Tax Supported
New Issue

# Miami-Dade County, Florida

## Ratings

**New Issues**

| | |
|---|---|
| Transit System Sales Surtax Revenue Bonds, Series 2010A | AA– |
| Transit System Sales Surtax Revenue Bonds, Series 2010B (Federally Taxable — Build America Bonds — Direct Payment) | AA– |

**Outstanding Debt**

| | |
|---|---|
| General Obligation Bonds[a] | AA |
| Public Service Tax Revenue Bonds (UMSA Public Improvements)[a] | AA |
| Special Obligation Bonds (Courthouse Center)[a] | AA– |
| Public Facilities Revenue Bonds (Jackson Health System)[a] | AA– |
| Professional Sports Franchise Facilities Tax Revenue Bonds[a] | A+ |
| Special Obligation and Refunding Bonds | A+ |
| Subordinate Special Obligation Bonds | A |

[a]Rating Outlook revised to Negative from Stable on Aug. 13, 2010.

## Rating Outlook

Stable

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## New Issue Details

**Sale Information:** $13,355,000 Transit System Sales Surtax Revenue Bonds, Series 2010A and $203,905,000 Transit System Sales Surtax Revenue Bonds, Series 2010B (Federally Taxable — Build America Bonds — Direct Payment), Aug. 25 via negotiation.
**Security:** Special and limited obligations of the county, payable from and secured by a prior lien upon and pledge of the transit system sales surtax, less administrative expenses and distribution to cities within the county, hedge receipts, and federal direct payments.
**Purpose:** Fund transit and public works projects.
**Final Maturity:** July 1, 2040.

## Rating Rationale

- The rating on Miami-Dade County's transit system sales surtax revenue bonds reflects the general creditworthiness of the county and a pledge of a one-half-cent sales tax levied throughout the county. Fitch Ratings expects stable pledged revenue performance and adequate coverage over the long term, supported by the county's growing population base and a broad, diverse, and internationally focused economy.
- The county's financial profile has weakened related to a severely stressed housing market and decline in economic activity; the potential for further fiscal deterioration exists should appropriate action not be taken to resolve a persisting budgetary imbalance.
- Debt ratios are expected to remain moderate given manageable non-enterprise fund borrowing plans. However, pressures exist associated with the implementation of a robust capital improvement program.

## Key Rating Drivers

- Maintenance of adequate debt service coverage given the county's plans to issue a substantial amount of additional debt under this financing program, resulting in tighter overall margins and increased vulnerability to unanticipated reductions in pledged revenues at the present rating level.

## Credit Summary

Miami-Dade County voters authorized the People's Transportation Plan (PTP) in November 2001. The PTP authorized the countywide imposition of a permanent one-half percent discretionary sales surtax for the purpose of funding specific transit and roadway improvements in Miami-Dade County and to cover a portion of Miami-Dade

### Considerations for Taxable/Build America Bonds Investors

This sector credit profile is provided as background for investors new to the municipal market.

**Local Government Special Tax Bonds**

The unlimited taxing power of most local government general obligation pledges is the broadest security a U.S. local government can provide to the repayment of its long-term borrowing and, therefore, is the best indicator of its overall credit quality. The analysis of special tax bonds considers the rating the security itself can support, with the unlimited tax general obligation (ULTGO) bond rating generally serving as a rating ceiling. Special tax bonds with a broad, diverse pledged revenue stream and a strong additional bonds test can often achieve ratings on par with the ULTGO rating. Those with a narrow, concentrated, or volatile pledged revenue stream, such as a hotel tax or tax increment district revenues and/or a liberal additional bonds test, will likely be rated in the lower half of the investment- grade range.

The average local government general obligation rating is 'AA', with approximately 85% rated at or above 'AA–' and 1% rated 'BBB+' or below. The relatively high ratings on ULTGO bonds that provide the ceiling for special tax bonds reflect local governments' inherent strengths: the authority to levy property taxes, nonpayment of which can result in property foreclosures; additional taxing power that can include sales, utility, and income taxes; and essentiality of and lack of competition for services provided by local governments. Those with low investment-grade or below-investment-grade ratings generally have a combination of a limited or highly volatile economic base, high levels of long-term liabilities (including debt and post-employment benefits), and/or unusually limited financial flexibility. For additional information on these ratings, see "U.S. Local Government Tax-Supported Rating Criteria," dated Dec. 21, 2009, available on Fitch's Web site at www.fitchratings.com.

