Economic Outlook U.S. Tampa Bay and Hernando County

Hernando County BOCC July 22, 2008

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Outlook Summary

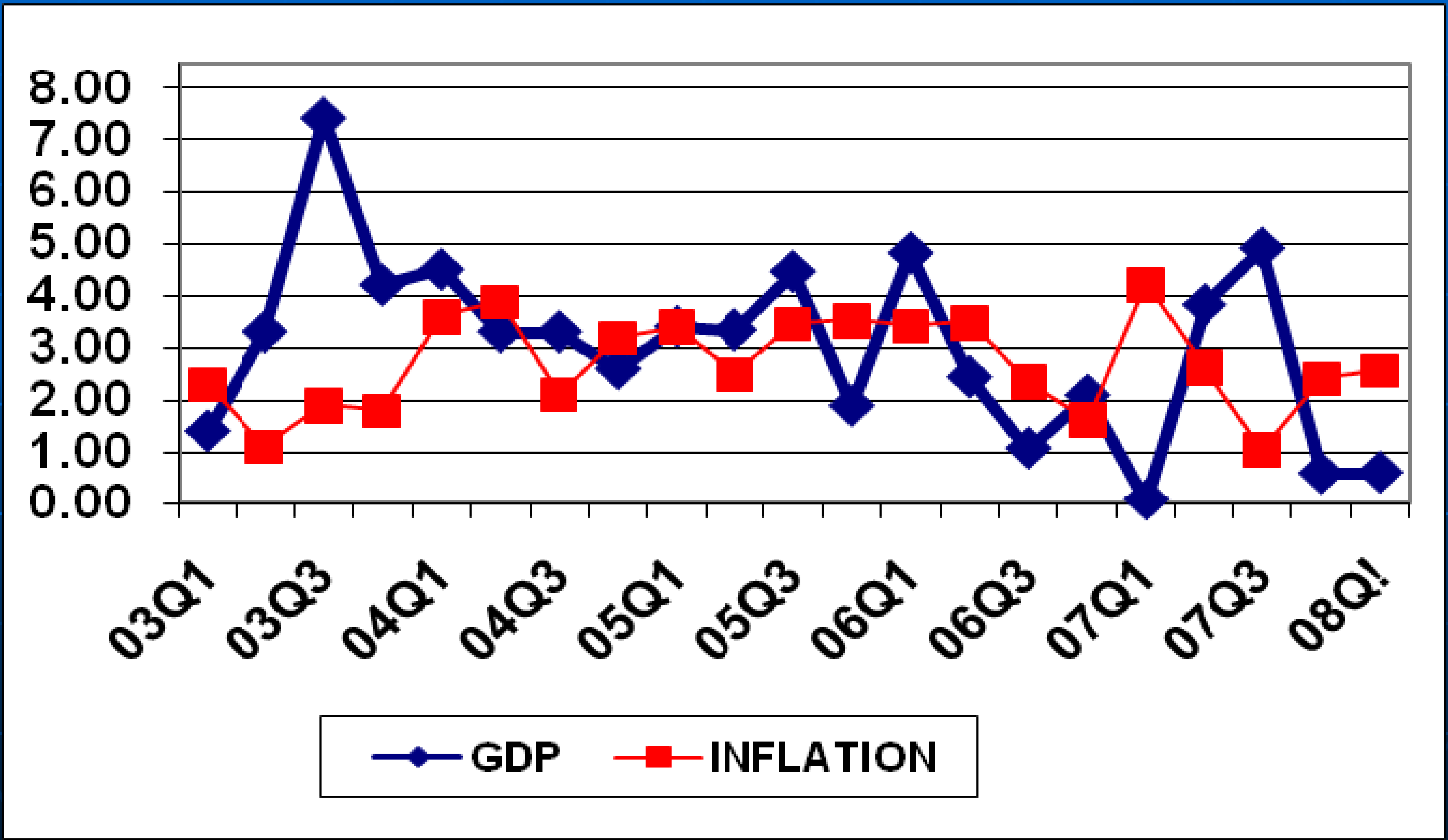
U.S. Forecast Summary 2008 – 2011

- **2007Q4-2008 Q4– Recession**
  - Full fledged financial panic
  - High energy prices
  - Housing correction
  - Fed cuts interest rates and floods economy with liquidity ending panic
- **2009 Slow recovery**
  - Mortgage interest rates remain low
  - Housing market bottoms
  - Weaker trajectory for consumption
  - Stronger exports from a weaker dollar
- **2010-2011 Recovery builds momentum**
- **Main forecasts risk – energy price spike or financial panic**

Florida Summary

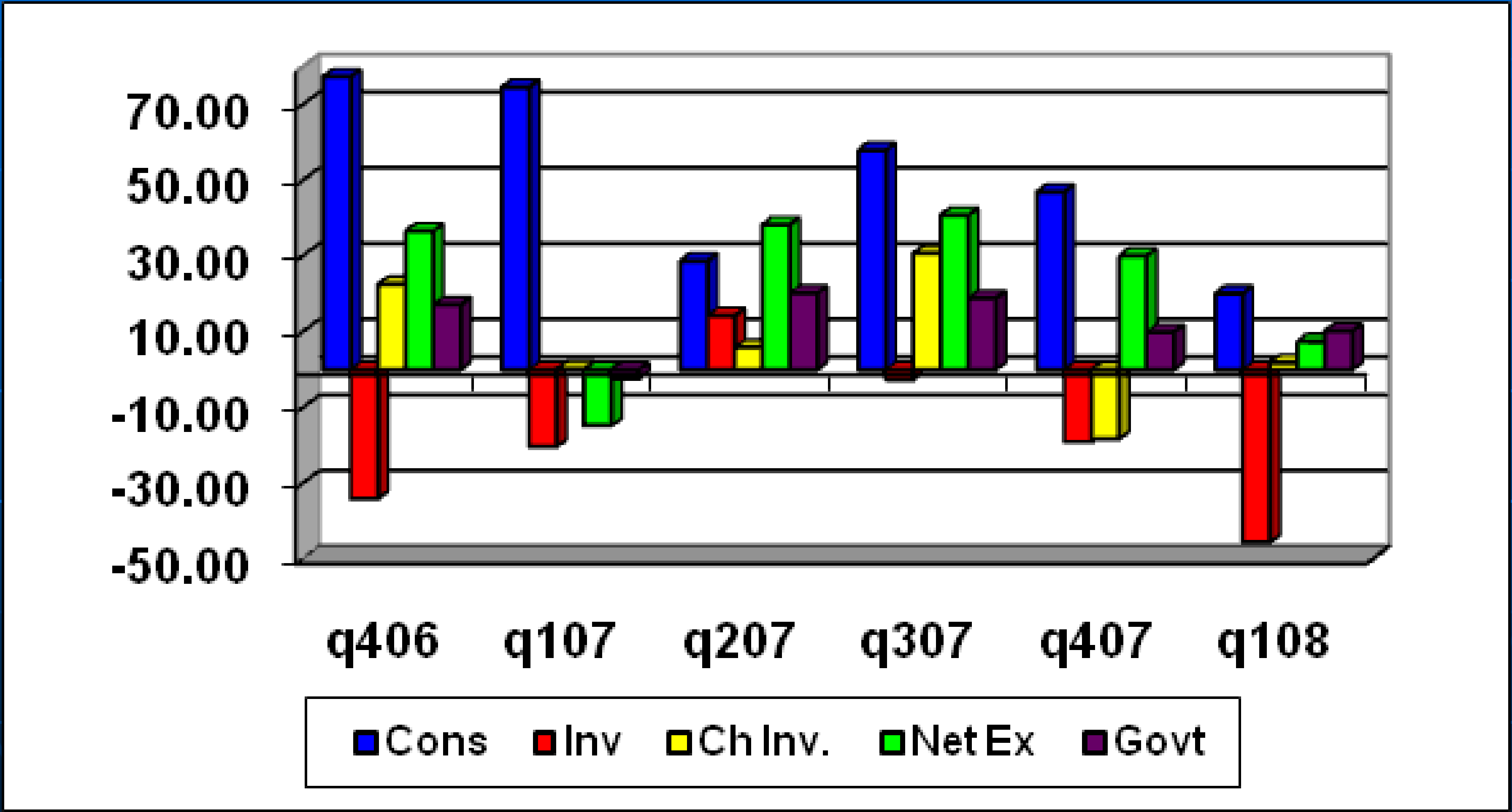
- Worst Recession since 1975 bottoms in 2009
  - Weaker national economy
  - Soft housing markets limit migration into Florida
  - Florida's single-family market bottoms
  - Florida's condo market at great risk
  - Land prices eroding
- Stronger Growth 2009-11
  - Improving migration trends
  - Stronger housing markets
  - Rebound in non residential construction

