



Fitch Rates Miami-Dade County, FL Transit System Sales Tax Revs 'AA'; Outlook Stable

Fitch Ratings-New York-14 February 2017: Fitch has assigned a rating of 'AA' to the following revenue bonds of Miami-Dade County, Florida:

--\$176,930,000 transit system sales surtax revenue refunding bonds, series 2017.

The bonds are being issued to advance refund a portion of the county's outstanding transit system sales surtax revenue bonds, series 2008 for debt service savings. The bonds will be offered via competition on February 23.

Fitch rates approximately \$1.4 billion (pre-refunding) of outstanding transit system sales surtax revenue bonds 'AA'.

The Rating Outlook is Stable.

SECURITY

The Transit system sales surtax revenue bonds are backed by a first lien on revenues from a one-half-cent sales surtax levied countywide, net of an administrative fee and a 20% allocation to cities within the county incorporated at the time the tax was approved.

KEY RATING DRIVERS

Sales Tax Resiliency: The 'AA' rating on the transit system sales surtax revenue bonds reflects the pledged revenue stream's resilience to scenario-estimated revenue declines. The rating also considers the pledged revenue streams solid growth prospects underpinned by the performance expectations for key economic and demographic metrics.

Issuing Entity Exposure: The rating on the transit system sales surtax revenue bonds is capped by the Issuer Default Rating (IDR) on the county as

Fitch does not assume the pledged transit system sales surtax revenues would constitute a 'special revenue' under Chapter 9 of the U.S. Bankruptcy Code. The Issuer Default Rating (IDR) on Miami-Dade County is 'AA'; for more information see 'Fitch Rates Miami-Dade County, FL's Sub Special Obligation Bonds 'A+'; Outlook Stable, dated June 30, 2016

RATING SENSITIVITIES

Capped at County IDR: The ratings on the transit system sales surtax revenue bonds is capped by the IDR on Miami-Dade County and are therefore sensitive to factors that might impact the county's general creditworthiness.

Pledged Revenue Performance: The rating is sensitive to shifts in the broader economy that influence the long-term expectation for the consumption of goods and services that drive pledged revenue performance. Typical cyclical fluctuations are not expected to pressure the rating.

CREDIT PROFILE

Miami-Dade is the seventh largest county in the U.S. by population and the anchor of the Miami-Fort Lauderdale-West Palm Beach metropolitan statistical area (MSA). Trade and transportation is the leading sector by employment reflecting the county's position as a gateway for trade with Latin American countries. Miami's tourism and real estate markets retain an international appeal that supports expectations for long-term growth but presents the risk of volatility; other economic weaknesses include a comparatively high incidence of poverty.

Transit System Sales Surtax - Exceptional Resilience to Scenario Declines

Pledged revenues in fiscal 2015 totaled \$193.6 million or 1.9x MADS. Unaudited fiscal 2016 receipts reported by the county exceed \$201 million or a 4% increase year-over-year. Fitch estimates the transit system sales surtax revenues can decline by almost 50% before MADS coverage would be less than 1.0x. The same coverage cushion is estimated at 33% based on an adjusted-MADS figure which reflects an increase in leverage to the 1.5x coverage requirement established in the additional bonds test (ABT). The

county anticipates issuing up to \$600 million in additional parity debt over the next several years to finance various transit investments and projects included in the People's Transportation Plan. The next issuance of new money debt is anticipated in the last quarter of 2017 or first quarter of 2018.

The estimated coverage cushions are evaluated as a multiple of the scenario-estimated revenue change depicted via Fitch's Analytical Sensitivity Tool (FAST) (a relatively modest 1.9% decline) and the largest actual cumulative decline in the time series of data reviewed by Fitch (a 9.7% reduction from fiscal 2007-2009). Both revenue scenarios return a 'aaa' level of financial resilience, with the coverage cushion under the ABT-adjusted test measuring 17.5x the FAST estimated revenue decline or 3.4x the largest actual cumulative loss. Fitch does not assume the pledged transit system sales surtax revenues would constitute a 'special revenue' under Chapter 9 of the U.S. Bankruptcy Code as such the rating on the bonds is capped by the IDR on the county.

Solid Growth Expectations

Fitch estimates the 10-year revenue CAGR (fiscal 2005-2015) for the transit system sales surtax revenue at roughly 3%. The transit system sales surtax is a general sales and use tax and as such its performance should generally trend in line with changes in the population, employment, and income of the broader Miami-Dade economy. The current trend is very positive with revenues up approximately 42% from fiscal 2010-2016. Over time Fitch believes the pace of revenue growth will be somewhat more moderate but remain well above the rate of inflation.

Satisfactory Legal Provisions

The ABT for the transit system sales surtax revenue bonds is based on a 1.5x MADS coverage requirement. The bond ordinance requires the county to make monthly deposits to the debt service funds created therein. Surplus amounts available after the payment of debt service and other required deposits under the bond ordinances become available for any lawful purpose of the county. The transit system sales surtax is restricted for road, bridge, bus, and other transit operations, acquisition, and construction.

Contact:

Primary Analyst

Michael Rinaldi

Senior Director

+1-212-908-0833

Fitch Ratings, Inc.

33 Whitehall Street

New York, NY 10004

Secondary Analyst

Grace Wong

Director

+1-212-908-0652

Committee Chairperson

Laura Porter

Managing Director

+1-212-908-0575

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526,
Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in the applicable criteria specified below, this action was informed by information from Lumesis and InvestorTools.

Applicable Criteria

U.S. Tax-Supported Rating Criteria (pub. 18 Apr 2016)

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