### Related Research

**For information on Build America Bonds, visit** www.fitchratings.com/BABs**.**

**Applicable Criteria**
- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Dec. 21, 2009*

### Rating History — Transit System Sales Surtax Revenue Bonds

| Rating | Action | Outlook/ Watch | Date |
|---|---|---|---|
| AA– | Affirmed | Stable | 8/13/10 |
| AA– | Revised | Stable | 4/30/10 |
| A+ | Affirmed | Stable | 9/02/09 |
| A+ | Affirmed | Negative | 6/05/08 |
| A+ | Assigned | Stable | 3/28/06 |

Transit's (MDT) operating and maintenance costs. MDT is operated as an enterprise fund of Miami-Dade County and is the 14th largest public transit system in the U.S. and the largest transit agency in the state of Florida. MDT is responsible for the planning and provision of all public transit services in the county including but not limited to: the Metrobus fleet, connecting most areas of Miami-Dade County; Metrorail, a 22.6-mile above-ground heavy rail system; and Metromover, a 4.4-mile elevated people mover that serves the downtown central business district of Miami.

Bondholders are granted a first lien on the voter-approved transit system one-half-cent sales surtax, less an administrative fee to the state not to exceed 3% of proceeds and another 20% of proceeds distributed to cities within the county that were incorporated at the time the tax was approved. Pledged revenues are projected to grow by 0.8% in fiscal 2010 to $139.3 million, resulting in 2.1x coverage of MADS following issuance (excluding the BABs subsidy). The county has identified approximately $1.48 billion in additional transit financing needs through 2016 which, if issued as parity debt, would lower coverage to 1.22x by fiscal 2020 based on revenue assumptions of 1% growth in fiscal 2011, 3% in fiscal 2012, and 5% per year thereafter. Fitch views the revenue assumptions cautiously and will monitor the county's ability to manage coverage to the 1.5x additional bonds test (ABT) threshold, as the ability to scale back issuance plans is somewhat limited according to officials.

The county's financial profile has weakened since closing fiscal 2007 with an unreserved general fund balance totaling $183.8 million, or 8.4% of spending. Net deficits aggregating $108.1 million were reported in fiscal years 2008 and 2009, resulting in an unreserved fund balance totaling $90.8 million, or 4.2% of spending, entering fiscal 2010. Officials anticipate drawing the unreserved fund balance to approximately $70 million in fiscal 2010. A $36 million cash carryover balance from fiscal 2010, which is reported as a subset of the unreserved fund balance, is appropriated into the fiscal 2011 budget. In addition, the fiscal 2011 budget relies on one-time transfers of $25.1 million from the water and sewer utility and $12 million from excess liability trust fund balances. The county's financial forecast identifies general fund deficits totaling $115 million in fiscal 2012 and $152 million in fiscal 2013. Fitch believes that budget imbalances, while more modest than prior-year gaps, will prove even more challenging to close given the magnitude of budget cuts enacted to date and the strain on financial resources related to declines in taxable value and economic activity.

Fiscal resources are largely pressured by events in the housing market and global economy. General fund revenues are budgeted at $1.66 billion in fiscal 2011, which would represent a 3.5% decline on the year and a reduction of 13%, or nearly $250 million, since fiscal 2007. The county is prudently proposing a 12.8% tax increase to a relatively high 8.35 mills in order to mitigate a 13.4% decline in the preliminary tax roll for fiscal 2011. Management believes the reduction in the final tax roll will not be as severe, which would produce a favorable revenue variance to the general fund. Fitch will monitor the county's ability to adopt the rollback or revenue-neutral tax rate going forward given the general fund's large dependence on property taxes and expectation for additional tax base declines. Housing sales activity has reportedly gained some momentum driven by the federal tax credit and much-improved affordability, but near-term recovery seems unlikely given that foreclosures are very high, and the number of properties filing for foreclosure continues to grow at a rate faster than the already-high state average.

The proposed fiscal 2011 budget eliminates an estimated imbalance of more than $400 million, bringing the number of countywide budget cuts to more than $1 billion over the past four years. Management has implemented a number of recurring expenditure reductions, including an employee contribution to the cost of the county's health insurance program equal to 5% of pay and elimination of 2,980 positions since 2007. The number of current funded positions will decline to 27,414, the lowest figure in more than a decade. The fiscal 2010 general fund budget per capita (adjusted for inflation) was the lowest sum dating back to fiscal 1993. According to officials, the budget has been trimmed to a point that leaves little future flexibility or room to cut without impacting the level of service presently provided. Capital spending provides some latitude for management, with nearly $200 million in pay-as-you-go spending included in the proposed fiscal 2011 budget countywide.

Fitch also notes potential expenditure pressure related to the Public Health Trust (the trust). The trust is an enterprise fund of the county responsible for the operation, governance, and maintenance of several primary care centers and clinics, most notably the Jackson Memorial Hospital. The trust is experiencing significant financial strain as it struggles to balance its mission as a safety net hospital against declining resources resulting from the deterioration of the economy and an increase in nonpaying patients and bad debts. The county's legal financial commitment is defined and currently manageable. The proposed fiscal 2011 budget includes a maintenance of effort (MOE) contribution to the trust totaling $132.7 million, or approximately 8% of spending. The county does not expect to extend any additional financial support to the trust; however, further fiscal deterioration of the trust could exacerbate the county's current budget problems and will be monitored closely by Fitch.