RECENT TRENDS IN GDP AND INFLATION

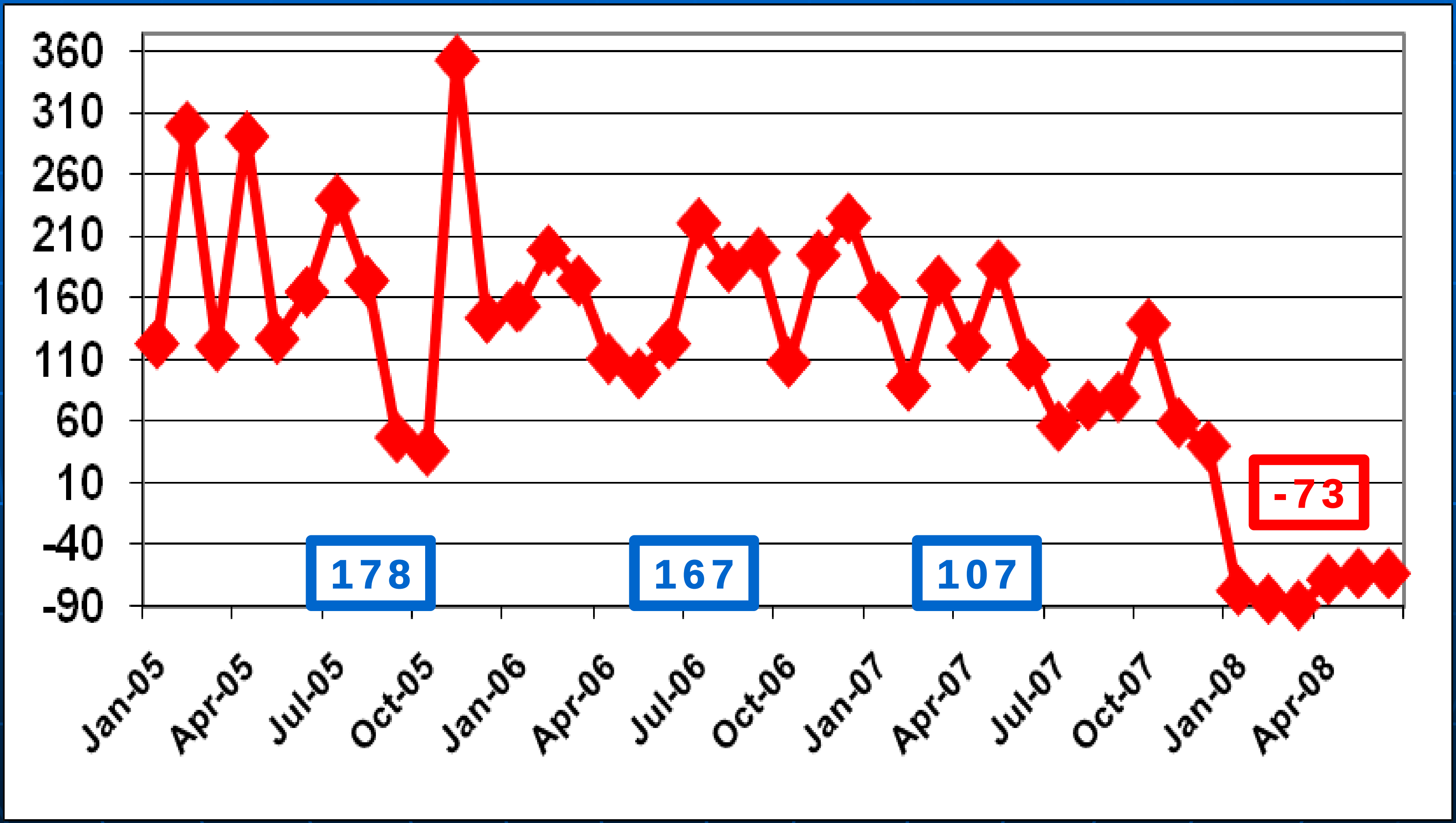


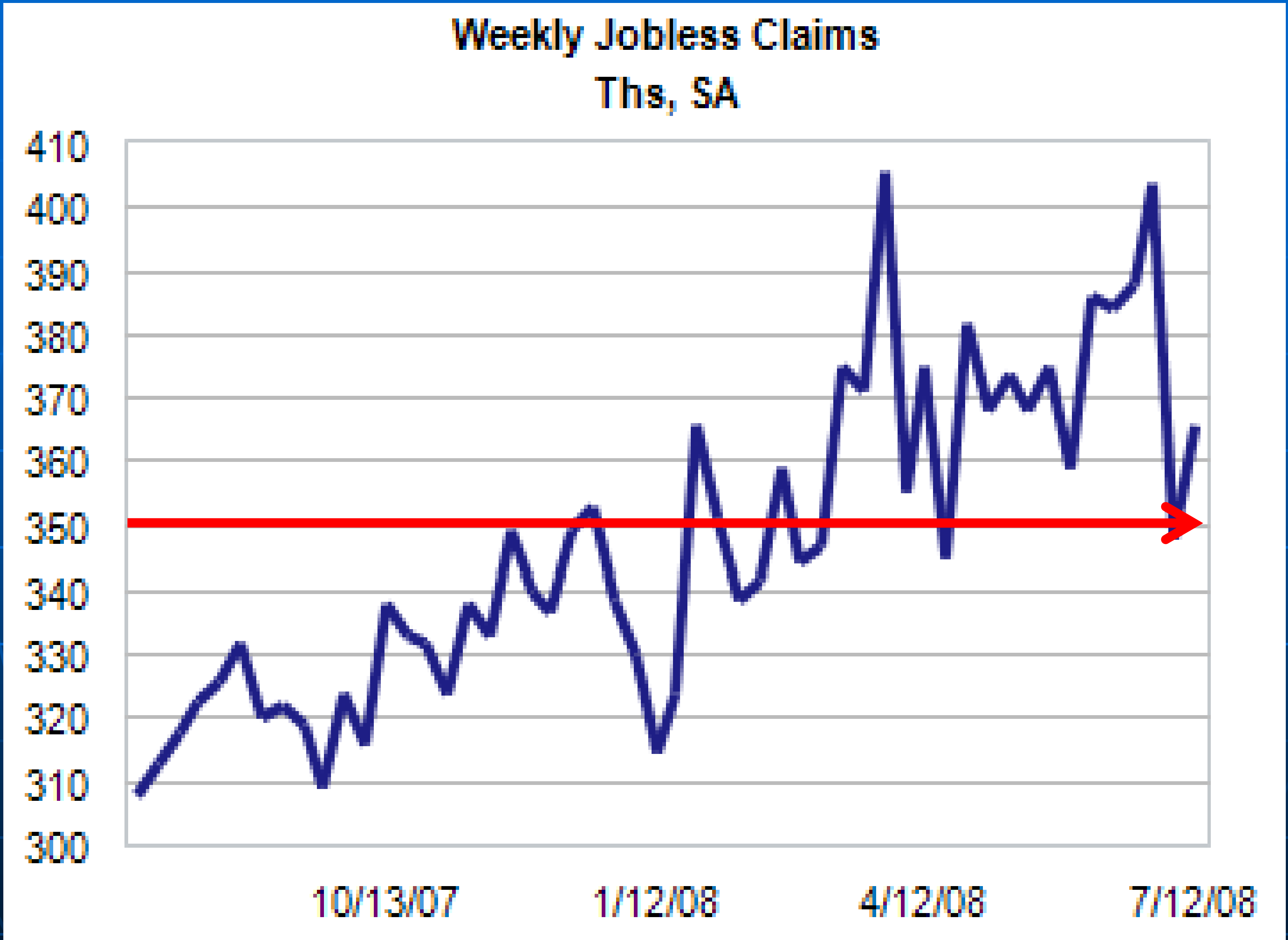
GROWTH IN REAL GDP

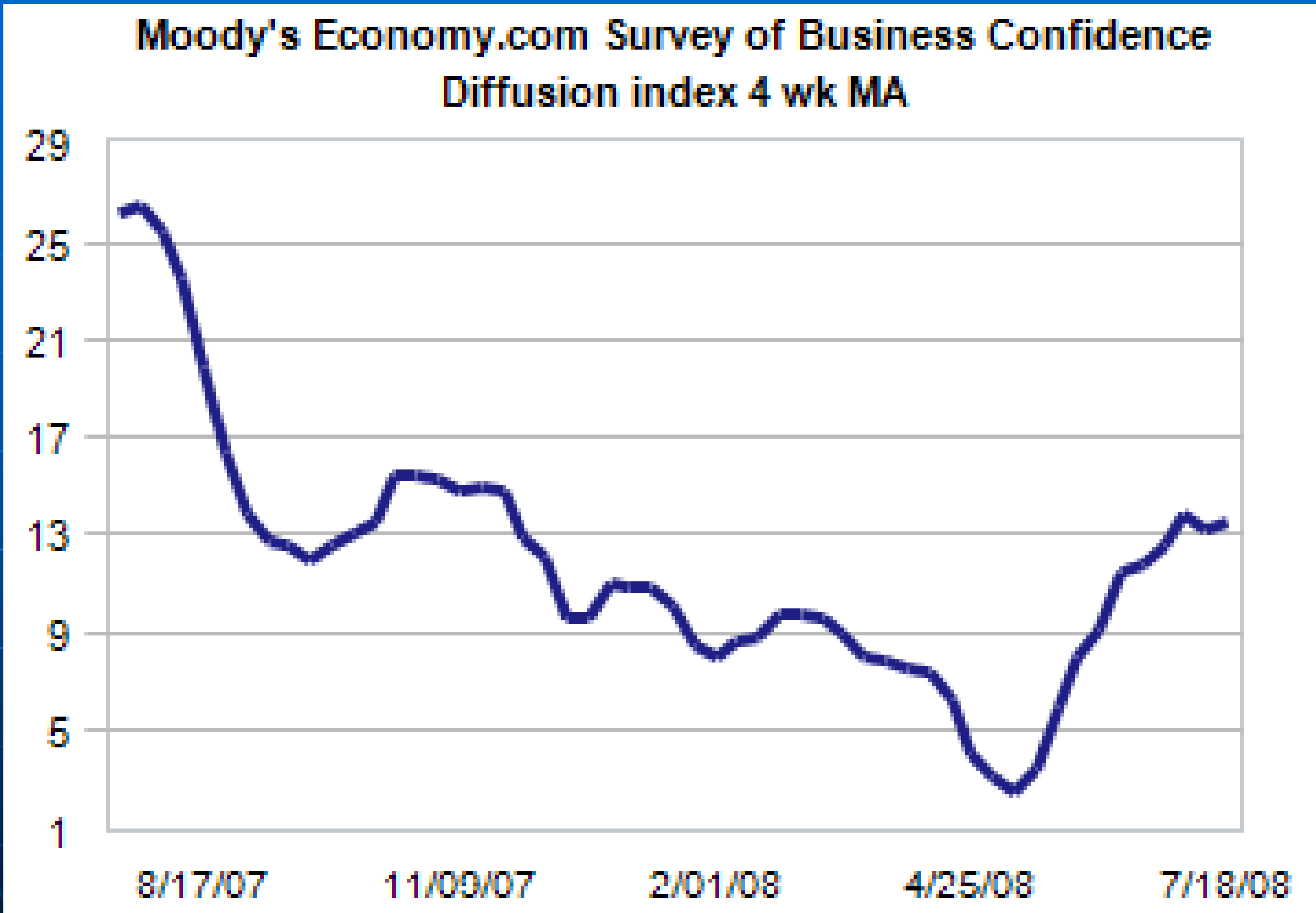
IN BILLIONS OF 2000$



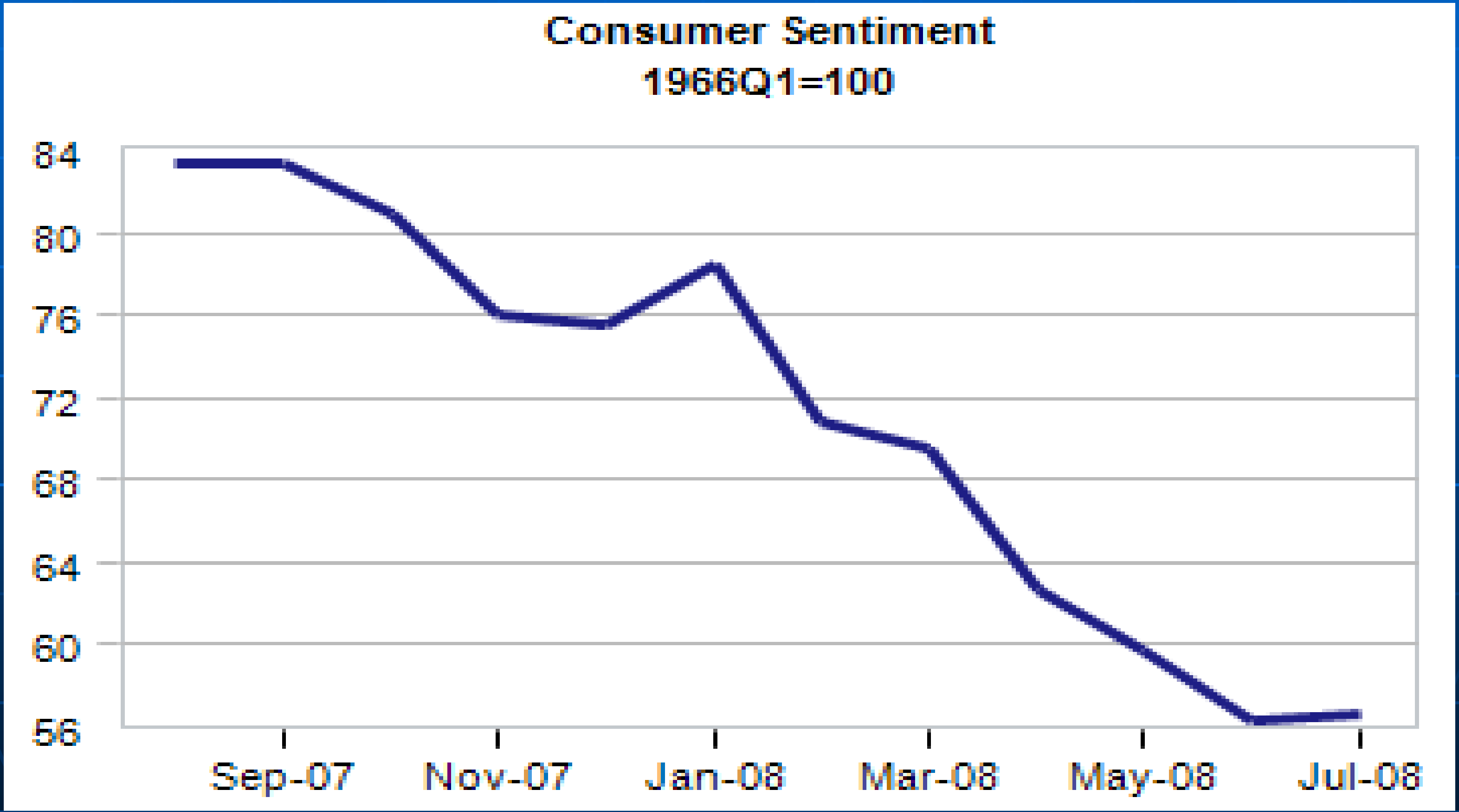
Growth in Payroll Employment




Weekly Jobless Claims
Ths, SA
410
400
390
380
370
360
350
340
330
320
310
300
10/13/07
1/12/08
4/12/08
7/12/08

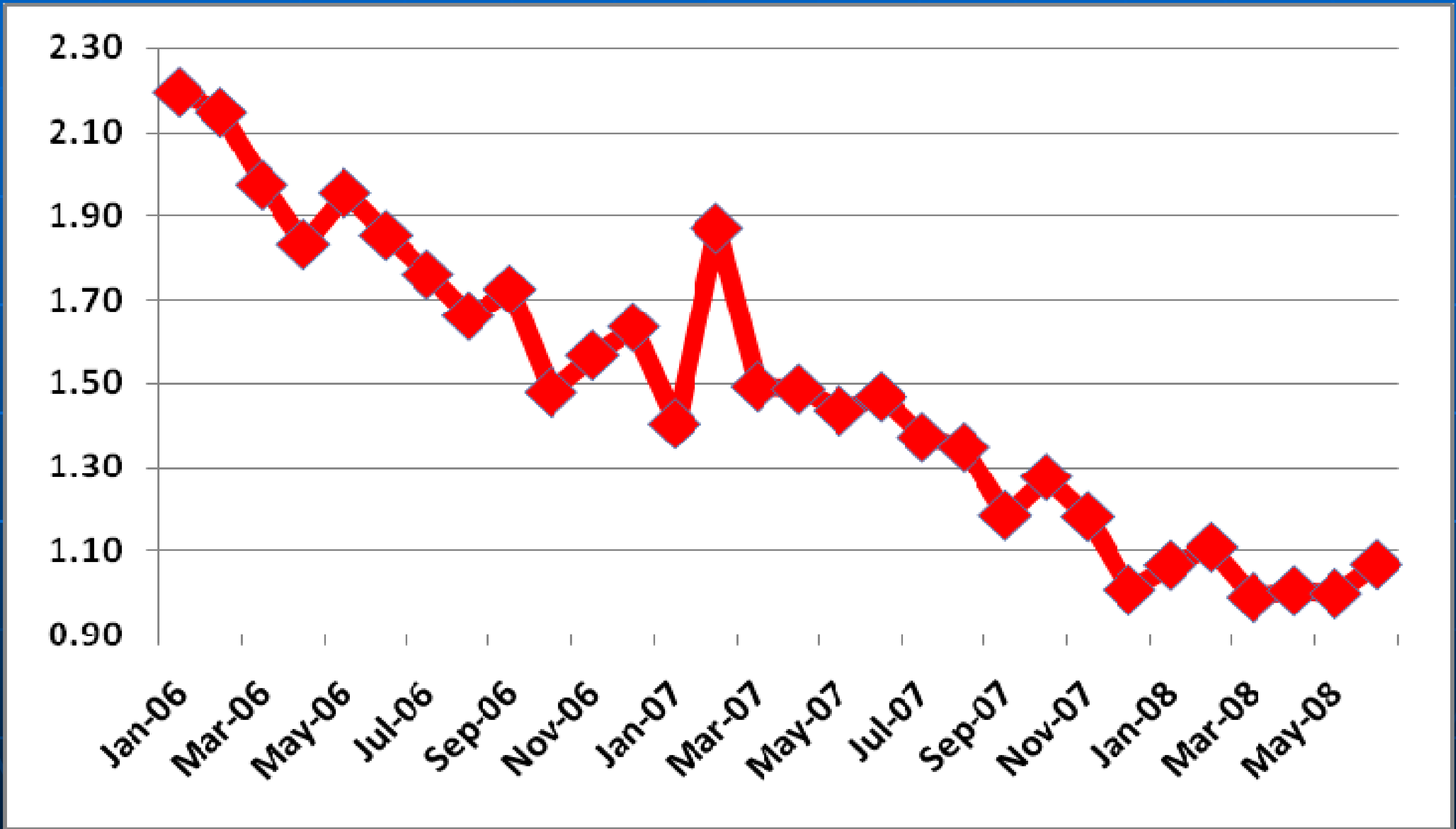

Moody's Economy.com Survey of Business Confidence
Diffusion index 4 wk MA
29
25
21
17
13
9
5
1
8/17/07
11/09/07
2/01/08
4/25/08
7/18/08

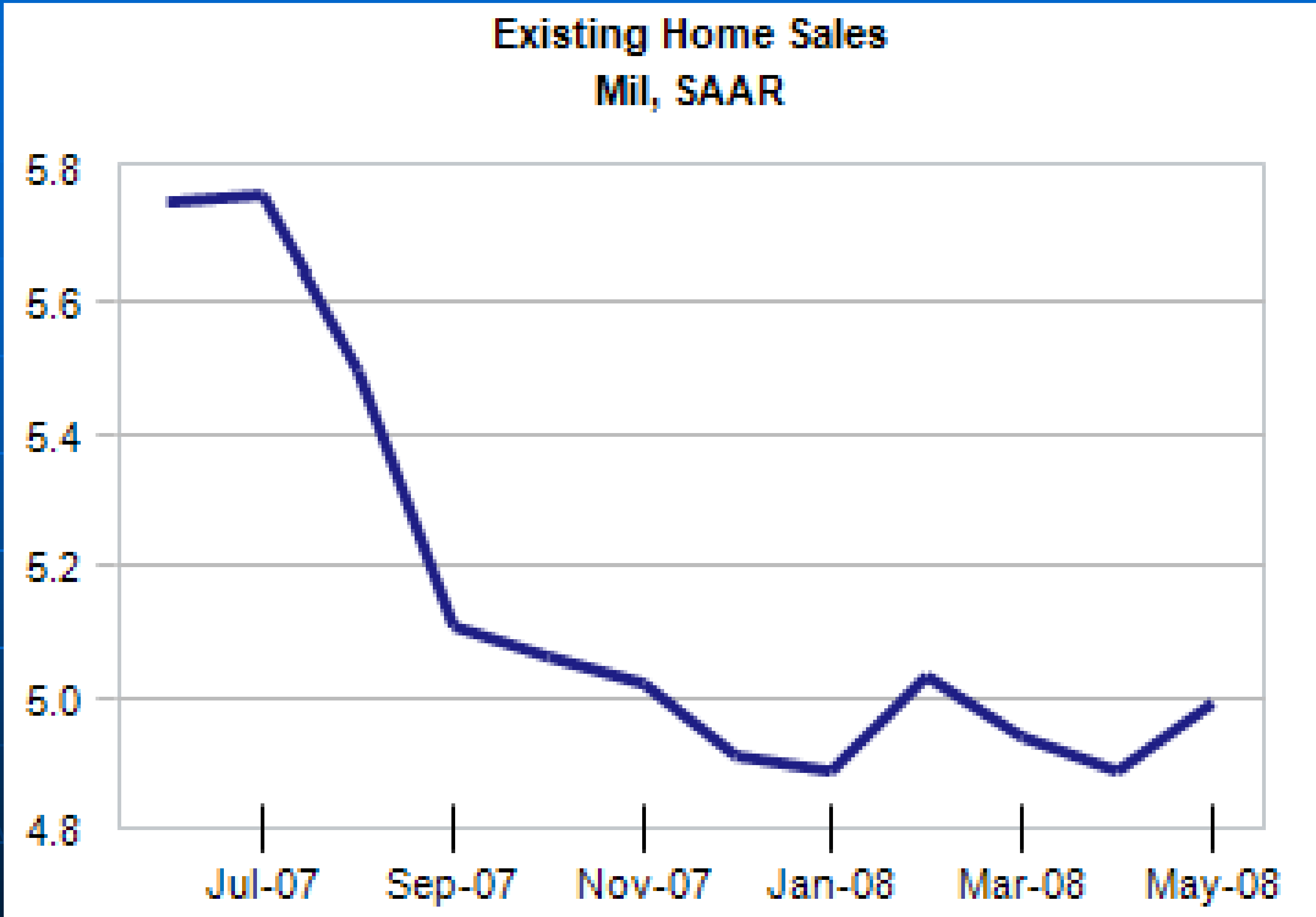
Consumer Confidence Index University of Michigan 1966=100

