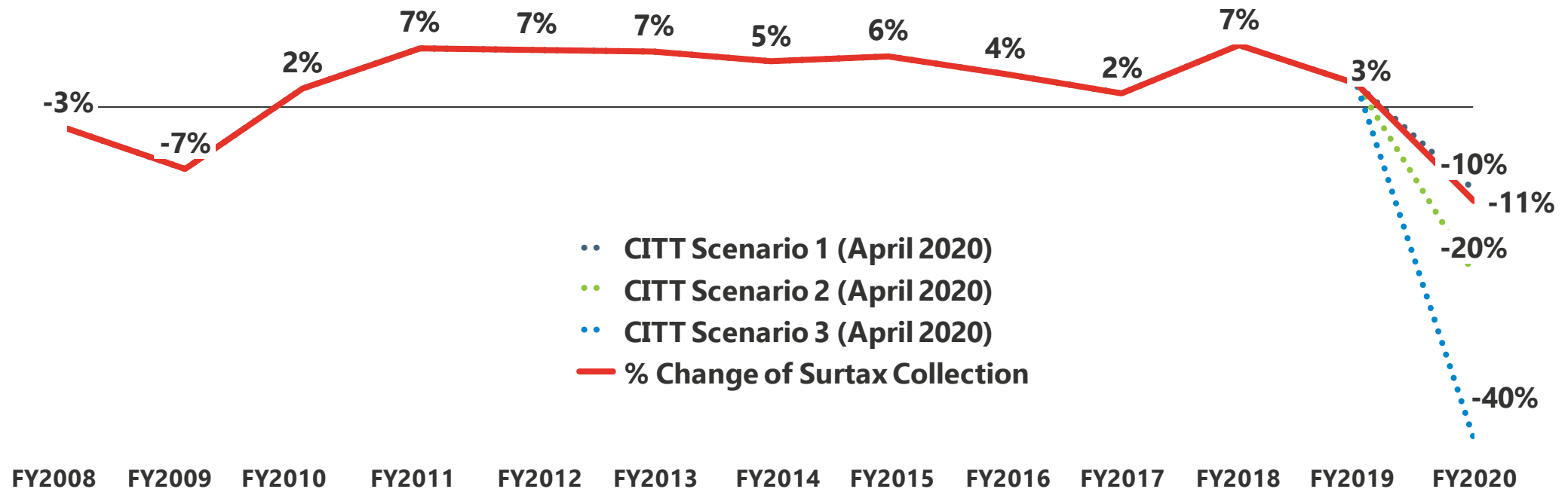
Unemployment is also expected to recover at a faster pace than the previous recession but with longer-lasting impacts, such as changing working conditions



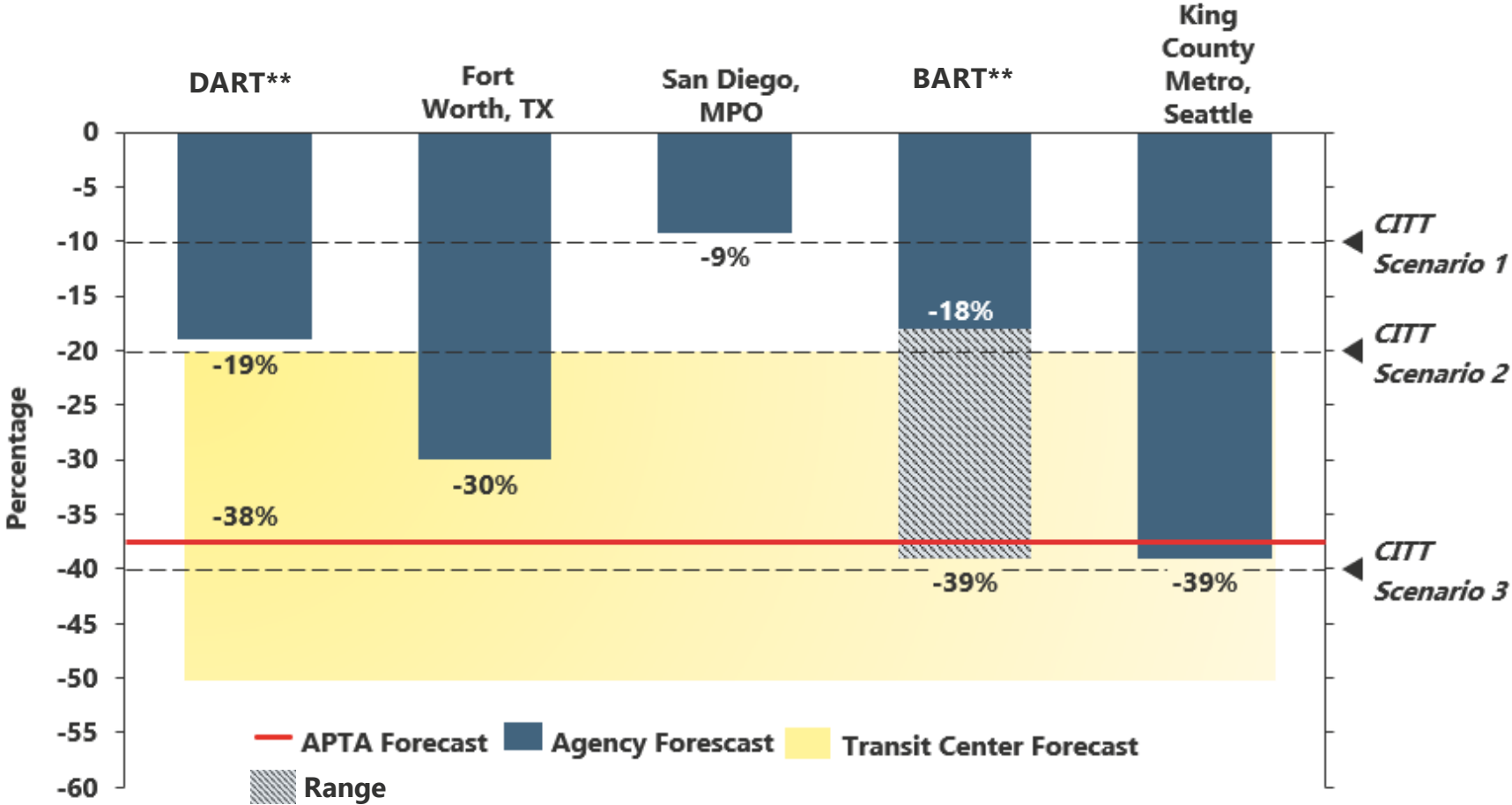
International Monetary Fund, World Economic Outlook Database, April 2021

In Miami-Dade County (MDC), Surtax collection dropped 11.4% in FY2020, resulting in a more optimistic outcome than anticipated in April 2020

Change in surtax collection with respect to previous year



Similarly, governments and transit agencies forecasted significant declines in sales taxes – between 20% and 50% . . .



