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August 13, 2008

Honorable Carlos Alvarez, Mayor

Honorable Bruno A. Barreiro, Chairman and
Members of the Board of County Commissioners

Honorable Harvey Ruvin, Clerk

Mr. George M. Burgess, County Manager

Citizens of Miami-Dade County

Ladies and Gentlemen:

We are pleased to present the Miami-Dade County, Florida (the "County") Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2007, pursuant to Florida State law. The financial statements were prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by the County and paid from its public funds. This report may also be accessed via the internet at http://www.miamidade.gov/finance/.

For the fiscal year ended September 30, 2007, the County's governmental activities and aggregate remaining fund information received a qualified opinion from its independent auditor due to an adverse opinion issued by the Miami-Dade Housing Agency (MDHA) independent auditor for the separately issued MDHA financial statements.

Further, the auditor's report was adverse for MDHA's General Fund, Section 8 and Homeless Programs Fund, the Low Income Housing Program Fund and the non-major governmental funds (all of which are combined to represent the Other Housing Programs, a non-major governmental fund in the County's CAFR) and the Section 8 Special Allocation Fund and Mixed Income Housing Fund (which are combined to represent the Housing Agency Public Housing Division- Enterprise Fund, a non-major enterprise fund in the County's CAFR) as well as MDHA's governmental activities and business-type activities.

The County's financial statements reflect the restatement of beginning balances as a result of the MDHA audit. Refer to Note 11 for the detail of the adjustments.

On October 26, 2007, the United States Department of Housing and Urban Development (US HUD) took possession of the MDHA. Refer to Note 2 for an explanation of the takeover and Work Plan in place for the County to regain control of MDHA.

Responsibility for the accuracy and fairness of the presentation, including disclosures, rests with management of the County. We believe the data, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the County, and that all disclosures necessary to enable the reader to gain an understanding of the County's financial activity have been included. Miami-Dade County has established comprehensive internal controls designed to ensure that the County's assets are protected from loss, theft or misuse and adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP"). Because the cost of internal control should not exceed the benefits likely to be derived, the County's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

Profile of the Government

Miami-Dade County is located along the southeast tip of the Florida peninsula, bounded by Biscayne Bay and the Atlantic Ocean to the east, Everglades National Park to the west, the Florida Keys to the south, and Broward County to the north. It occupies an area of more than 2,000 square miles, one-third of which is located in the Everglades National Park. The total population served by the County is more than 2.4 million, including approximately one million in its 35 municipalities and the rest in the unincorporated area. Due to its proximity and high volume of travel and trade within the region, Miami-Dade County is often referred to as the "Gateway to Latin America and the Caribbean."

Government Structure and Services Provided

The State Legislature in 1955 approved and submitted to a general election a constitutional amendment designed to give a new form of government to the County. The amendment was approved in a statewide general election in November 1956. A Dade County Charter Board was constituted and, in April 1957, it completed a draft of a charter for the County. The proposed charter was adopted in a County-wide election in May 1957 and became effective on July 20, 1957 (the "Charter"). The electors of the County are granted power to revise and amend the Charter from time to time by County-wide vote. The County has home-rule powers, subject only to the limitations of the Constitution and general laws of the State. The County has, in effect, a county government with certain powers effective throughout the entire County, including 35 municipalities located within the County, and a municipal government for the unincorporated area of the County. The County has not displaced or replaced the cities, but supplements them.

On January 23, 2007, the electors of Miami-Dade approved an amendment to the Home Rule Charter which established a Strong Mayor form of government. This amendment expands the Mayor's powers over administrative matters. The County Manager who previously was chief administrator now reports directly to the Mayor who has the authority to hire, fire and set the salary of the County Manager. Under this new system, the Mayor also appoints all department heads.

The Board of County Commissioners is the legislative body, consisting of 13 members elected from single-member districts. Members are elected to serve four-year terms, and elections of members are staggered. The Board chooses a Chairperson, who presides over the Commission, as well as appoints the members of its legislative committees. The Board has a wide array of powers to enact legislation, create departments, and regulate business operating within the County. It also has the power to override the Mayor's veto with a two-thirds vote.