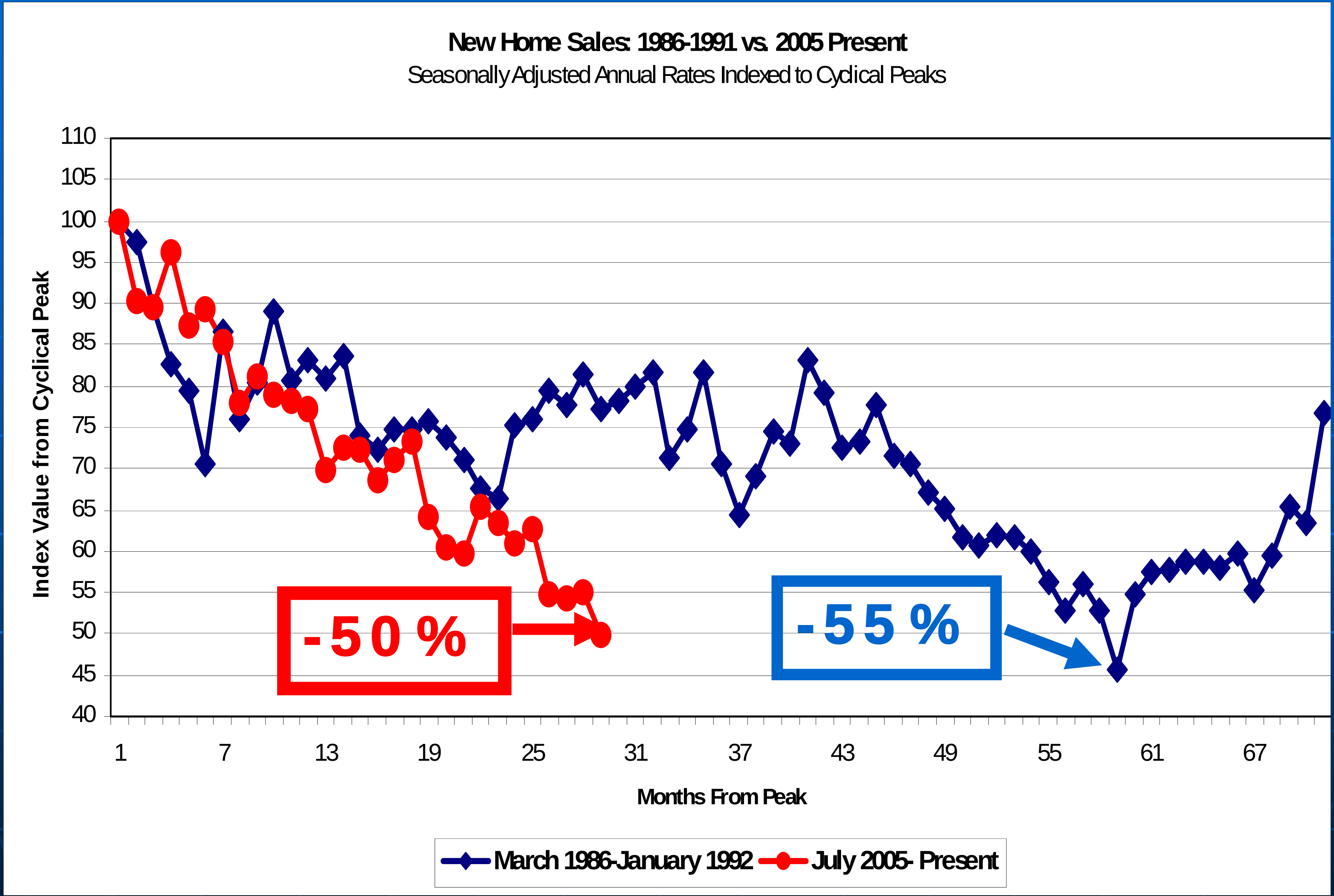


U.S. HOUSING STARTS

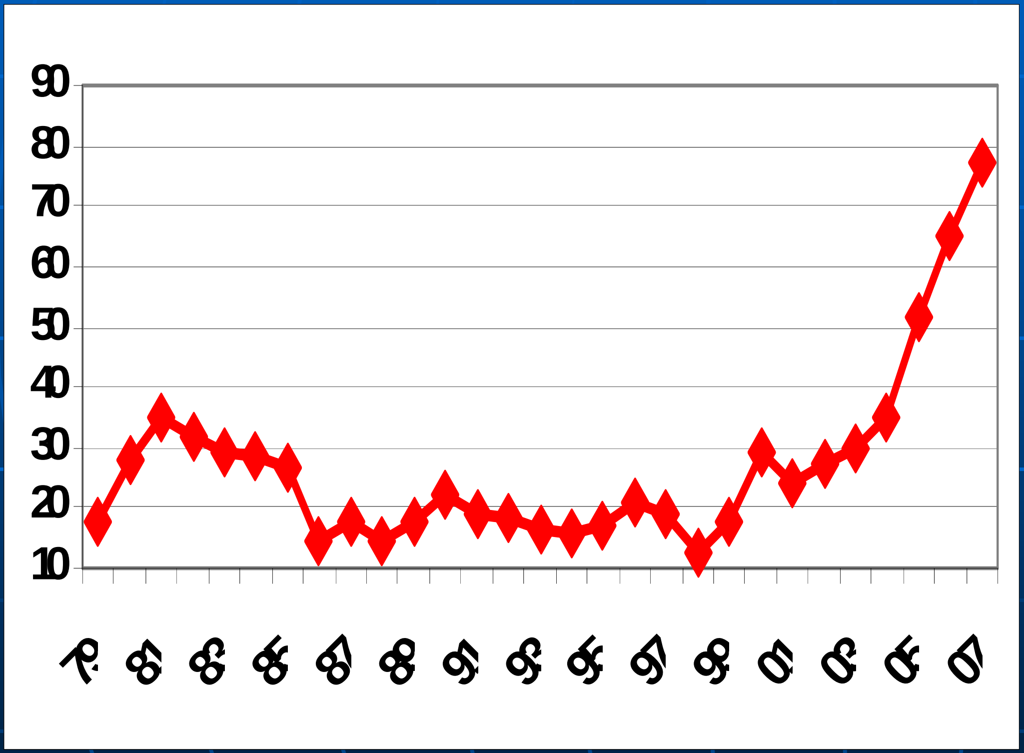
Annual Rate in Millions




Existing Home Sales
Mil, SAAR
5.8
5.6
5.4
5.2
5.0
4.8
Jul-07
Sep-07
Nov-07
Jan-08
Mar-08
May-08

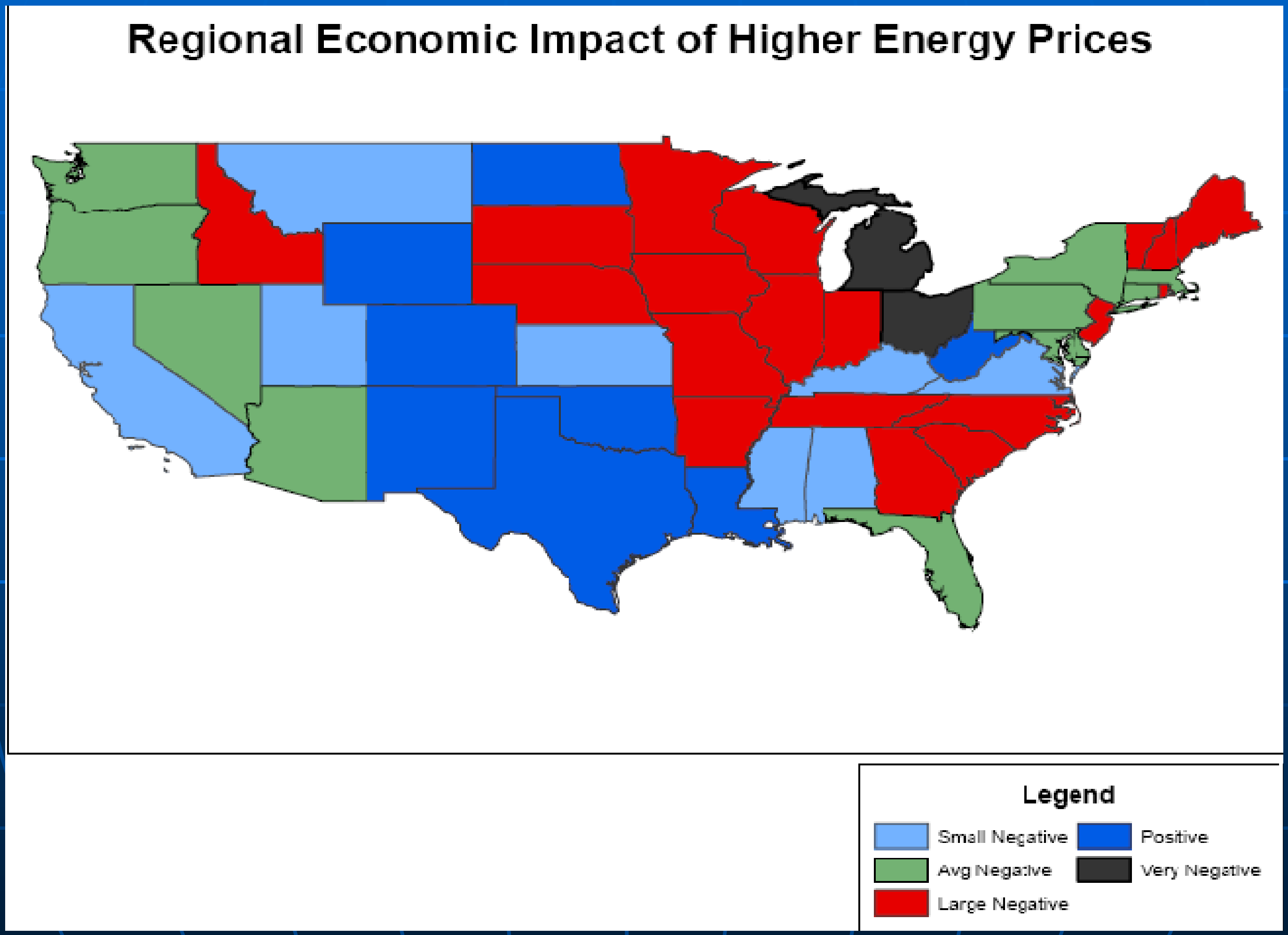

New Home Sales: 1986-1991 vs. 2005 Present
Seasonally Adjusted Annual Rates Indexed to Cyclical Peaks
Index Value from Cyclical Peak
110
105
100
95
90
85
80
75
70
65
60
55
50
45
40
1
7
13
19
25
31
37
43
49
55
61
67
Months From Peak
-50%
-55%
March 1986-January 1992
July 2005- Present

Oil Prices – Acquisition Cost for U.S. Refiners

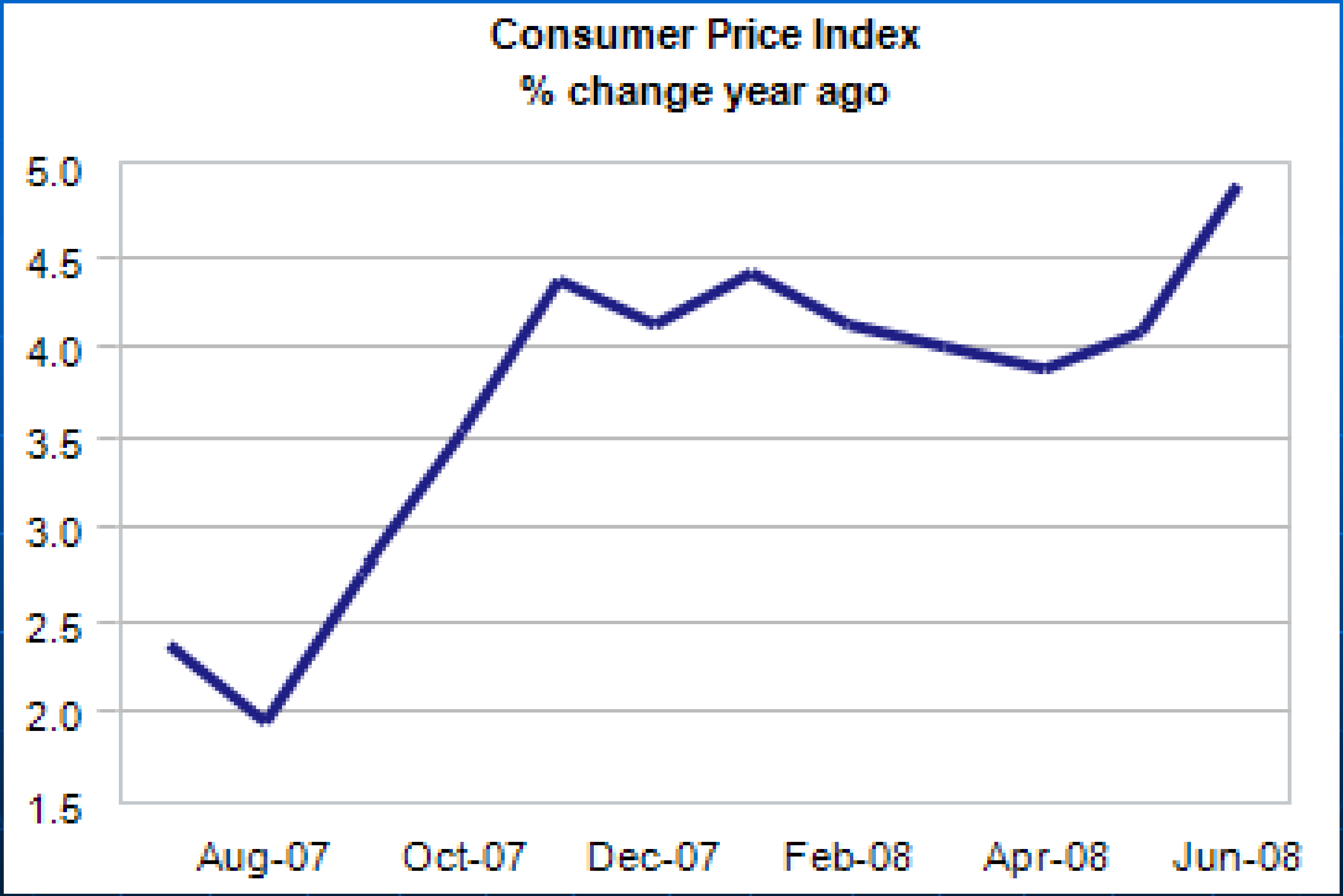


- Structural change in market
  - Supply driven to
  - Demand driven
- China, India, etc.
- Prices will not move much lower