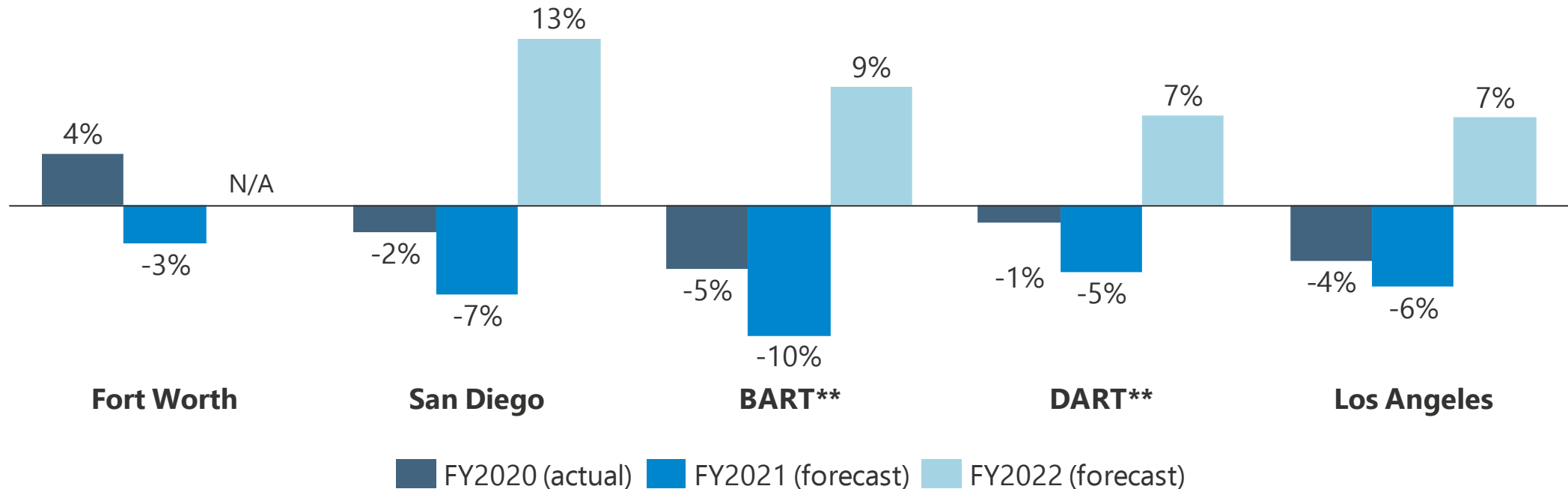
* FY start dates may differ across jurisdictions; however, most of them start on July 1st or October 1st.

** BART (Bay Area Rapid Transit); DART (Dallas Area Rapid Transit)



... However, the outcomes resulted in smaller declines than anticipated

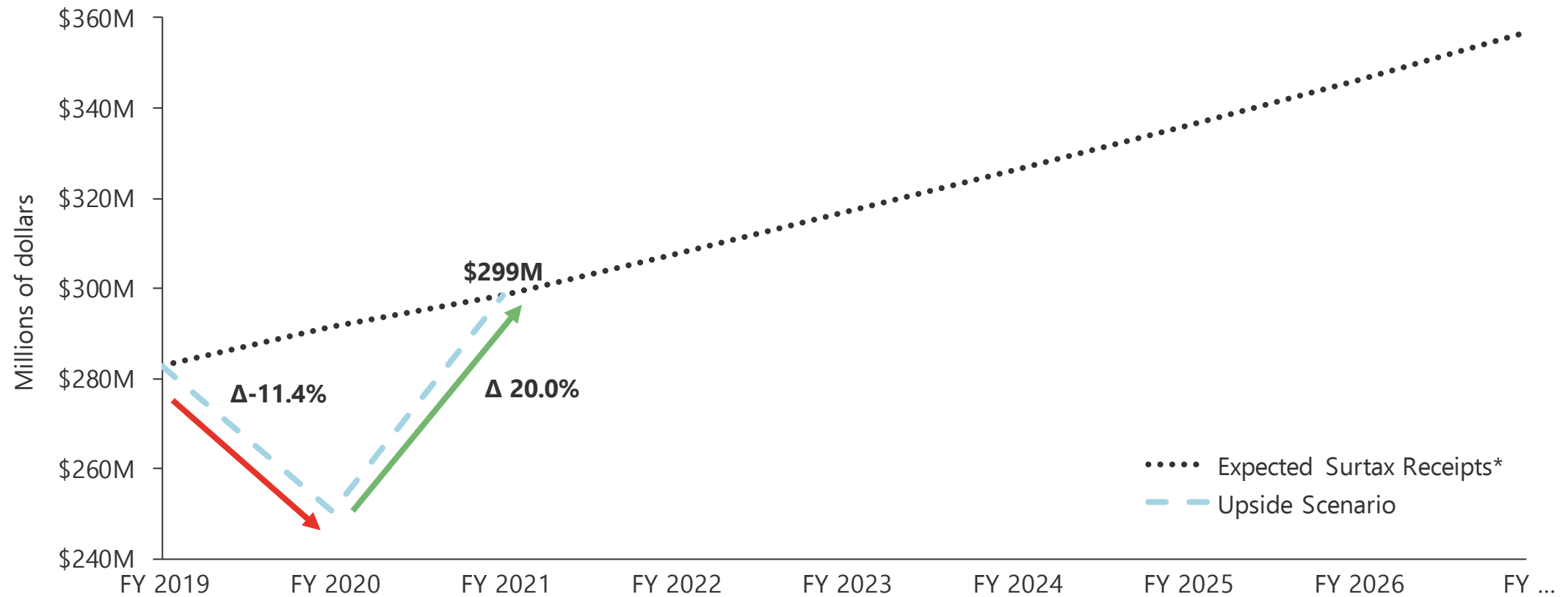
- ▶ The short-term sales taxes for these agencies are expected to recover in FY2021 and FY2022*