Miami-Dade County provides a full range of services, including, but not limited to, police and fire protection; health services, to include the operation of a major hospital and various neighborhood health clinics; mass transportation; sanitation; water and sewer services; the construction and maintenance of highways, streets and other infrastructure; libraries; correctional facilities; parks, recreational and cultural facilities and events; the operation of an airport system, including an international airport, four general aviation airports and a training airport; and a full service seaport.

The financial reporting entity under which the financial statements are prepared, includes all the organizations, activities and functions for which the County as the primary government is financially accountable.

Budgetary Process and Control

State of Florida statutes require that all county governments prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices. In compliance with this, the budgets adopted by the County are either appropriated or non-appropriated in nature. Funds that have legally appropriated budgets cannot legally exceed their appropriations. The budgetary controls over funds that have non-appropriated budgets are set by enabling ordinances, such as Bond Ordinances, in which the expenditure authority extends many years into the future.

Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund/department level. Amendments and supplements to the budget require BCC approval. Estimated beginning fund balances available for financing current appropriations are considered in the budgetary process. Budget and actual comparison for the General Fund is presented in the Required Supplementary Information (RSI) section of the CAFR. Budget and actual comparisons for other governmental funds, except Capital Projects Funds, are presented as supplementary information in the financial section of the report. Capital Projects Funds are budgeted on a multi-year basis.

As an additional control, the County employs an encumbrance system that reduces available appropriations in governmental funds upon issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances at year-end do not constitute expenditures or liabilities, but are accounted for as a reservation of fund balance.

Cash Management

To maximize the financial return on all available funds, the Finance Department pursues an aggressive cash management and investment program within the constraints imposed by Florida Statutes and local policies adopted by resolution of the Board of County Commissioners. The County has established an Investment Advisory Committee composed of professionals from the public and private sector. Every quarter, the portfolio performance is presented and reviewed by the Committee.

The County continues to use a cash management consultant to provide expert and professional analysis of the County's cash management performance and to make recommendations on investment strategies to maximize future investment earnings to the County in a non-exclusive basis, while maintaining or increasing the safety of the County's investment portfolio.

The County has an adopted investment policy that applies to all investment of public funds. Cash balances are invested on a daily basis at the best interest rates available in the markets. Investments consist primarily of time deposits in banks approved by the State Treasurer to act as a qualified public depository, United States government treasuries, United States government agencies, commercial paper, bankers' acceptances and repurchase agreements.

For purposes of maximizing the interest-earning yield on short-term investments, cash balances of all funds are pooled, except where separate cash and investment accounts are maintained in accordance with legal requirements. It is the County's policy not to invest in leveraged derivatives. The primary objective of the County's policy is preservation of capital.

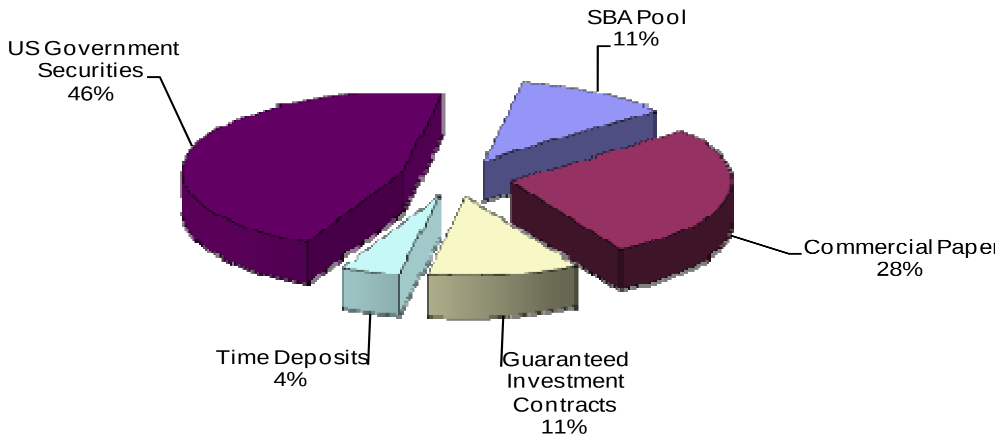
During fiscal year 2007, the average investment yield realized by the County was 5.24%. This represents an increase of .84% points, from last year's yield of 4.40%.