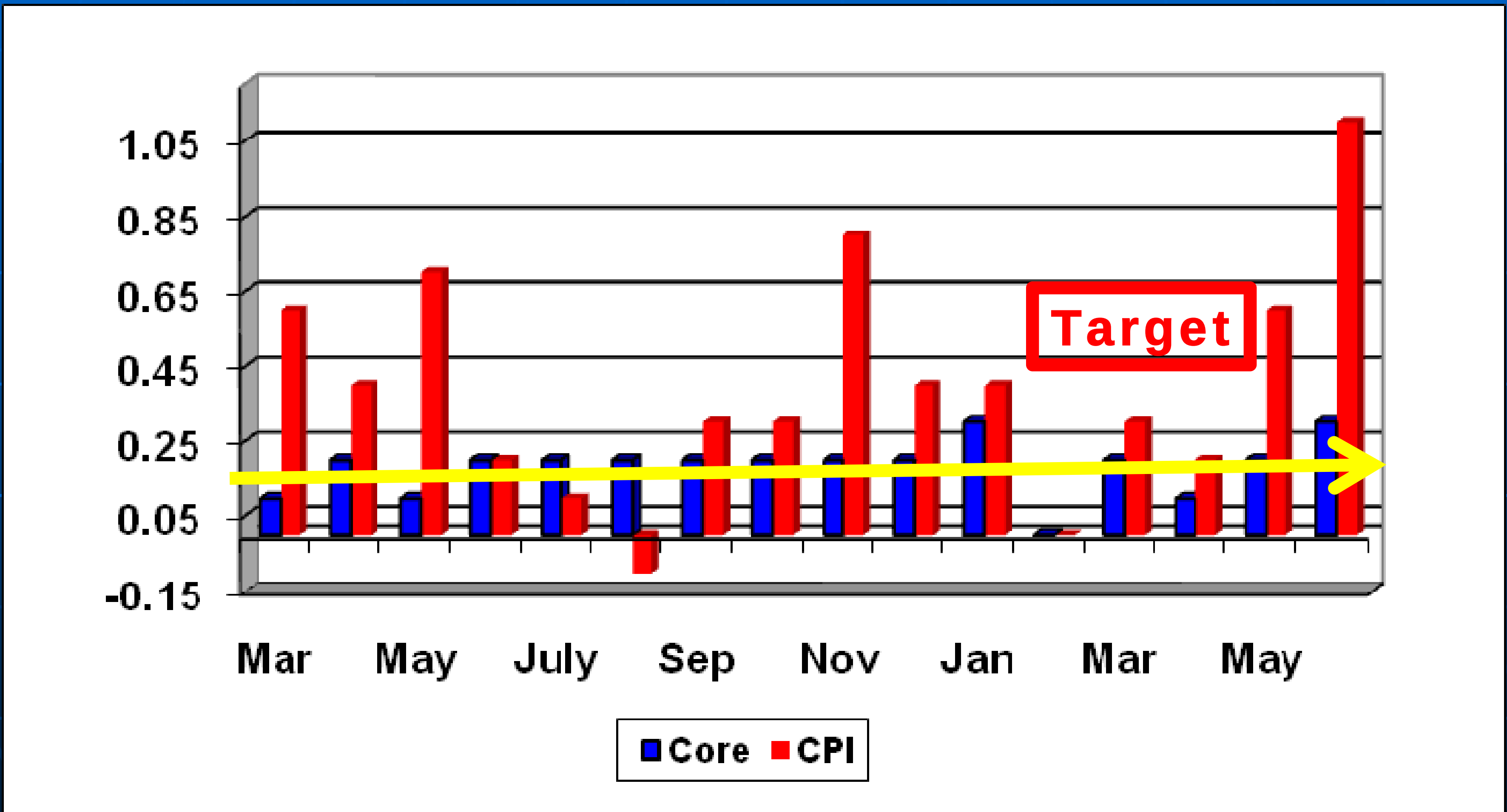
Different Areas Affected Very Differently By High Energy Prices



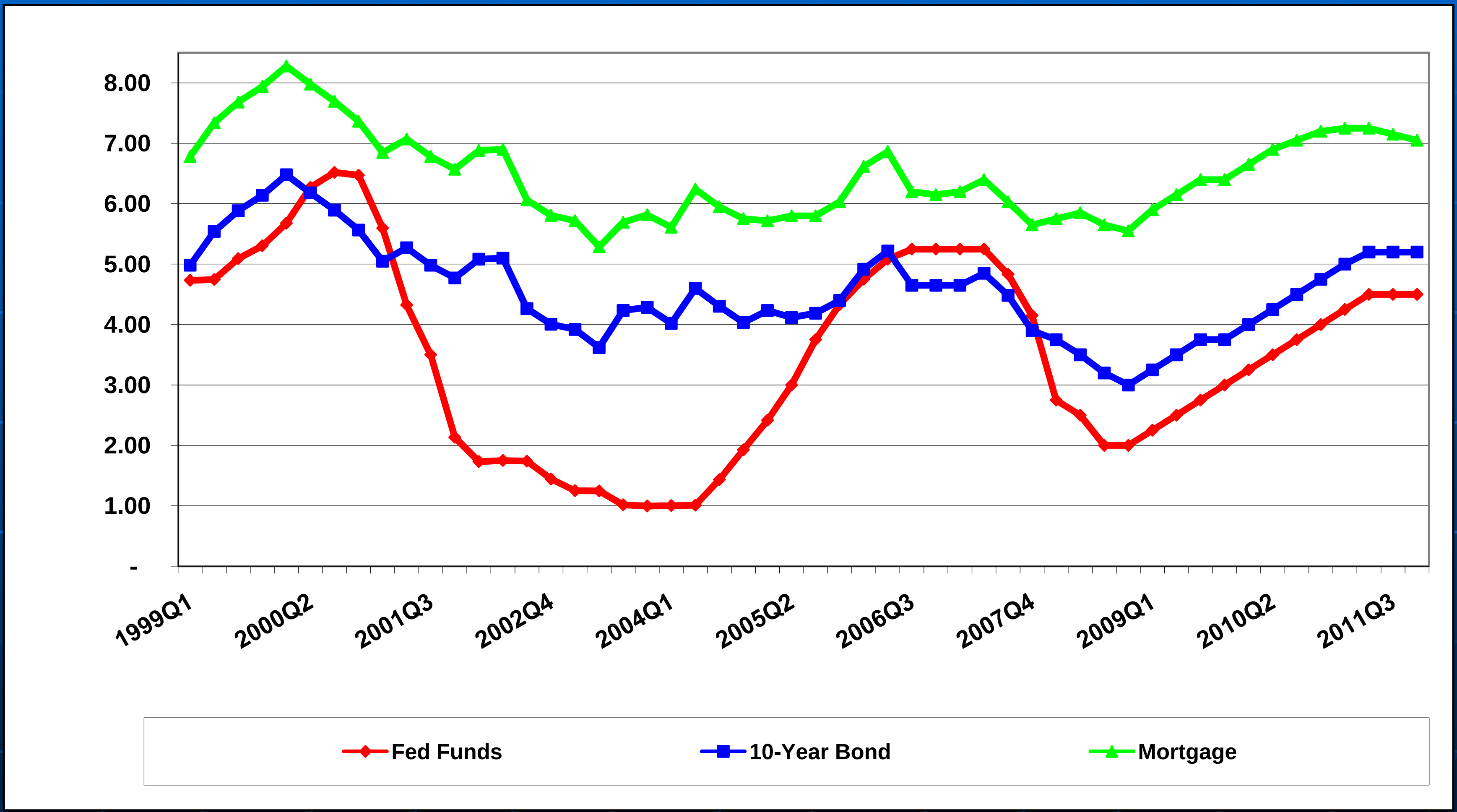
Trade Weighted Value of U.S. Dollar


Consumer Price Index
% change year ago
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
Aug-07
Oct-07
Dec-07
Feb-08
Apr-08
Jun-08

Consumer Price Index
% Change Month-to-Month

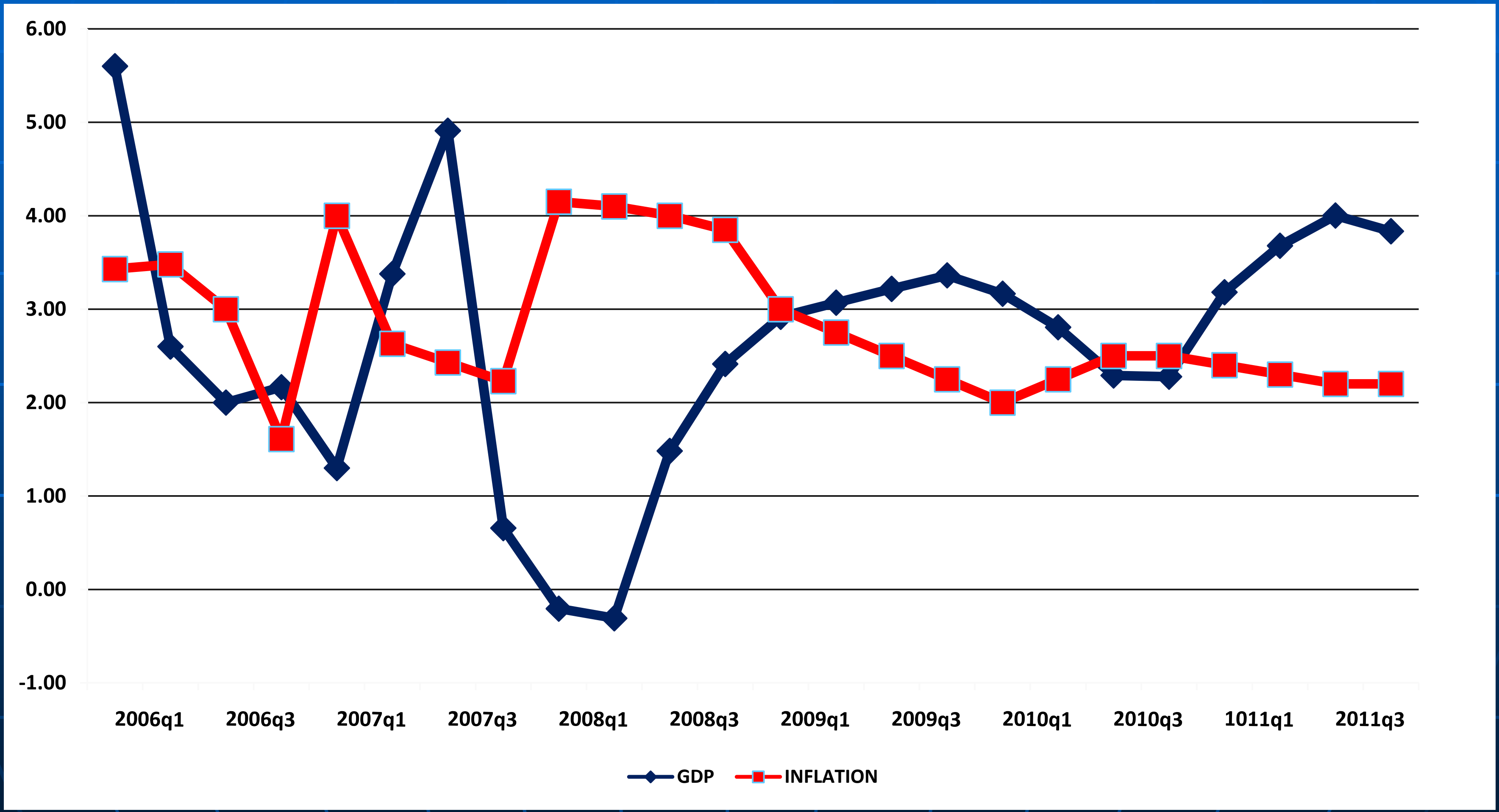


INTEREST RATES



GDP AND INFLATION

(Percent growth SAAR)



Is Florida Over?