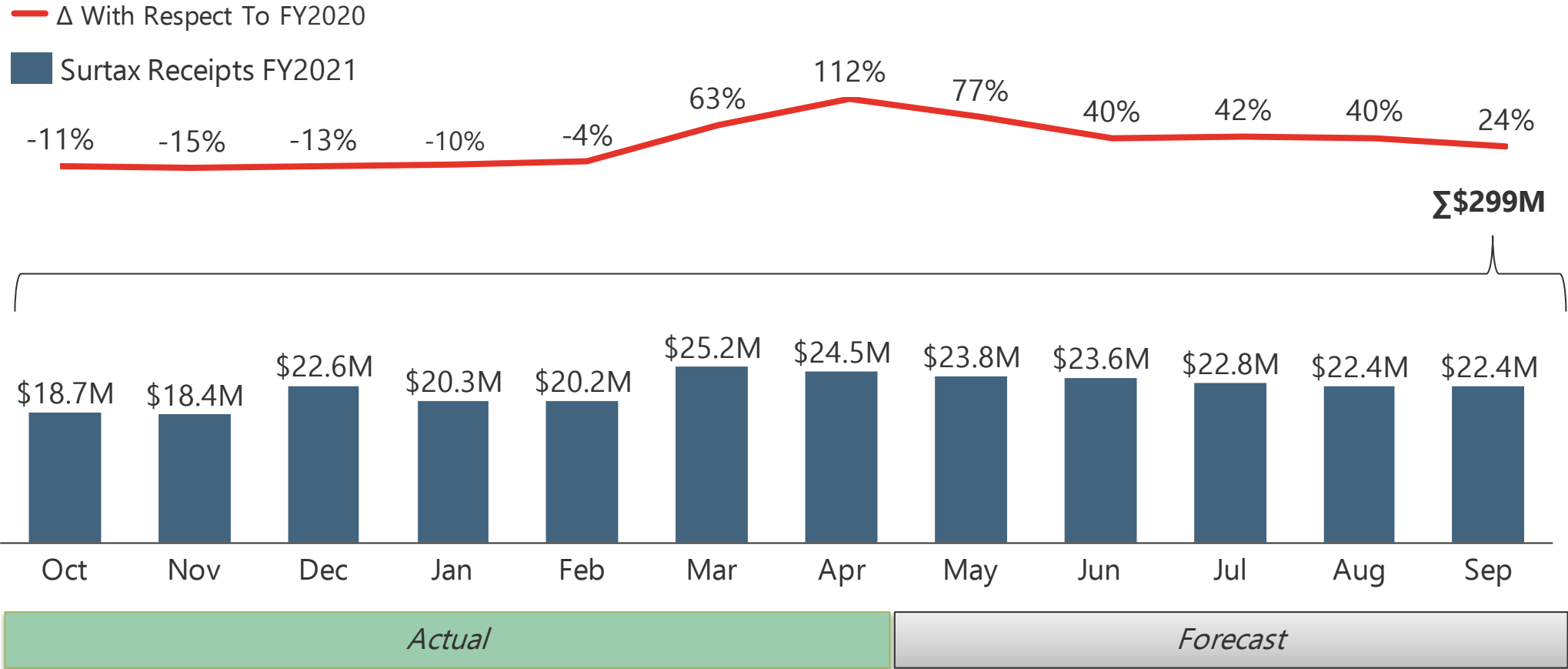
* FY start dates may differ across jurisdictions; however, most of them start on July 1st or October 1st.

** BART (Bay Area Rapid Transit); DART (Dallas Area Rapid Transit)

Miami-Dade County (MDC) annual sales tax must increase by 20% in FY2021 in order to return to long-term projections



How close is MDC to achieving a 20% surtax increase in FY2021?

