MOODY'S REVISES OUTLOOK ON MIAMI-DADE COUNTY TRANSIT SYSTEM SALES SURTAX BONDS TO NEGATIVE FROM STABLE AND ASSIGNS MIG 1 RATING $100 MILLION BOND ANTICIPATION NOTES SERIES 2011

Aa3 RATING AFFIRMED ON APPROXIMATELY $973 MILLION OUTSTANDING SALES SURTAX REVENUE BONDS

Miami-Dade (County of) FL Transit Enterprise
Miami-Dade (County of) FL
Municipality
Florida

Moody's Rating

Issue	Rating
Transit System Bond Anticipation Notes, Series 2011	MIG 1
Sale Amount $100,000,000	
Expected Sale Date 09/12/11	
Rating Description Bond Anticipation Notes	

NEW YORK, August 30, 2011 -- Moody's Investors Service has assigned a MIG 1 rating to the Miami-Dade County Transit System's (MDT) $100 million Bond Anticipation Notes (BANs), Series 2011 issued by Miami-Dade County. Additionally, Moody's has affirmed the Aa3 rating on the county's approximately $973 million of outstanding sales surtax revenue Bonds. The outlook is revised to negative from stable. Note principal is payable from the proceeds of the future sale of long term bonds which have already been authorized.

SUMMARY RATING RATIONALE

The MIG 1 rating incorporates the Aa3 long term rating on the sales surtax revenue bonds and the existing authorization of long term bonds to refinance the BANs on or before note maturity on November 1, 2012. MDT's outstanding long-term bonds are secured by a gross senior lien pledge of 80% of Miami-Dade County's one-half cent public transportation sales tax. Interest on the note constitutes a subordinate lien obligation on the sales tax revenues that secure the MDT's revenue bonds. The Aa3 long term rating reflects the strength of the gross sales tax pledge, recent improving collection trends, and legal covenants including an additional bonds test (ABT) of 1.5 times. However, debt service coverage levels have declined recently with increased issuance and reduced sales tax receipts that were hurt by the recession. The negative outlook reflects Moody's expectation that debt service coverage will continue to decline given MDT's capital needs and planned debt issuance to address its substantial fixed costs and fund a large capital plan. The negative outlook also incorporates the transit system's narrow operations that rely on surplus sales tax revenues after debt service, and recent problems that resulted in a suspension of MDT's Federal Transit Administration (FTA) grants. Following corrective measures, a portion of the federal funds have been restored and the remainder is expected in the fall.

The BANs will be privately placed with Citibank, with a closing expected in mid-September. Proceeds will be used to provide interim funding for improvements to MDT transit and public works projects.

CREDIT STRENGTHS

* Satisfactory debt service coverage generated by sizable economic base

* County commitment to increase its general fund subsidy to operate the transit system by 3.5% annually

* Oversight of "People's Transportation Plan" projects by a quasi-independent board, the Citizens' Independent Transportation Trust (CITT)

CREDIT CHALLENGES

* Sales tax performance weakened by recession

* Debt service coverage expected to decline as sales tax is leveraged with sizeable planned bond issuance

* Heavy reliance on the county's general fund to provide funding for transit operations and need for additional operating funds in 2014

* Large capital program relies on significant future borrowing and would require additional revenues to fully implement

* Somewhat weak additional bonds test (1.5 times maximum annual debt service) for transit sector

DETAILED CREDIT DISCUSSION

DEDICATED SALES TAXES SECURE BONDS; SATISFACTORY LEGAL COVENANTS

The bonds are secured by a gross pledge of 80 percent of the receipts attributable to a one-half cent county-wide sales tax, approved by voters. Gross sales taxes are collected by the state department of revenue and then deposited monthly, net of a 3% administrative charge, into the transit system sales surtax trust fund held by the county finance director. After satisfying debt service requirements, including the revenue bonds as well as other special obligations of the county issued for transit purposes, remaining sales tax receipts are used to support MDT's operating costs.

The additional bonds test is satisfactory at 1.5 times maximum annual debt service (MADS) for senior lien debt, based on pledged revenues for twelve consecutive months in the preceding eighteen consecutive months, and 1.25 times for senior and subordinate debt combined. The debt service reserve fund requirement is equal to MADS or such lesser amount which is the greatest allowable under the federal tax code. The reserve is currently funded at MADS, approximately $60.7 million net of federal Build America Bond subsidies for prior issuances, with $43.2 million in cash and $17.4 million in a surety with FSA.