A summary and comparison of treasury activity for the last three fiscal years, not including cash with the fiscal agents and the Public Health Trust, are as follows (in thousands):

	2007	**2006**	**2005**
Average Portfolio Balance	$ 4,101,698	$ 3,975,846	$ 3,016,269
Average Investment Yield	5.24%	4.40%	2.65%
Interest Earned on Investments Managed by the Finance Department	$ 215,079	$ 174,735	$ 79,789

The following chart summarizes the County's investments, including cash equivalents, at September 30, 2007.

Cash Equivalents and Investment Types



At September 30, 2007, the County had $514,667,000 invested in the State Board of Administration (SBA) Pool. The County no longer has any funds invested in the SBA Pool. (See Note 13).

The County participates in the United States Treasury Department Minority Bank Deposit Program. This program, which has been in effect for the past twenty years, requires the County to deposit Federal initiated grants and entitlements and certain State originated monies with local minority owned banks for a period of three working days. The banks in turn, have free use of the funds to make investments or take advantage of the Fed Funds Market and keep all interest earned thereon. However, in all instances, the County's monies are fully collateralized as required by Florida Statutes.

The following recaps the County's deposits in participating minority-owned banks in the past three years (in thousands):

2007	$97,157
2006	87,149
2005	99,096

<u>Long-Term Debt Management</u>

The County continues to obtain, in an efficient and innovative manner, long-term financing for the construction or acquisition of various long-term assets. It is management's objective to adequately plan and meet the County's comprehensive construction demands for essential capital improvements and equipment, and, at the same time, ensure that the residents of the community are not overburdened with general obligation long-term debt payable from ad valorem taxes.

The County's debt service millage for 2007 for all Countywide bonded indebtedness remained at 0.285 mills. Of the total Countywide millage, .011 mills or 3.8% is dedicated to the Decade of Progress Program, .09 mills or 31.7% is earmarked for the Criminal Justice Facilities Bond Program, .094 mills or 33.0% is attributed to the Parks Bond Program and .09 mills or 31.5% is attributed to the Building Better Communities Bond Program. The total millage for all Miami-Dade Fire and Rescue Service District bonded debt service for 2007 decreased to 0.042 mills from 0.052 mills in 2006.

The following chart indicates the principal amortization of the County's general obligation debt in five-year increments.

General Obligation Debt
Principal Amortization
In Five Year Increments Following Fiscal Year 2007
(in thousands)

Fiscal Year	**Principal Amortization**
2012	$ 47,960
2017	54,646
2022	68,275
2027	94,870
2032	119,835
2035	86,650
Total	$ 472,236

Enterprise Operations

The County operates the following enterprise funds: the Transit Agency, Solid Waste Department, the Seaport Department, the Aviation Department, the Water and Sewer Department, the Public Health Trust, the Rickenbacker Causeway and the Vizcaya Art Museum. Following is a brief introduction to the County's major enterprise departments.

Transit Agency

Miami-Dade Transit ("MDT") operates a unified public transit system consisting of buses, a 22.4-mile above ground heavy rail system and a 4.4 mile automated guide-way system. MDT is one of the largest transit systems in the nation and carries approximately 45% of all transit trips in the State of Florida. Today's MDT has a viable four-mode system—Metrobus, Metrorail, Metromover, and Special Transportation System—used by over 342,000 passengers daily

On November 5, 2002, voters in Miami-Dade County approved a County ordinance proposed by the Board of County Commissioners to levy and impose a one half of one percent Charter County Transit System Surtax for the purpose of funding transit and roadway improvements in Miami-Dade County. The Peoples Transportation Plan (PTP) listed specific transit and roadway improvements to be supported by the proposed half-cent Surtax. The Charter County Transit System Surtax may be used for both transit and roadway improvements as well as to meet capital and operating needs.

Eligible application of the proceeds of the Surtax includes bus service improvements, fixed guideway, rapid transit improvements, major highway and road improvements as well as neighborhood improvements. Changes to County projects detailed in the PTP must go through the Citizens' Independent Transportation Trust and ultimately be approved by the County Commission. Additionally, 20% of the sales tax proceeds shall be distributed annually to municipalities in Miami-Dade County in existence at the time the tax was adopted, based upon a pro rata share determined by population for transportation and transit improvements.