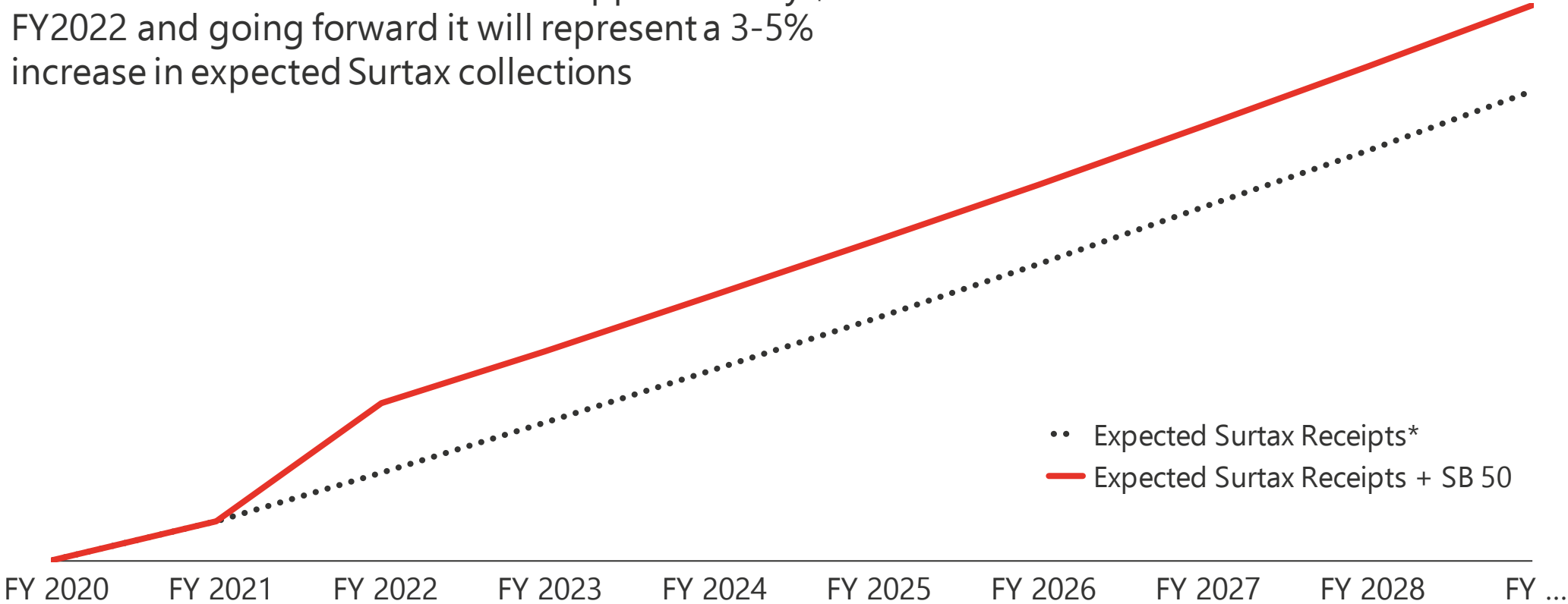


Based on more recent information, the Rebel Team developed new scenarios of MDC Surtax collections with implications for the short-to-medium term

	Upside Scenario (FY2022)	Base Case Scenario (FY2023)	Downside Scenario (FY2024)
① Benchmark – Other transit agencies	No funding gap. Expected increase at the long-term growth rate.	Funding gap until FY2023. Expected long-term growth rate starting FY2024.	Funding gap until FY2024. Delay in reaching expected long-term growth rate.
② Tourism and International Travel (T & IT)	Faster than expected resumption.	Resumption of tourism by CY2021.	Delayed resumption.
③ Public Health Considerations (PHC)	Sharp decline in COVID-19 cases and faster than expected vaccine rollout.	Decline in COVID-19 cases. Vaccines available to adults by CY2021.	New cases of COVID-19 rise and vaccine rollout is prolonged.
④ State of the Economy	Employment rates and household consumption at pre-pandemic levels.	Employment rates and household consumption approximate pre-pandemic levels.	Employment rates initially deteriorate and consumption stagnates.
⑤ Florida SB 50	The SB 50 is estimated to shift-up the Surtax collection starting in FY2022.		

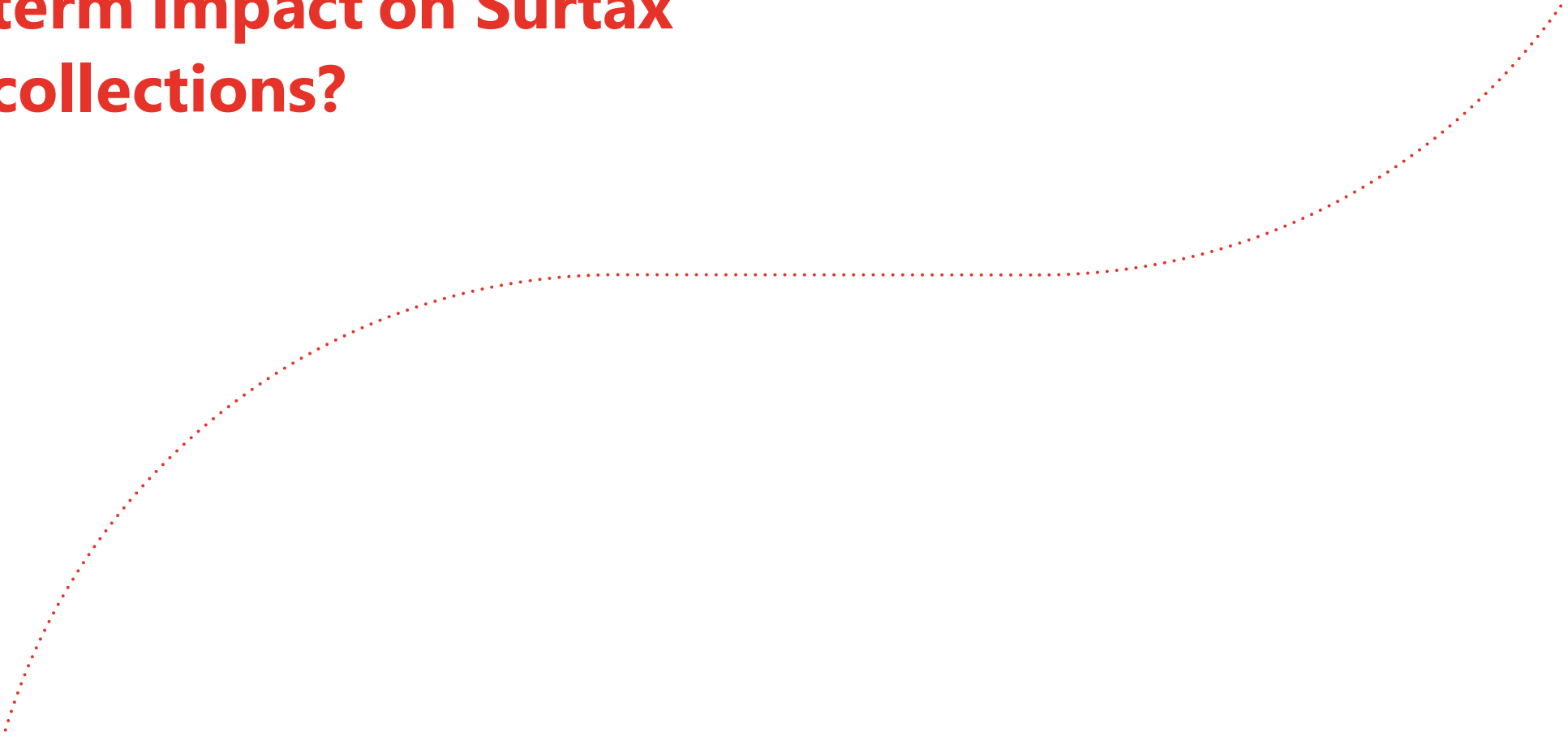
What is the estimated impact of SB 50?