By CONOR DOUGHERTY

The Wall Street Journal *September 29, 2007*

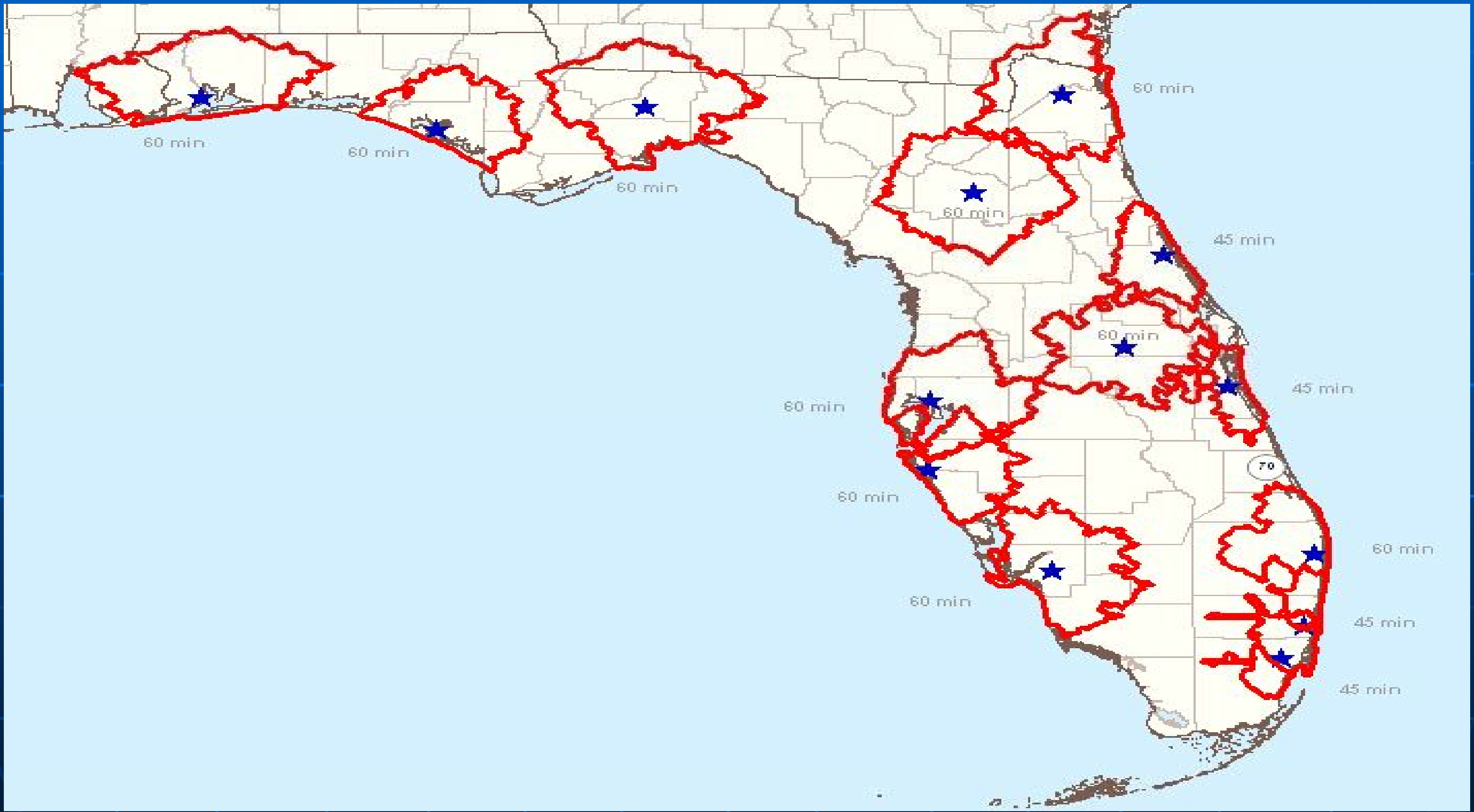
- *"Own Your Own Home in Florida for $350 down. Total Price $4,950 includes house and lot. It's Pompano Beach Highlands on the famed Florida east coast!"*
  - **--Advertisement in Life magazine, 1955**
- *"It's just not the place I originally moved to. You've got overcrowded roads. The utilities are higher now. Taxes are unreasonable. Everything in Florida is more expensive."*
  - **--John Cypherd, retiree, who left Florida last month for North Carolina**
- **30 years ago retirees living east of the Mississippi focused on Florida**
- **Now other states are competing for the retiree market**
- **Retirement oriented communities are very successful now in most states**
- **South Carolina, North Carolina and Tennessee are particularly competitive.**
- **As a result, Florida's share of retirement oriented migration will decline.**
- **But, the demographics are even more powerful with boomer retiring**

Demographics Support Projection for Continued Strong Population Growth in Florida

	1995-2000	2000-2010	2010-2020	2020-2030
Total U.S. Population Over 65	34,991,753	40,243,713	54,631,891	71,453,471
Total Movers	7,902,959	9,089,125	12,338,724	16,137,913
% Total Movers	22.59%	22.59%	22.59%	22.59%
Florida's Share of total movers 65+	10.52%	10.02%	9.02%	8.02%
Florida's Total of movers 65+	831,299	910,624	1,112,809	1,294,072
Instate	544,491	605,554	762,261	899,365
Percent instate	65.50%	66.50%	68.50%	69.50%
Out of state	286,808	305,070	350,548	394,707
Percent out of state	34.50%	33.50%	31.50%	30.50%

- **22.59% of all U.S. population 65+ moves each year**
- **Aging boomers will cause the number of migrants 65+ to soar from 2000 through 2030 from 8 million to 16 million per 5-year intervals**
- **10.5% of all movers 65+ moved to Florida 1995-2000**
- **This share will erode over time**
- **But the demographic wave of boomers overwhelms the erosion of share to Florida**
- **Florida will receive an increasing number of 65+ migrants from 2000-through-2030**

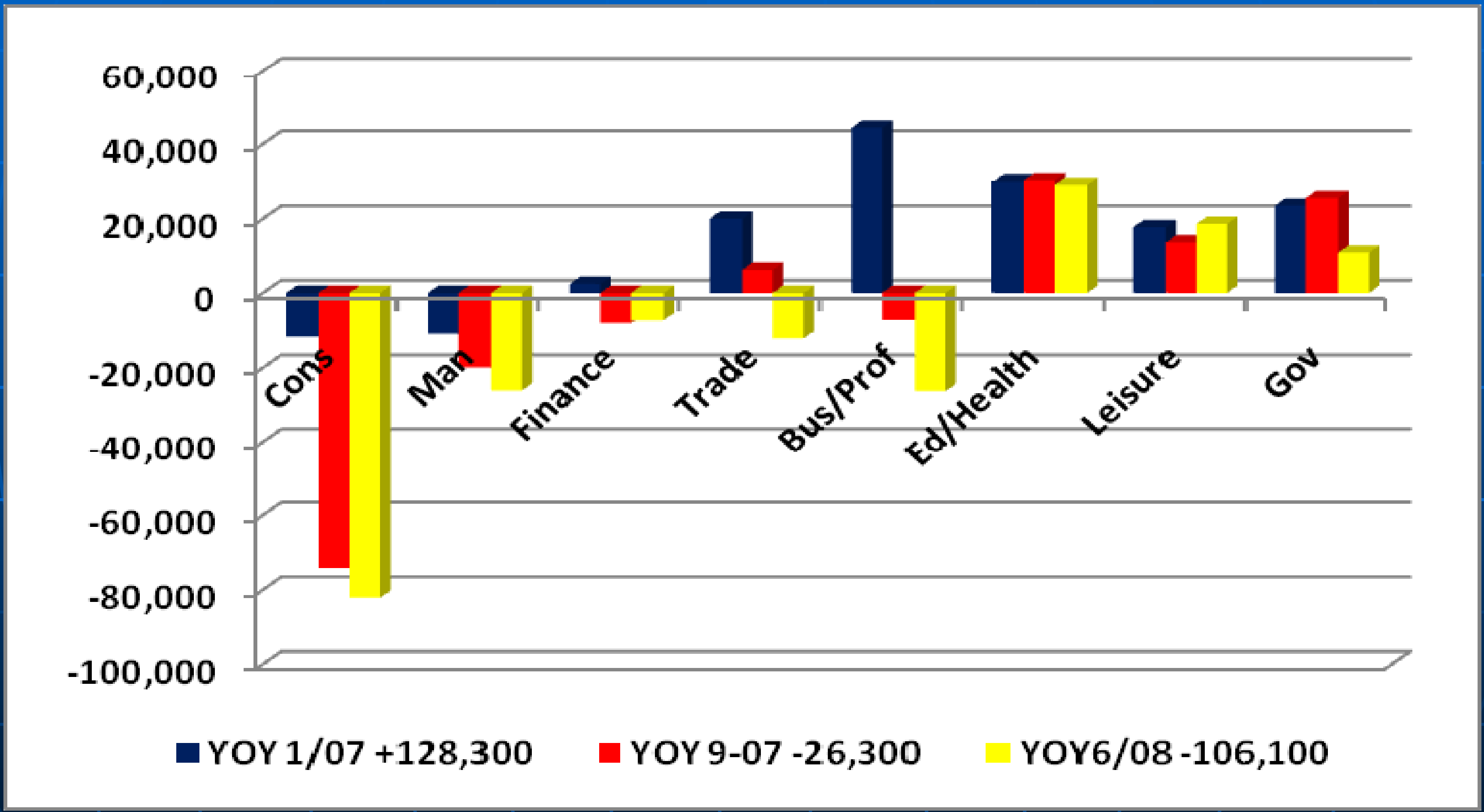
Where Will Growth Occur? Drive Time Approach



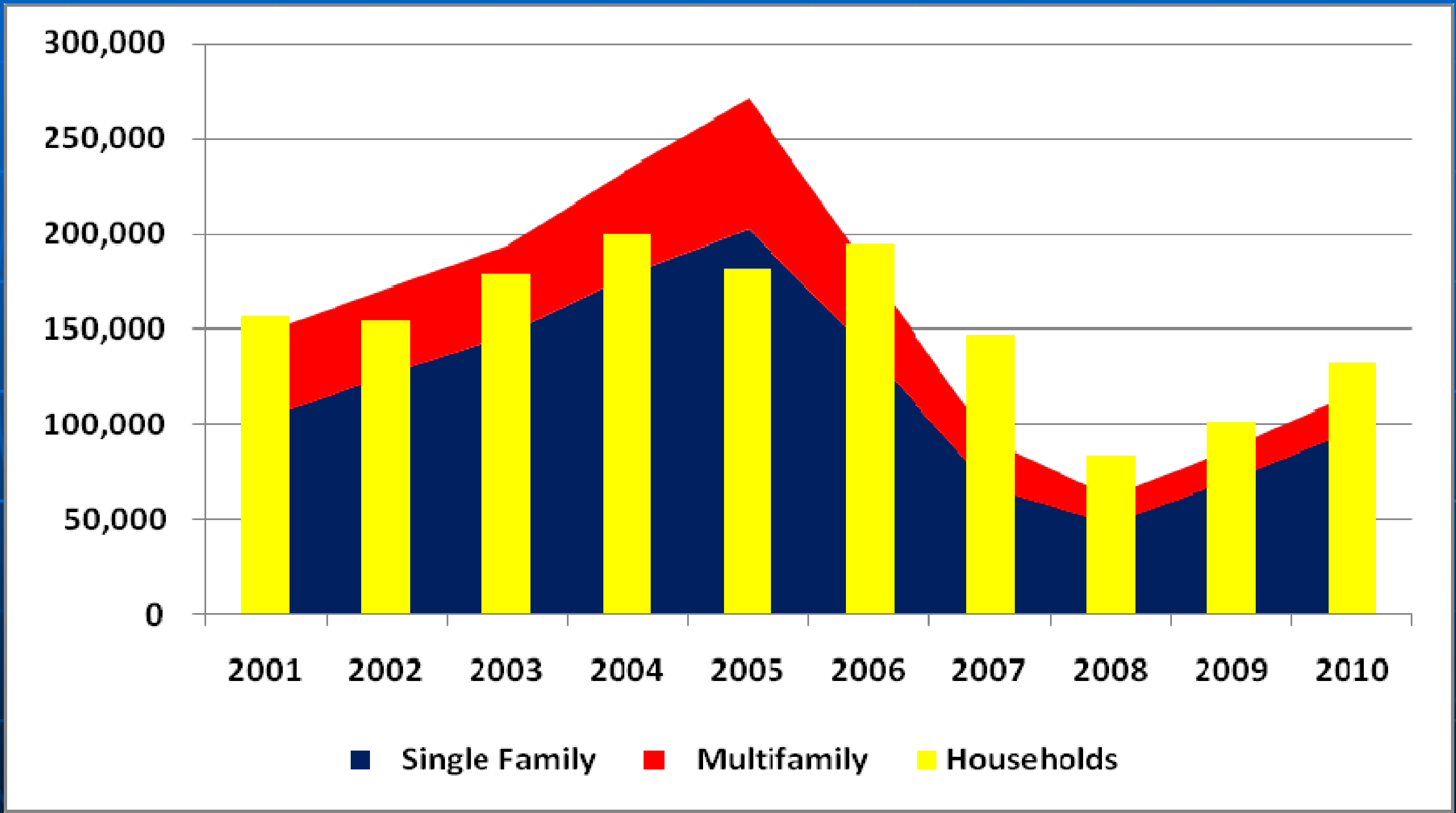
Florida Summary
Worst Recession since 1976

Population Growth	• 120,000 for 2008 • 66,000 for 1976
Employment	• -45,000 for 2008 • -55,000 for 1976
Housing Starts	• 75,000 for 2008 • 73,000 for 1976

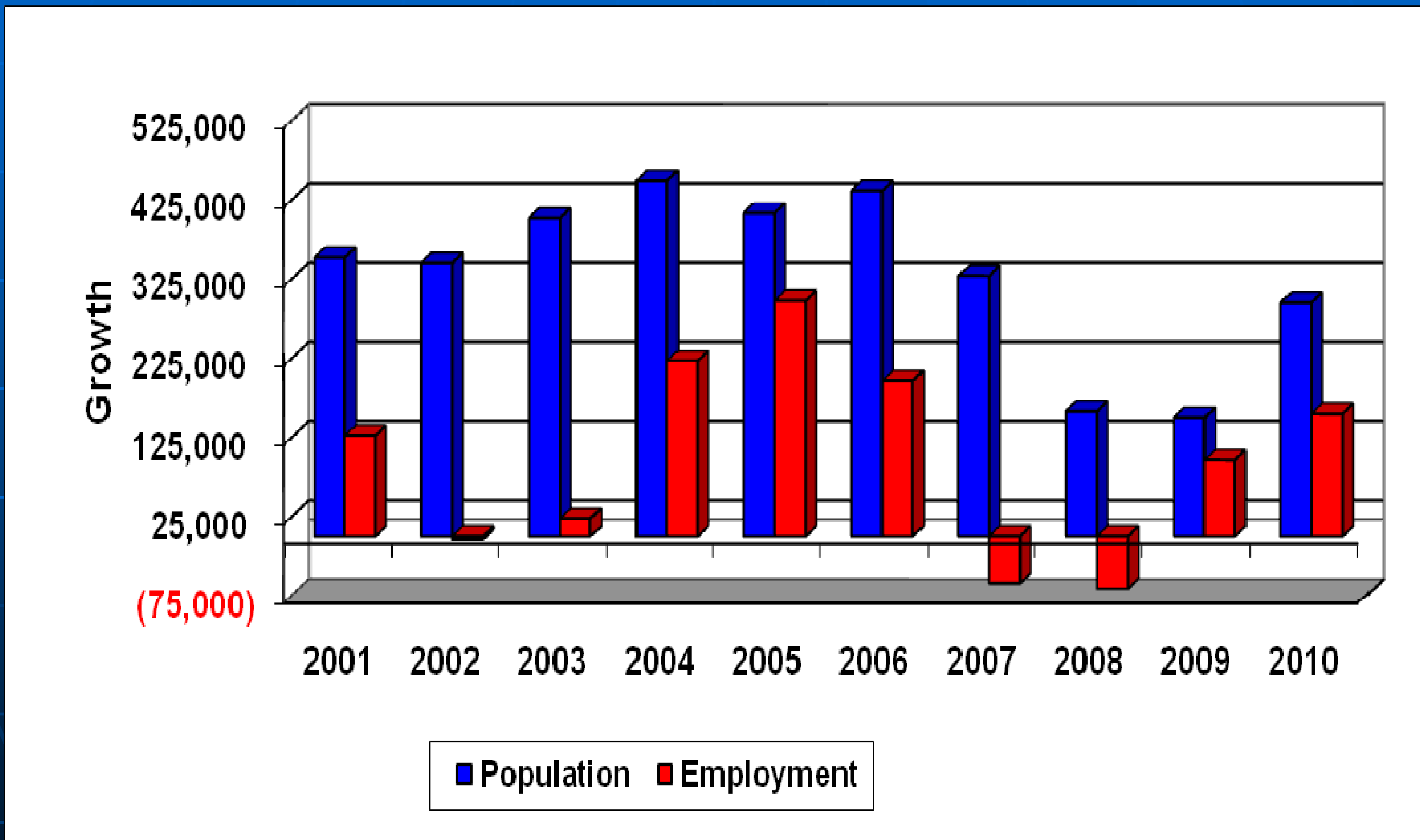
Florida Employment Growth Year-over-Year Changes