Solid Waste

The Solid Waste Department ("SWD") provides solid waste collection and recycling services to residential customers in the unincorporated area of Miami-Dade County and countywide disposal of solid waste collected by County and private waste collection companies. The Department has entered into long-term interlocal agreements with 18 municipalities to provide solid waste disposal services. Solid Waste is the largest government owned and operated waste collection and disposal system in the southeastern United States. In addition to providing waste collection and recycling services to approximately 319,000 residential units, 3,700 household/commercial accounts and 900 commercial accounts, the Department owns and operates one of the most technologically advanced waste-to-energy facilities in the world.

Seaport Department

The Seaport Department operates the Dante B. Fascell Port of Miami-Dade ("Port"). The Port is the largest cruise home port in the world and is among the top 12 container ports in the U.S. The Port is an island port and, as such, occupies approximately 640 acres of land. For fiscal year 2007 the Seaport handled approximately 3.8 million passengers.

Aviation Department

The Miami-Dade County Aviation Department ("MDAD") operates the Miami International Airport ("MIA"), as well as three general aviation airports and two training airports. The general aviation airports provide a significant role as they serve to alleviate traffic at MIA. MIA is currently ranked number one in the U.S. for international freight and third for international passengers. Miami International Airport's (MIA) annual impact on local tourism, cruise, international banking, trade and commerce is approximately $25.6 billion. MIA and related aviation industries contribute over 242,000 jobs directly and indirectly to the South Florida economy.

Water and Sewer Department

The Miami-Dade County Water and Sewer Department ("WASD") operates the County's water and wastewater systems. The WASD's water system, considered the largest water utility in the Southeast United States, serves approximately 417,000 retail customers and 15 wholesale customers within the County. The wastewater system serves approximately 334,000 retail customers and 13 wholesale customers.

Public Health Trust

The Public Health Trust was created in October 1973 to provide for an independent governing body responsible for the operation, governance, and maintenance of designated health facilities. Some of these include the 1,498 bed general acute care hospital (Jackson Memorial Hospital), a 60 bed maternity hospital, a 199 bed hospital in South Miami Dade, a 180 bed and a 163 bed nursing homes, and several primary care centers and clinics throughout Miami-Dade County. Jackson Memorial is affiliated with the University of Miami School of Medicine and is one of the largest of the six statutory teaching hospitals in Florida.

On September 3, 1991, the voters of the County approved the imposition of a one-half cent discretionary sales surtax (the "Healthcare Surtax"). The Surtax proceeds are considered unrestricted tax revenue of the Trust and shall be used only for the operation, maintenance and administration of Jackson Memorial Hospital. Additionally, the enabling legislation requires that in each year that the Healthcare Surtax is collected, the County must continue its maintenance of effort contribution, which was capped at 80% of the 1991 general fund contribution.

Jackson Memorial Hospital is a nationally recognized hospital, consistently ranking in the top 25 hospitals nationwide in many categories.

Risk Management

The County administers a self-insurance program for workers' compensation, tort liability, property, and group health and life insurance programs, subject to certain stop-loss provisions. An independent administrator manages the health and life insurance programs. The County funds the program on an annual payout basis. Insurance coverage is maintained with independent carriers for property damage to County facilities. The County maintains no excess coverage with independent carriers for workers' compensation and general liability.

Factors Affecting Financial Condition

The information presented in the financial statements primarily focuses on the County's financial position, as measured by its existing resources and claims on those resources. However, the County's financial condition is best understood when the focus is on both existing and future resources and potential claims on those resources. This broader concept is used to assess its financial condition, which reflects the current financial position as well as the prospects that today's financial position will improve or deteriorate. To achieve this objective, the County utilizes a wide range of information, including the local economic condition and outlook; long-term debt management; capital construction management; cash management and investments; and risk financing.