The Build America Bond subsidy is pledged to the MDT's Series 2009B and 2010B bonds and, per an indenture amendment last year, is subtracted from MDT's calculation of debt service, weakening the additional bonds test. This exposes the county to additional payments should the federal subsidy not be received. However, the county has built a six-month lag into the cash flows to guard against delayed receipt of the federal subsidy.

DEBT SERVICE COVERAGE PROJECTED TO DECLINE FOLLOWING INCREASED ISSUANCE

In fiscal 2008, pledged revenues covered sales surtax bonds MADS by a strong 5.06 times. However, as sales tax receipts declined during the recession and debt service costs increased with additional bond issuance, MADS coverage dropped in half to 2.49 times in fiscal 2009. With the planned issuance of approximately $500 million next year to refinance the BANs and provide needed capital funds, MADS costs are estimated to increase to $101.3 million, before the federal subsidy. Based on Moody's calculation of debt service coverage, with the federal subsidy added to revenues rather than subtracted from debt service, MADS coverage would decline to 1.63 times in fiscal 2012, based on a forecast of 4.5% sales tax growth in fiscal 2012, following estimated 5.3% growth in fiscal 2011. While debt service coverage remains satisfactory, absent new revenues the current rating level may be unsustainable if the county continues to aggressively issue new surtax-backed debt.

MDT has no variable rate debt or swaps although it does have exposure to ten lease in-lease out (LILO) agreements. The county is negotiating with the investor to resolve four of the agreements that are in technical default due to the downgrade of guaranteed investment contracts (GICs). A total of $38 million could be required if MDT has to fully collateralize the transactions.

OPERATIONS HEAVILY SUBSIDIZED BY THE COUNTY'S GENERAL FUND

MDT is the 14th largest transit system in the nation and the largest in Florida, providing bus, rail, an automated guide-way system in downtown Miami (Metromover) and para-transit service. In common with most transit systems across the country, MDT's ridership has been negatively affected by the economic recession. Ridership declined by 9% in fiscal 2009 and 5.8% in 2010 after moderate annual increases of 5.3%, 1.7%, and 3.2% in fiscal years 2006, 2007, and 2008, respectively.

MDT is owned and operated by Miami-Dade County (G.O. bonds rated Aa2 with a negative outlook). The system relies heavily on transfers from the county's general fund to support operations. These transfers account for approximately one-third of the system's operating revenues. The county has committed to increasing its "maintenance of effort" contribution by 3.5% annually. The county also transfers a portion of its Local Option Gas Tax revenues, which amounted to $17.2 million in fiscal 2010, and state subsidies totaled $27.6 million in fiscal 2010. A fare increase of 50 cents was imposed in 2009 and the county has approved future increases based on increases in the CPI every three years. However fares cover a relatively low percentage (about 20%) of total operating expenses, before depreciation.

Last year, the Federal Transit Administration (FTA) suspended about $180 million in grants to MDT following allegations of material weakness in its financial controls. Corrective actions have been identified and taken or are in progress. As of July 1, 2011, approximately $63 million in 2010 grants have been restored along with $17 million in federal stimulus funds that were also withheld. MDT is still waiting to receive about $103 million in 2011 grants and expects those funds later in the fall. The suspension of the federal funds had no impact on the flow of sales tax revenues to debt service or operations, and no operating cuts or service reductions were necessary as a result of the action. However, the suspension did reveal the need for the Miami-Dade County's transit department to improve its financial procedures and delayed the receipt of an important resource for the transit system.

SALES TAX RESULTS IMPROVE BUT REMAIN BELOW PRE-RECESSION PEAK

Pledged sales tax revenues increased 2.3% in fiscal 2010, after declines of 2.5% and 7.4% in fiscal years 2008 and 2009. Sales tax transfers to MDT peaked at $153 million in fiscal 2007. Pledged revenues include the sales tax on transactions up to $5,000, which would exclude most car sales. As a result, MDT's sales tax trends have been less volatile than other systems supported by sales taxes that include higher priced items negatively affected by the recession.

Fiscal 2010 results came in higher than expected and the most recent estimate for fiscal 2011 indicates 5.3% growth in fiscal 2011. Year-over-year results through May 2011 are 7.3% higher than last year. MDT projects sales tax revenue growth of 4.5% per year, but sales tax performance would likely be negatively affected if the economic recovery is delayed or is weaker than expected.

