



Rating Action: Moody's assigns A1 to Homestead, FL's \$30.5M non-ad valorem bonds; outlook negative

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New York, August 10, 2017 -- Issue: Taxable Transportation System Revenue Bonds, Series 2017; Rating: A1; Rating Type: Underlying LT; Sale Amount: \$30,450,000; Expected Sale Date: 08/16/2017; Rating Description: Non-Ad Valorem Tax Obligation;

Summary Rating Rationale

Moody's Investors Service assigns an A1 rating to the City of Homestead, FL's \$30.5 million Taxable Transportation System Revenue Bonds, Series 2017. Concurrently, we affirm the Aa3 rating on \$23.5 million of general obligation debt outstanding. The outlook is negative for both ratings.

The Aa3 GO rating reflects the city's sound reserve position, moderately sized tax base and manageable debt burden. The rating also incorporates the relatively weak socioeconomic profile, above average pension burden and future draws on reserves.

The one-notch distinction between the city's GOULT rating and the bond rating represents the weaker and more limited pledge of "non-ad valorem" revenues.

Rating Outlook

The negative outlook reflects the years of historically unbalanced operations that have been stabilized by utility fund transfers, which have subsequently contributed to deterioration of the utilities' financial positions. Fiscal 2018 marks the end of reliance on the transfers from utility funds, however, the city's General Fund reserves are expected to make up the shortfall of revenues, which will lead to lower reserve levels.

Factors that Could Lead to an Upgrade

Significant tax base expansion and improved wealth and income levels

Structurally balanced operations without support from the city's utility funds

Tax levies adjusted to help revenues meet expenditures (property taxes as well as utility rates)

Factors that Could Lead to a Downgrade

Additional years of structurally imbalanced operations

Further tax base declines

Significant decline in reserves and financial position

Legal Security

The bonds are secured by the city's transportation sales surtax, as well as the city's covenant to budget and appropriate non-ad valorem revenues.

Use of Proceeds

The bonds will be used to develop and construct a 1,030 space public parking garage to be owned by the city, along with 30,500 square feet of retail liner within the parking garage.

Obligor Profile

The City of Homestead is located in Miami-Dade County and serves a population of approximately 70,209.

Methodology

The principal methodology used in the general obligation rating was US Local Government General Obligation Debt published in December 2016. The additional methodology used in the non-ad valorem rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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