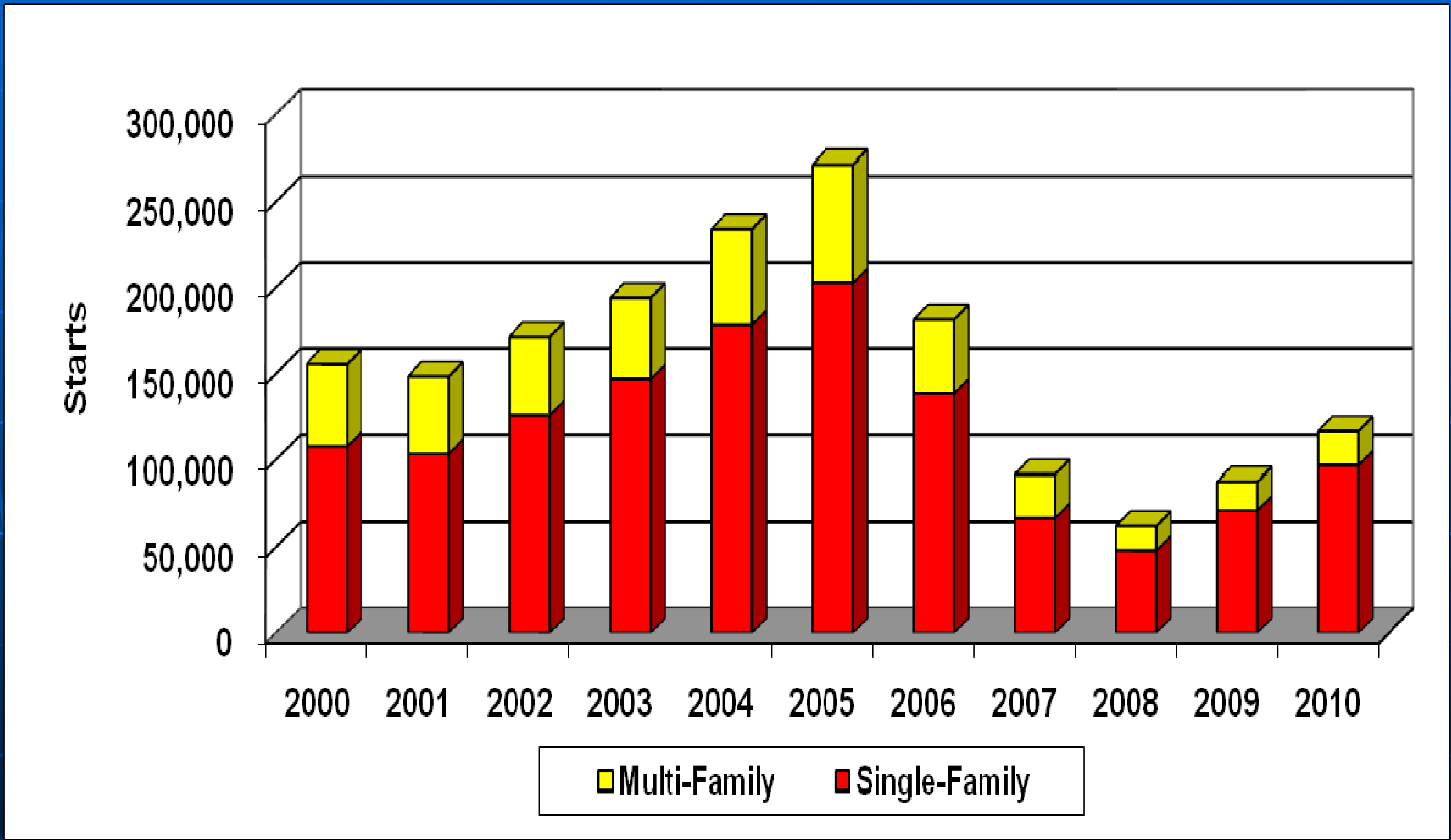
Housing Market Supply/Demand Balance



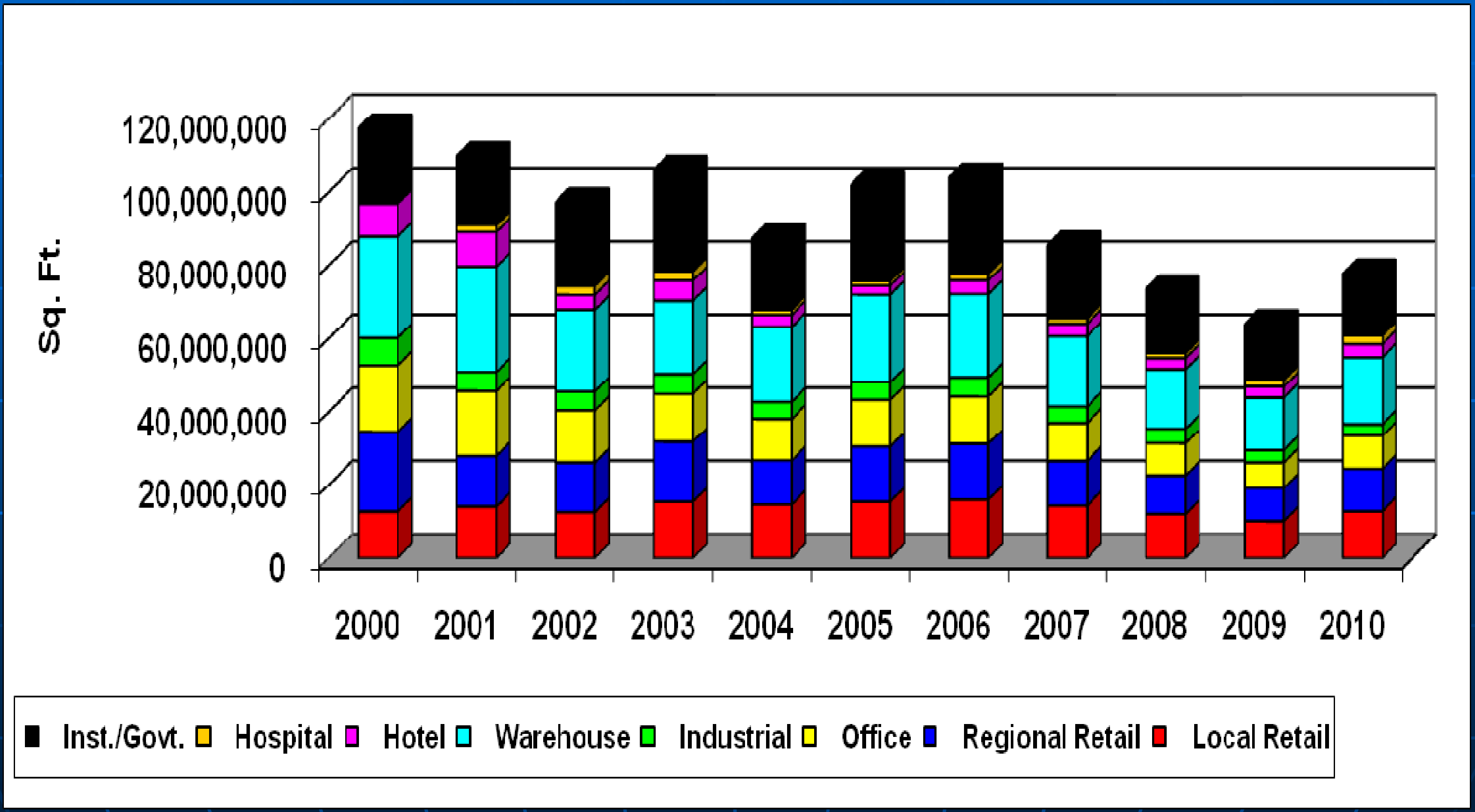
Florida Growth Forecast Population and Employment



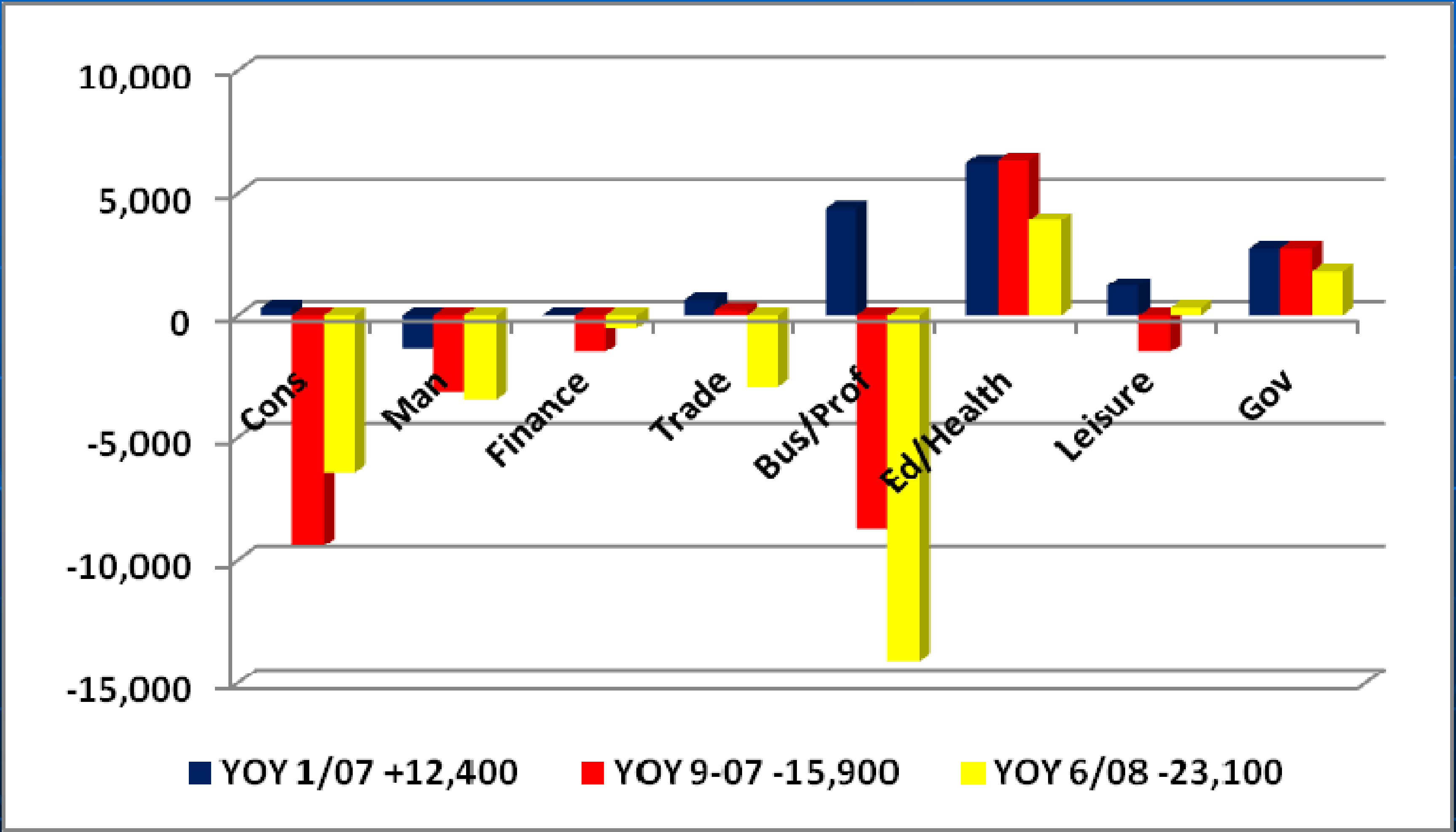
Housing Starts



Non Residential Construction Put in Place in Square Feet



Tampa Bay MSA Employment Growth



Hernando County
Major Economic Drivers

- The Suncoast Parkway has improved access. Brooksville is now less than 1-hour drive from Tampa International Airport.
- The area is a bedroom for Hillsborough's and Pinellas' employment centers.
- The area is very attractive to retirees.
- Lower costs than in Pasco or Hernando provide some competitive advantages.
- Fewer infrastructure problems than in Pasco.
- The political environment is reasonable relative to growth and development.
- There are large swaths of undeveloped rural land available.
- Economic base under developed.

Migration into Hernando

- **From Florida**

Average 2000-06	
Pasco County	1,016
Hillsborough County	580
Pinellas County	470
Citrus County	129
Broward County	87
Miami Dade County	73
Orange County	66
Palm Beach County	64
Nassau County	62
Polk County	57

- **From Other States**

Average 2000-06	
NY	462
VA	292
NJ	194
GA	185
MA	173
TX	140
MI	104
IL	95
PA	89
CA	85

Migration Out of Hernando

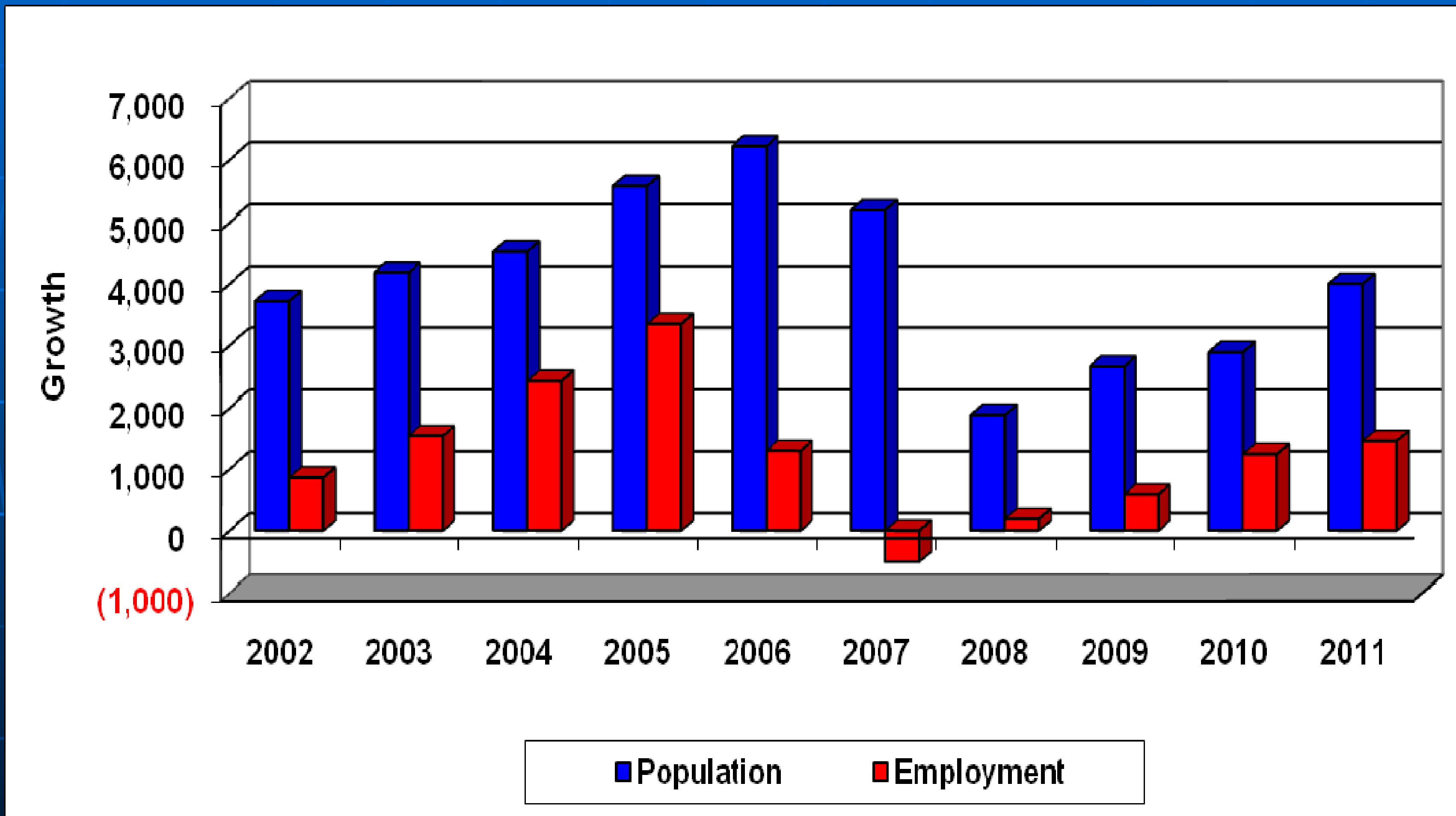
- **To Florida**

Average 2000-06	
Pasco County	665
Hillsborough County	339
Pinellas County	207
Citrus County	190
Brevard County	125
Orange County	65
Sumter County	62
Polk County	54
Marion County	48
Lake County	39