COUNTY-WIDE SALES TAX SUPPORTED BY SIZABLE AND DIVERSE ECONOMIC BASE

The pledged sales tax, approved by voters in November 2002 by a margin of two to one, is a county-wide one-half cent sales and use tax on all transactions up to $5,000. Collection of the tax began in January 2003. Total revenues are net of an up to 3% state collection fee and pledged revenues are net of a 20% distribution to cities in the county with transit projects.

The county's sizeable economic base is an important southeast center with established international ties and a broad-based economy fueled by tourism and international trade. While long-term expansion should be supported by the county's diversified base of tourism, trade, banking, and manufacturing industries, the local economy contracted during the recession. Unemployment remains high at 13.7% in May 2011, above the state (10.5%) and the nation (8.7%), both of which declined over the past year while the county's rate climbed.

Tourism, the county's primary economic component, was hurt by both domestic and international travel. International trade has taken on an increasingly important role in the economy, fueled by the county's airport and seaport operations. The county's real estate market, which had been bolstered by low interest rates and international investment, experienced a material slowdown underscored by a steep decline in building permits, high foreclosure rates, and a falloff in construction activity. However, there are signs of economic stabilization. According to Moody's Economy.com (July 2011), recovery of the Miami economy is gathering momentum with expansion of the service sector and growth in both single and multi-family housing permits. Long term, Miami's economy is expected to outperform the nation due to its growing infrastructure, strong international trade ties, and stature as an attractive international tourism destination.

SIZEBABLE CAPITAL PROGRAM FOR NEW PROJECTS AND SERVICE IMPROVEMENTS

MDT's sales surtax bonds provide funds for projects under the "People's Transportation Plan" (PTP) overseen by a quasi-independent board, the Citizens' Independent Transportation Trust (CITT). The PTP includes new capital projects and service improvements to both transit and roadway infrastructure. Transit projects include bus and rail facility improvements, fare collection system replacements, vehicle rehabilitation and replacements, and improvements to the rapid transit corridor. Public Works projects include major roadway as well as neighborhood improvements. Funding for the capital plan to date totals $1 billion. Additional financing through 2016 totals a substantial $1.48 billion. The MDT has demonstrated its ability to successfully complete projects ahead of schedule and on budget.

OUTLOOK:

The negative outlook reflects Moody's expectation that debt service coverage will decline as the transit system continues debt issuance plans to support its capital program. The outlook also incorporates the transit system's narrow operations and the suspension of MDT's FTA grants due to weak financial controls.

What would change the rating - UP

* Higher-than-expected debt service coverage, despite MDT's significant borrowing plans

* Voter approval of an additional sales tax to better support transit operations and lessen MDT's reliance on transfers from the county's general fund

What would change the rating - DOWN

* Lower debt service coverage resulting from a continued economic downturn or continued aggressive issuance of new debt, absent new revenues

* Diminished ability of the county's general fund to provide support for the transit enterprise as a result of budgetary pressures

* Downgrade of Miami-Dade County's rating

KEY STATISTICS

Miami-Dade Transit:

Change in pledged sales taxes, fiscal 2009: -7.4%

Change in sales taxes, fiscal 2010: 2.3%

Projected coverage of current MADS by estimated fiscal 2011 pledged revenues: 2.25x (Moody's calculation)

Projected coverage of MADS (including 2012 planned issuance) by estimated fiscal 2011 pledged revenues: 1.56x (Moody's calculation)

Total passengers transported, 2010: 97.5 million

Change in ridership, 2010: -5.8%

Miami-Dade County:

Estimated population, 2010: 2.56 million

Unemployment rate, 5/11: 13.7% (vs. 10.5% State)

RATING METHODOLOGY

The current rating assignment on the Miami-Dade County Transit System Bond Anticipation Notes and Sales Surtax Revenue Bonds was assigned by evaluating factors we believe are relevant to the credit profile of the issuer, such as i) the business risk and competitive position of the issuer versus others within its industry or sector, ii) the capital structure and financial risk of the issuer, iii) the projected performance of the issuer over the near to intermediate term, iv) the issuer's history of achieving consistent operating performance and meeting budget or financial plan goals, v) the debt service coverage provided by such revenue stream, vi) the legal structure that documents the revenue stream and the source of payment, and vii) the issuer's management and governance structure related to the payment. These attributes were compared against other issuers both within and outside of the Miami-Dade County Transit Enterprie's core peer group and the Miami-Dade County Transit System Bond Anticipation Notes and Sales Surtax Revenue bond ratings are believed to be comparable to ratings assigned to other issuers of similar credit risk.

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