Based on the percentage of state taxes received by MDC, the Surtax is estimated to increase approximately \$13M in FY2022 and going forward it will represent a 3-5% increase in expected Surtax collections





Will COVID-19 have a long-term impact on Surtax collections?



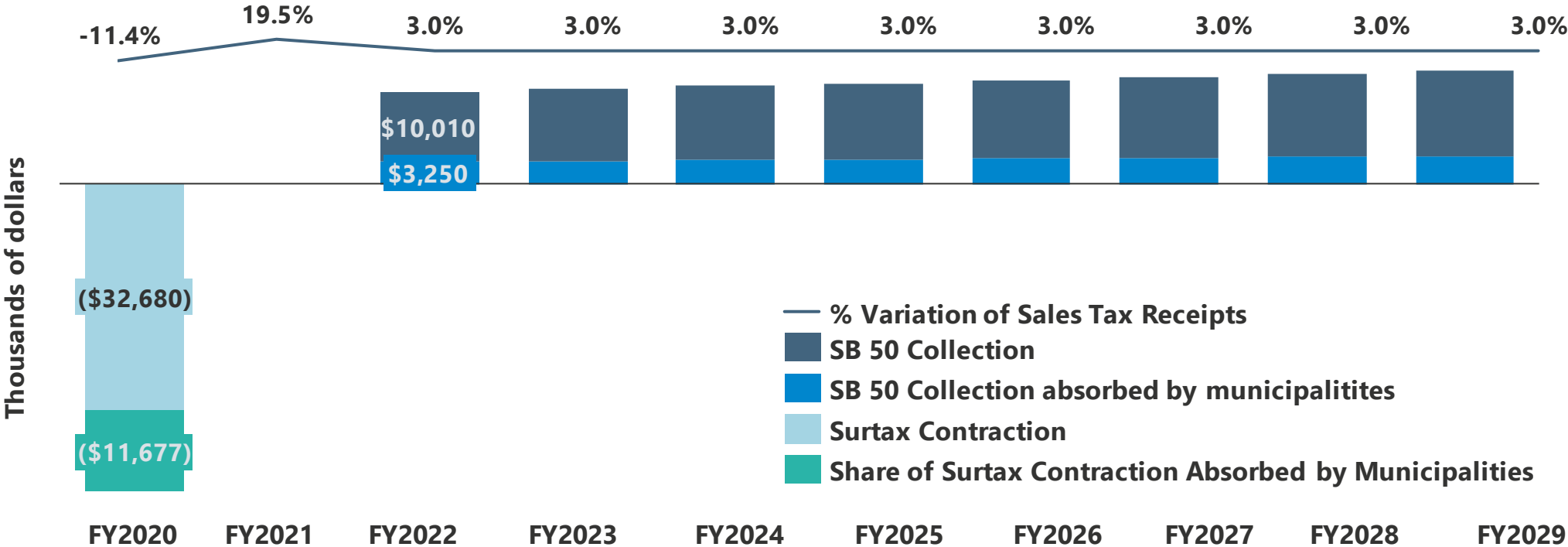
The scenarios below illustrate current assumptions on a range of potential short-to-medium-term outcomes

- ▶ **Upside scenario:** Recovery in FY2022 – *Closest to FY2021 adopted Pro-Forma*
- ▶ **Base Case scenario:** Recovery in FY2023
- ▶ **Downside scenario:** Recovery in FY2024

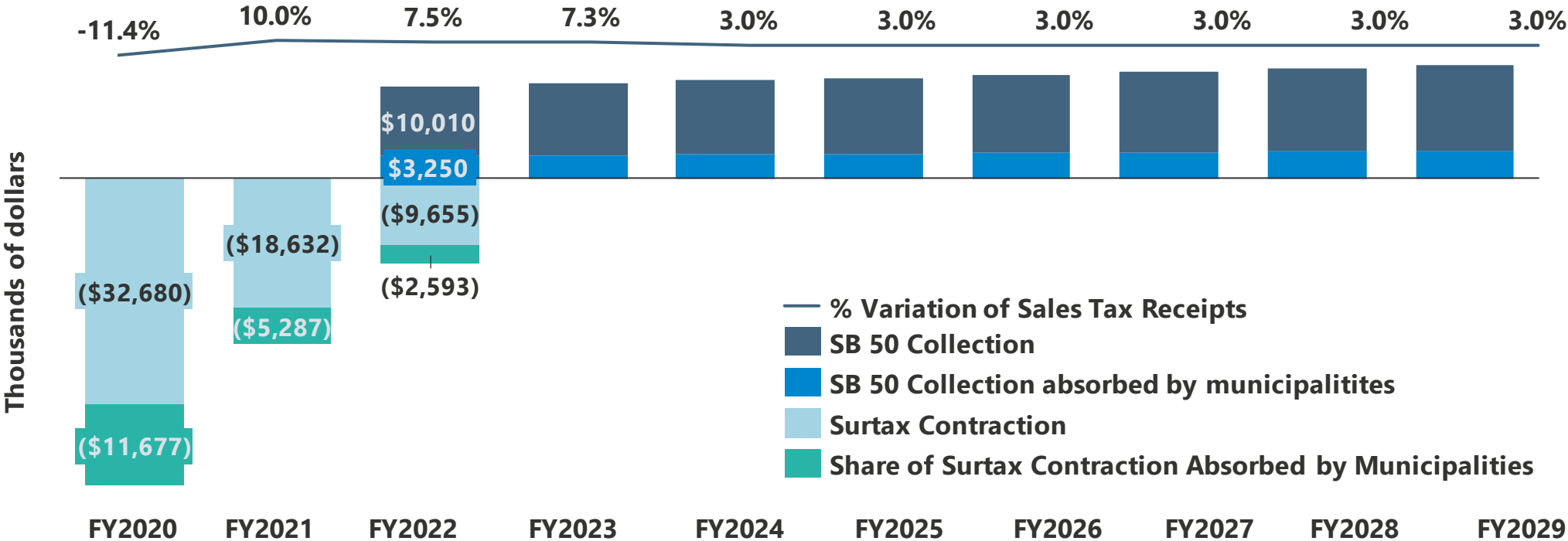
See appendix for more information on the main drivers for the above scenarios.