Fitch expects debt levels will remain moderate. Management continues to respond to the downturn in the economy and weakened revenue environment by revising its capital plans, though future needs remain significant. The fiscal 2011–2016 capital improvement plan (CIP) totals $21.1 billion. Debt is identified as the funding source for more than 80% of the CIP, though a total of $8.8 billion has already been funded from prior year's issuances. Furthermore, a large portion of the CIP is dedicated to various self-supporting enterprise fund units, with manageable additional non-enterprise fund borrowing anticipated. The county plans to issue $2.2 billion in authorized unissued GO bonds associated with the Building Better Communities bond program, approved by voters in 2004, over the next 13 years, including approximately $200 million in fiscal 2011.

### Debt Statistics

($000)

| | |
|---|---|
| This Issue | 217,260 |
| Outstanding Tax-Supported and Non-Ad Valorem Debt | 4,150,165 |
| **Direct Debt** | **4,367,425** |
| Overlapping Debt | 2,560,495 |
| **Overall Net Debt** | **6,927,920** |
| **Debt Ratios** | |
| Direct Debt Per Capita ($)[a] | 1,747 |
| As % of Market Value[b] | 1.4 |
| Overall Debt Per Capita ($)[a] | 2,770 |
| As % of Market Value[b] | 2.2 |

[a]Population: 2,500,625 (2009). [b]Market value: $316,832,474,000 (estimated fiscal 2010). Note: Numbers may not add due to rounding.

Miami-Dade County is the leading center of trade in the southeastern U.S., benefiting from an extensive transportation network and proximity to the Caribbean, Mexico, and Central and South America. The recovery of Latin American economies could potentially provide a boost to trade, tourism, and retail sales in the region. Trade activity and jobs are down since the onset of the recession, but the sector is still viewed as a long-term source of sustainable economic activity for the region. The Port of Miami and Miami International Airport (MIA) are major cargo and transportation hubs. Recent passenger traffic trends at MIA are notably impressive given the reduction in traffic and capacity seen at many other U.S. airports since the middle of 2008. Capital expansions and renovations are underway that should enhance the overall competitive profile of each facility. The Miami Intermodal Center is a massive ground transportation hub located next to MIA and scheduled for completion in 2012 that will provide interconnectivity throughout the South Florida region and relieve traffic congestion. At the Port of Miami, construction of a $600 million tunnel, expected to be complete by spring 2014, will improve access to and from the port, linking with the MacArthur Causeway and I-395. According to the Bureau of Labor Statistics, the Miami-Dade employment base grew by 0.8%, or more than 9,000 jobs, during the 12 months ended May 2010, led by gains in the education and health services sector. However, the rate of job growth has not kept pace with labor force gains; as a result, the unemployment rate continues to rise, reaching a high 12.3% in May. Wealth levels are below average when compared to those of the state and nation, and the county has an above-average number of individuals living below the poverty line.

**General Fund Financial Summary**

($000, Audited Years Ended Sept. 30)

| | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| Property Taxes | 1,110,992 | 1,286,643 | 1,223,371 | 1,262,973 |
| Other Taxes | 220,662 | 232,582 | 193,207 | 175,936 |
| Licenses and Permits | 94,609 | 80,856 | 112,950 | 106,217 |
| Fines and Forfeits | 13,078 | 14,357 | 12,066 | 11,877 |
| Charges For Services | 265,114 | 261,639 | 237,373 | 233,607 |
| Intergovermental | 227,416 | 224,229 | 230,478 | 204,635 |
| Other Revenue | 85,847 | 114,882 | 107,494 | 97,867 |
| **Total General Fund Revenue** | **2,017,718** | **2,215,188** | **2,116,939** | **2,093,112** |
| Total General Fund Expenditures | 1,465,987 | 1,628,967 | 1,645,169 | 1,637,145 |
| | | | | |
| Net Transfers and Other | (458,886) | (550,097) | (512,786) | (523,013) |
| **Net Income/(Deficit)** | **92,845** | **36,124** | **(41,016)** | **(67,046)** |
| | | | | |
| Total General Fund Balance | 369,415 | 404,889 | 365,187 | 300,168 |
| As % of Expenditures, Transfers Out, and Other Uses | 18.8 | 18.4 | 16.8 | 13.8 |
| Unreserved General Fund Balance | 158,525 | 183,838 | 124,723 | 90,756 |
| As % of Expenditures, Transfers Out, and Other Uses | 8.1 | 8.4 | 5.7 | 4.2 |

Note: Numbers may not add due to rounding.