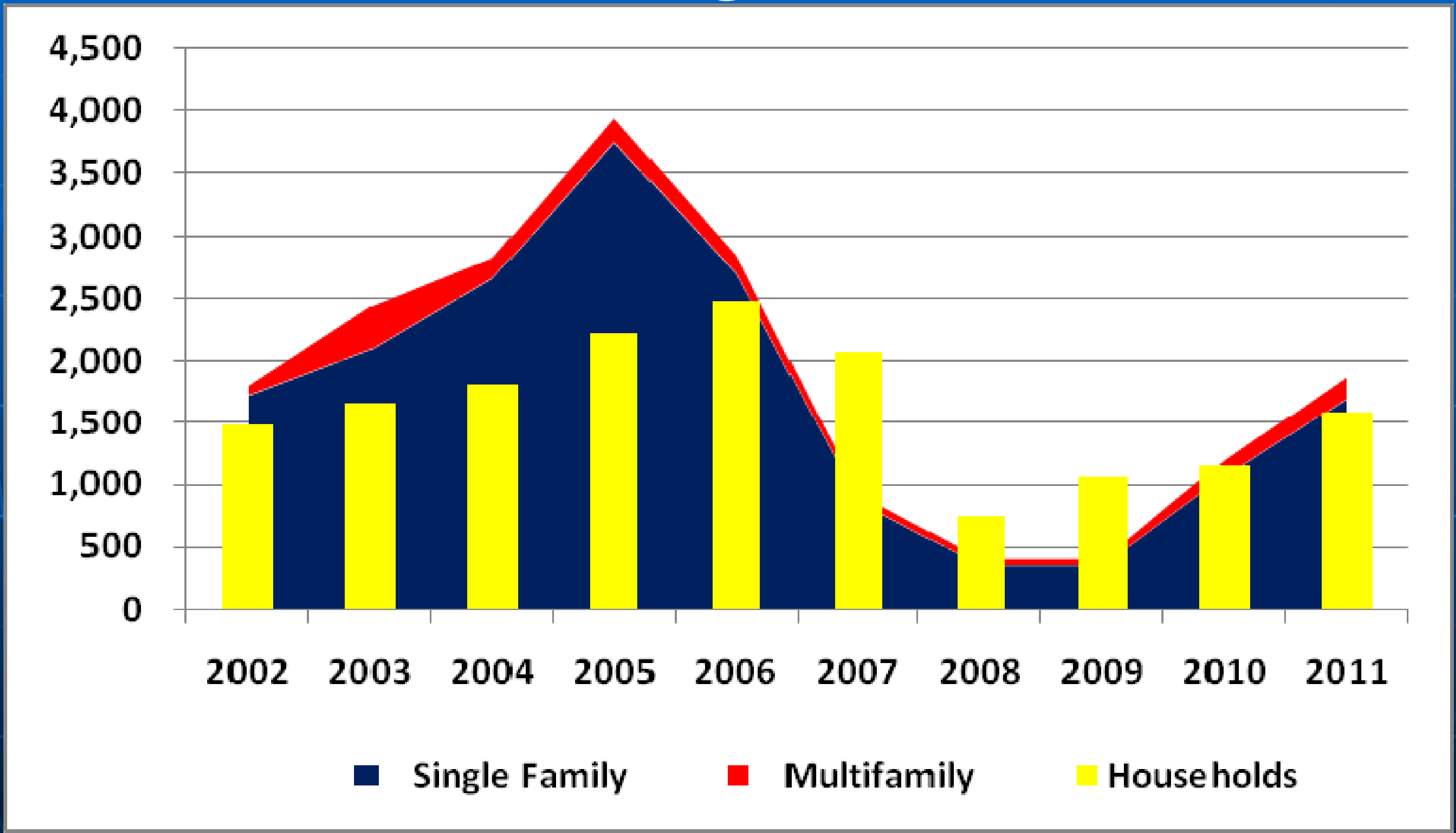
- **To Other States**

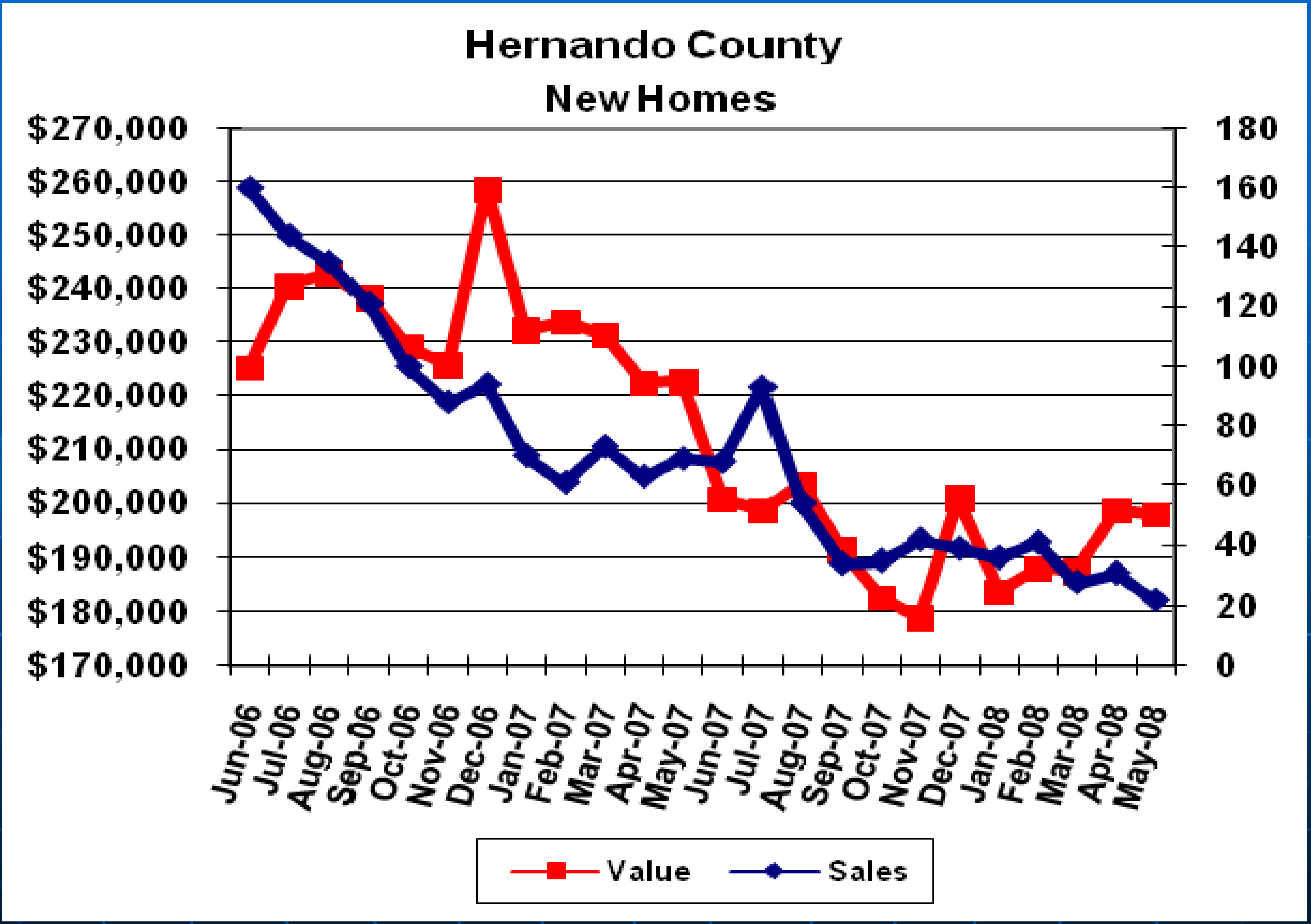
Average 2000-06	
NY	57
MI	32
AZ	18
NC	17
IL	16
NV	16
MA	15
PA	12
TN	11
OH	11