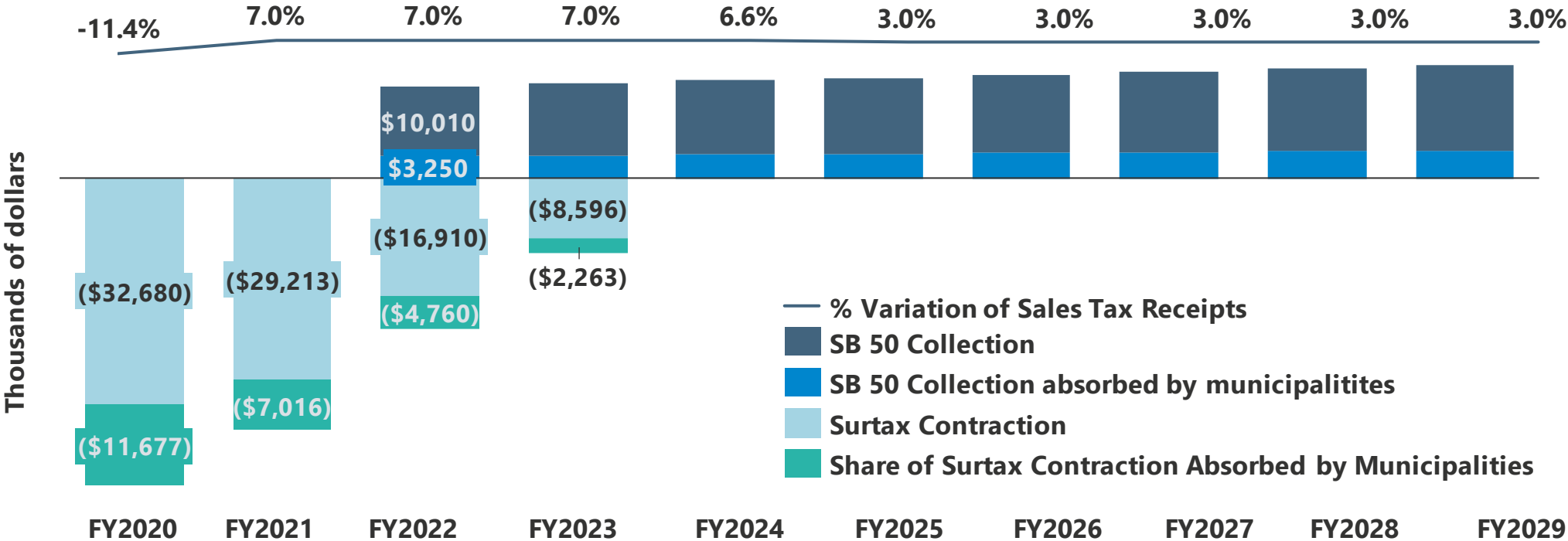
Under the Upside Scenario, the total contraction of Surtax collections will total ≈\$45M in current dollars



Under the Base Case Scenario, the total contraction of Surtax collections will total ≈\$80M in current dollars

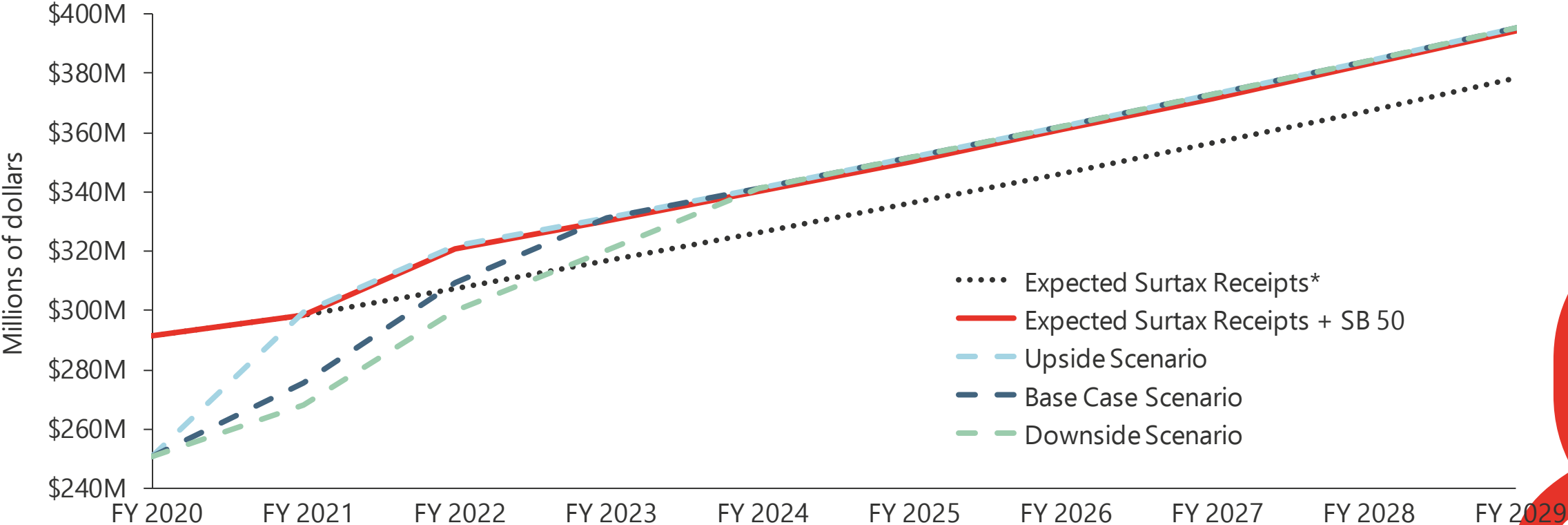


Under the Downside Scenario, the total contraction of Surtax collections will total ≈\$110M in current dollars



Currently, the pandemic crisis is not expected to have structural, long-term impacts on Surtax receipts

▶ The current crisis represents between 0.4% to 0.8% of the 40-year Pro-Forma (≈\$11.2B in current dollars)



* Adopted FY2020 and FY2021 Pro-Formas



Takeaways for the Trust/MDC

- ▶ The economic impact of the COVID-19 pandemic on Surtax collections was less than expected at the early stages of the pandemic
- ▶ The SB 50 will have a positive (and structural) impact in Surtax collection
- ▶ The Rebel Team recommends that the Trust/MDC and other policymakers focus on the Base Case and Upside Scenarios as the likely range of Surtax impacts
- ▶ However, the Surtax collection can be closer to the Upside Scenario, if
 - ▶ the Surtax collection maintains April results, the total collection for FY2021 could likely be closer to the Upside scenario
 - ▶ the application of SB 50 can be materialized in the last months of FY2021
- ▶ The Trust/MDC should continue to closely monitor Surtax receipts going forward and how to address SB 50 collections in context of the upcoming budget

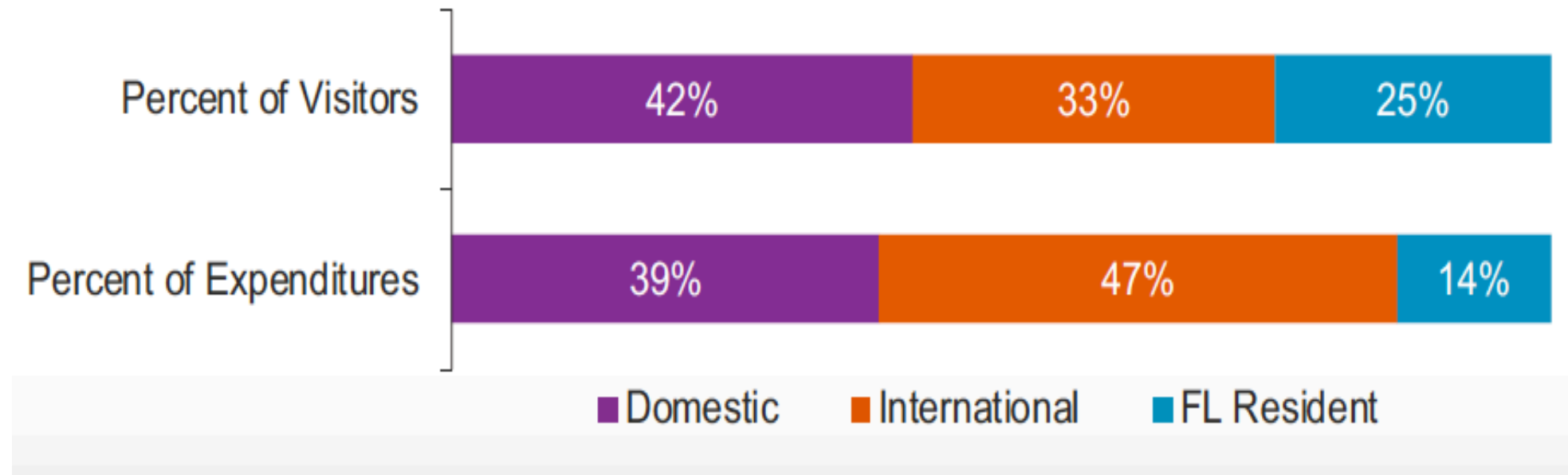
Appendix



2

T & IT (1 of 3): Tourism hit record numbers in 2019 largely driven by international visitors . . .