Hernando County Growth Population and Employment

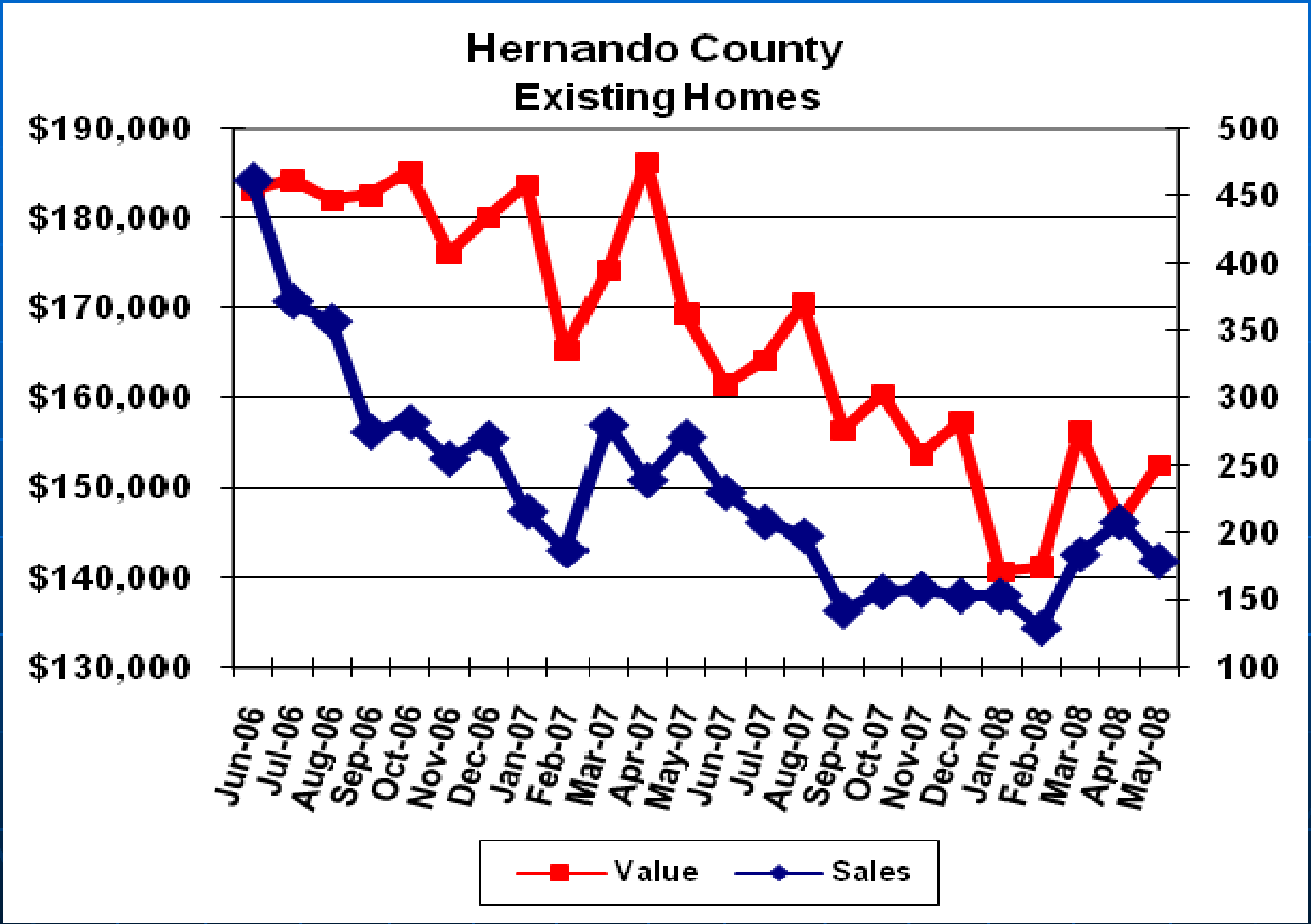


Growth in Households v. Housing Starts

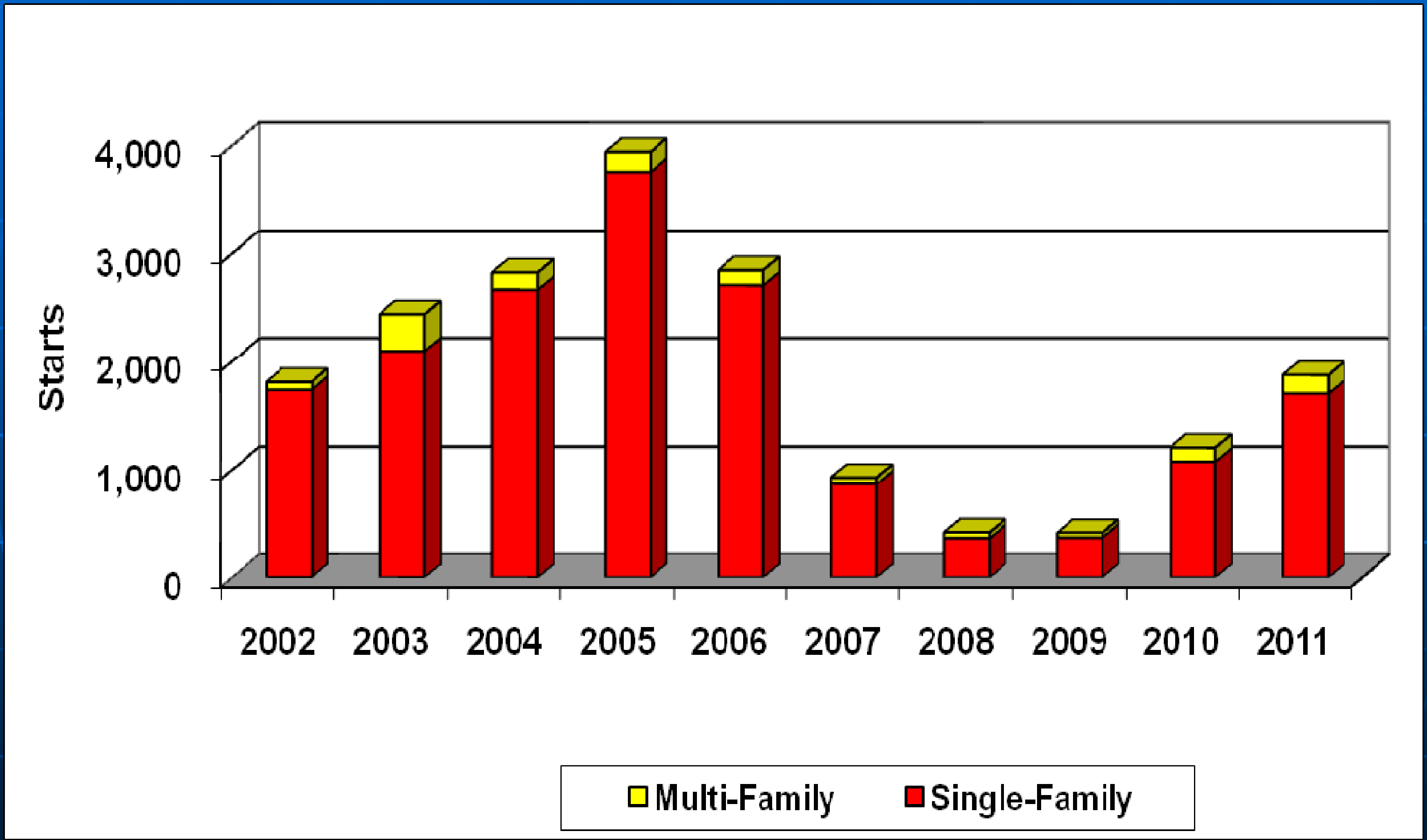




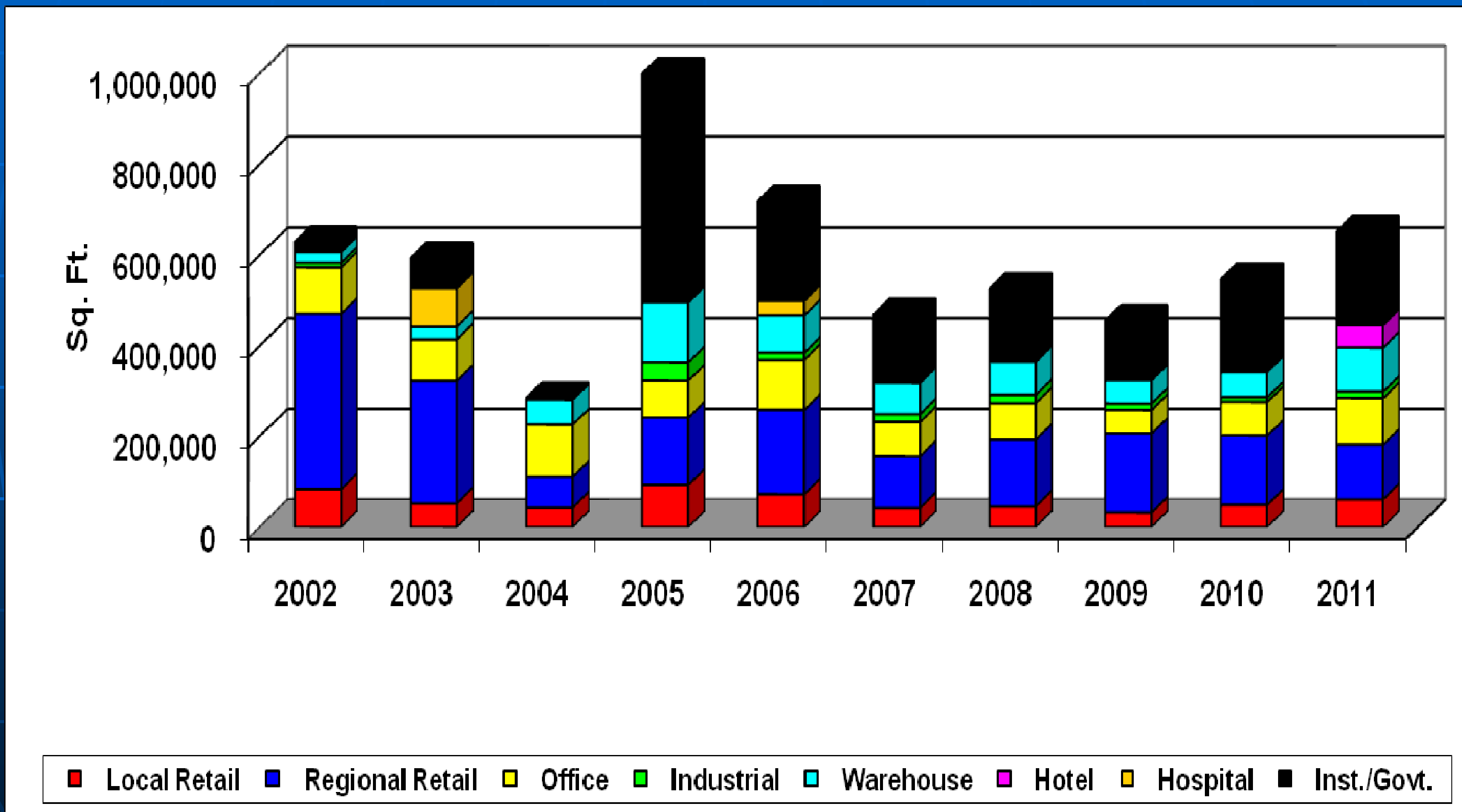
Hernando County
New Homes
$270,000
$260,000
$250,000
$240,000
$230,000
$220,000
$210,000
$200,000
$190,000
$180,000
$170,000
180
160
140
120
100
80
60
40
20
0
Jun-06
Jul-06
Aug-06
Sep-06
Oct-06
Nov-06
Dec-06
Jan-07
Feb-07
Mar-07
Apr-07
May-07
Jun-07
Jul-07
Aug-07
Sep-07
Oct-07
Nov-07
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Value
Sales


Hernando County
Existing Homes
$190,000
$180,000
$170,000
$160,000
$150,000
$140,000
$130,000
500
450
400
350
300
250
200
150
100
Jun-06
Jul-06
Aug-06
Sep-06
Oct-06
Nov-06
Dec-06
Jan-07
Feb-07
Mar-07
Apr-07
May-07
Jun-07
Jul-07
Aug-07
Sep-07
Oct-07
Nov-07
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Value
Sales

Hernando County Housing Starts



Hernando County Non Residential SqFt Installed

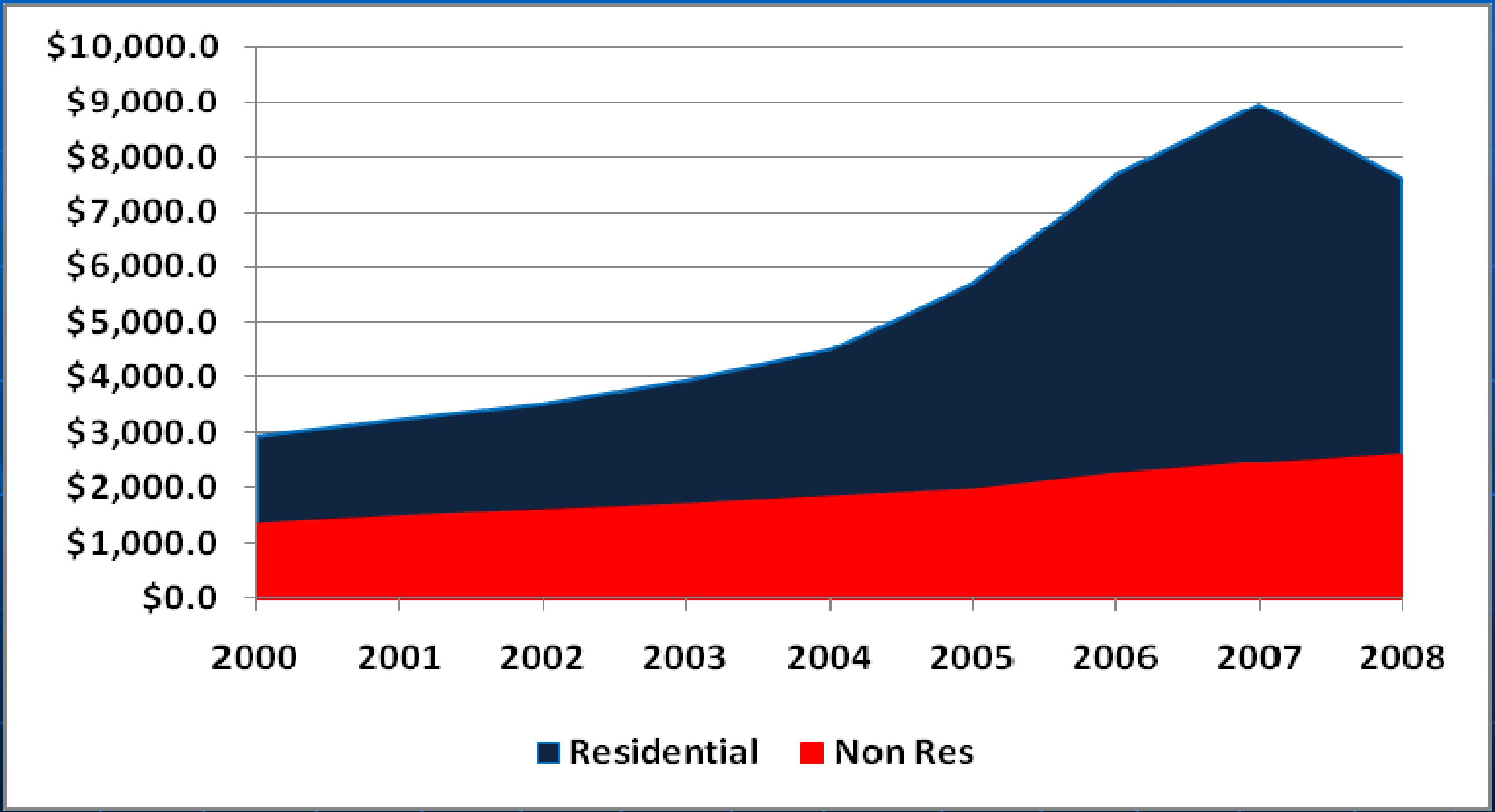


Implications for Hernando County – County Finances

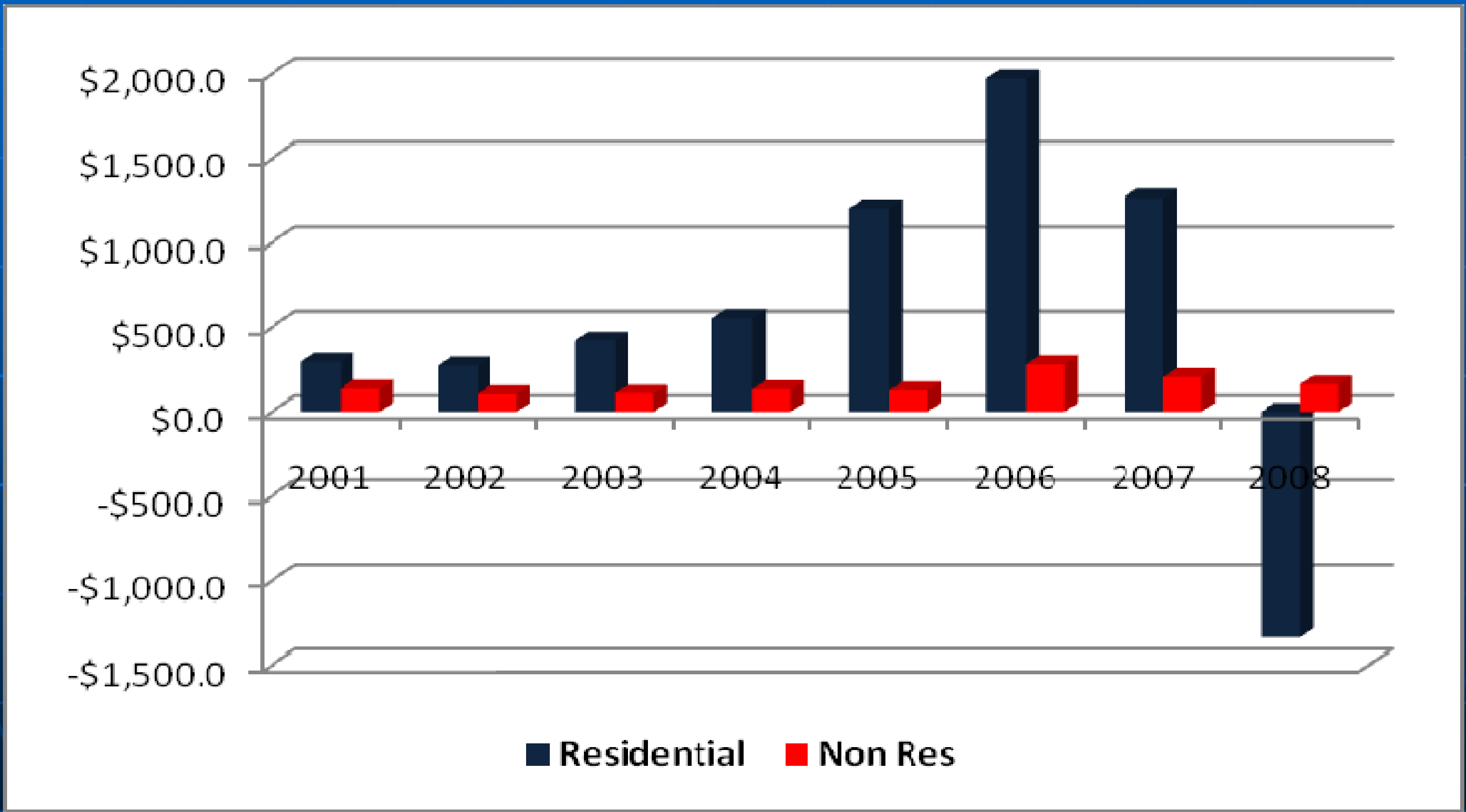
- Depressed construction activity through 2009 limits growth in ad valorem tax revenue through 2010
- Price erosion is ending but no recovery soon
- Continued budget stress through FY2010-11
- Like most Florida counties, hard choices to be made
- Demand for social services increases due to recession, but counties have less revenue to work with
- Today it is not about doing more with less, we are at the point of needing to do LESS with LESS

Taxable Value of Real Estate

Concentration of Residential Value



Change in Taxable Value of County Real Estate



County Economy

- Hernando has large volume of commuting workers and a limited local job base
- Recession magnifies Hernando's unemployment rate
  - Jobs are measured by place of work
  - Unemployment by place of residence
- Layoffs often result in loss of health insurance putting more pressure on Medicaid and on County services

What Can Hernando County Do to Stimulate Economy?

- There are only limited things that local governments can do
- Preserve/accelerate CIP
  - High local multiplier
  - Currently costs are low due to recession
- Consider use of MSBUs for capital
  - Substitute for impact fees
  - Bondable revenue source
- Develop alternative funding for CIP
  - 1 cent sales tax for infrastructure


The End

QUESTIONS?

Slides Available at

Fishkind.com