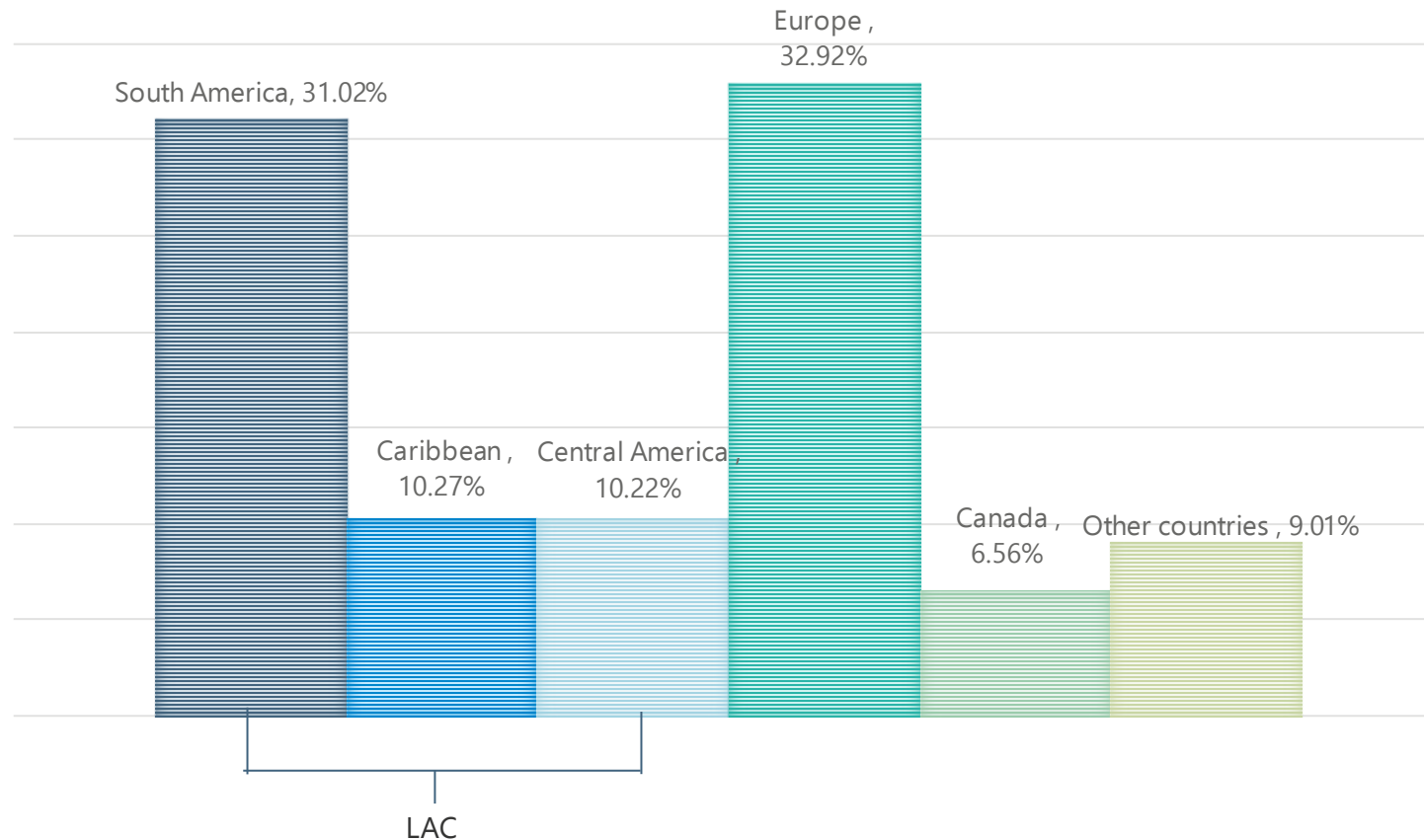
2019 Visitor Vs. Expenditure Mix



2

T & IT (2 of 3): Nearly 52% of overnight international visitors came from Latin America and the Caribbean (LAC) . . .

OVERNIGHT GUESTS BY REGION OF ORIGIN



2

T & IT (3 of 3): Recent booking trends indicate that the MDC tourism industry is exceeding comparable 2019 statistics . . .

➤ The following factors may affect travel demand and tourism:



Delayed resumption of worldwide air travel due to the spread of COVID-19 variants

Restrictions on mobility and travel (i.e., Canada-US border)

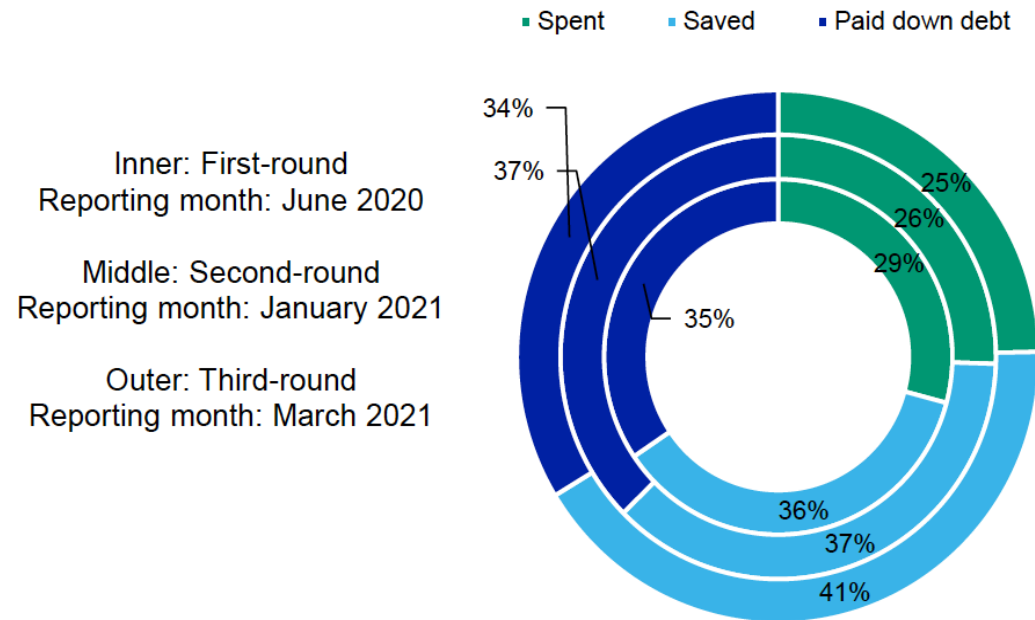


Return of the cruise industry after a Federal Court granted Florida a preliminary injunction against the CDC

Changes to Florida's vaccine eligibility policy driving **vaccine tourism**

SOE (1 of 2): Savings accumulated over the pandemic period and fiscal policies have had a positive impact on household balance sheets . . .

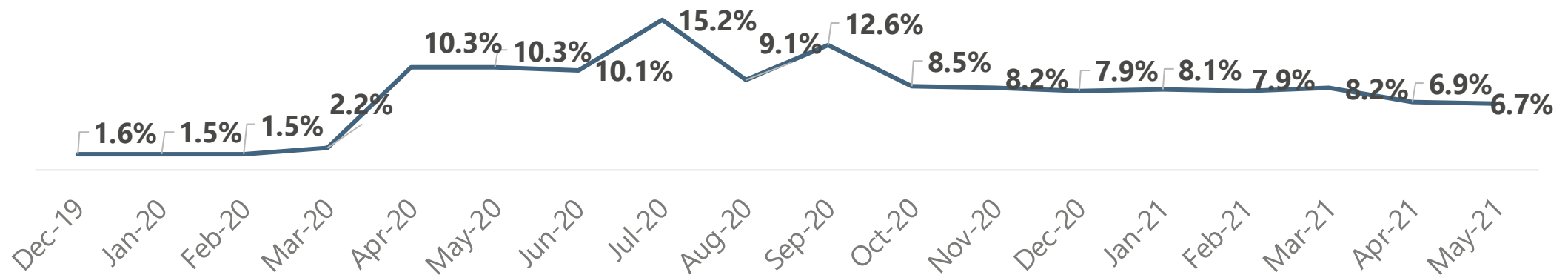
Breakdown of households' uses of federal stimulus payments



Source: Federal Reserve Bank of New York - Survey of Consumer Expectations

SOE (2 of 2): After experiencing peaks in the summer of 2020, the MDC unemployment rate declined in October 2020 and remained stagnant for a few months...

- ▶ ... However, a restoration in household demand for services as the economy reopens will boost employment in the hardest-hit sectors
- ▶ Notably, the future of unemployment will depend on the recovery of the leisure and hospitality sectors – which were severely impacted by the pandemic – and the phasing-out of the current crisis unemployment benefits



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