ECONOMIC CONDITION AND OUTLOOK

The Miami-Dade economy has performed well and enjoyed almost five years of sustained, positive economic growth. In last year's ECONOMIC CONDITION AND OUTLOOK it was anticipated that fiscal year 2007 might be a year of moderation with respect to the economy. The basis of this forecast was due, in part, to the housing downturn and the slowdown in the U.S. economy. In many respects, this forecast was proved correct, although the credit crunch and increased energy prices were unanticipated. The national economy continued its positive trend, but at a much slower pace than the level reported in the previous year, advancing at an estimated annual rate of growth of 2.2 percent over the year. Miami-Dade's economy was somewhat consistent with this, with a mixture of favorable and not so favorable performances among the leading economic indicators. The positive developments were in the areas of international trade, the visitor industry, and to some extent consumer spending.

Two of the economic drivers of Miami-Dade's economy, the visitor industry and national and international trade and commerce, displayed healthy increases during fiscal year 2007 and, in fact, in some measures, reaching all time highs. Although on the domestic front there was a modest expansion of the economy, improving economic conditions in the overall global economy, particularly in Europe, Latin America, and Asia, coupled with relatively strong currencies against the dollar, continued to positively impact the number of visitors and the volume of exports. Total employment continued its steady expansion and there was a continued reduction in the unemployment rate. As will be discussed below, throughout the immediate past year the area's key economic drivers provided counterbalancing effects to the slowdown in activity tied to the ailing housing sector.

EMPLOYMENT

In fiscal year 2007, nonagricultural wage and salary employment (annual average) expanded by 1.5 percent, an overall gain of around 15,300 jobs to put total employment at 1,058,100. The unemployment rate continued its downward trend, averaging 3.5 percent for the year compared to 3.9 percent in 2006. This marks the fifth consecutive year that this important indicator has performed favorably.

Professional and business services added the most jobs with a total increase of 3,200 jobs, registering a gain of 2.1 percent compared to the 4.5 percent gain attained in the prior year. Comparatively though, this sector was not the fastest growing industry in 2007. The largest relative gain was registered by the Construction sector at 4.5 percent, which added 2,300 jobs. This was followed by Financial activities and Educational and health services; each adding 3,100 and 2,500 jobs, or 3.1 percent and 1.8 percent increase, respectively, with the former also having the second highest rate of growth. Other industries with positive growth during fiscal year 2007 were: Wholesale trade with 1,900 jobs, or a 2.6 percent increase, Retail trade with 1,600 jobs, or a 1.3 percent increase, and Leisure and hospitality and Other services with increases of 1,200 and 1,000 jobs, or 1.2 percent and 2.4 percent increase, respectively. The Government sector reported a gain of 1,300 jobs, or a less than one percent increase.

In contrast to the prior year, the Transportation, warehousing, and utilities sector had a negative year in fiscal 2007 with a slight decrease of 400 jobs, or a less than one percent decline. Also displaying a decline in employment, as they experienced in the previous two years, the Manufacturing sector and the Information sector experienced back-to-back decreases in employment, reporting net declines of 1,200 and 700 jobs, or 2.5 percent and 3.1 percent, respectively.

In tandem with the steady expansion in total employment, increases in the number of businesses topped the 2006 level, as they recorded a gain of about 1,200 new establishments during the 2007 fiscal year, up by 1.5 percent

Construction Management

The County's Adopted Capital Budget and Multi-Year Capital Improvement Plan covering the period October 1, 2007 through September 30, 2013 and future years includes 1,196 projects with programmed expenditures that total $23.242 billion. Of this total, 60 percent represents the Transportation strategic area, with aviation improvements comprising 44.9 percent and transit improvements comprising 40.4 percent of the multi-year transportation programmed expenditures. Capital projects in the Neighborhood and Unincorporated Area Municipal Services strategic area comprise 24.2 percent of the total multi-year capital improvement plan with approximately 86.4 percent relating to water and wastewater capital projects.

Major capital projects for FY 2007-08 include:

- completion of a new Correctional Facilities Master Plan and commencement of design for support facilities and 2000 inmate beds for the Krome Detention Center,
- final design for the new Children's Courthouse and completion of a new Court Facilities Master Plan,
- planning, design and construction of People's Transportation Plan Projects including right-of-way acquisition and utility relocation for the Earlington Heights – Miami Intermodal Center segment of the Metrorail Orange Line,
- opening of the new South Terminal at Miami International Airport and continued construction of the North Terminal,
- continued improvements to the water and wastewater treatment and distribution infrastructure,
- construction of new fire rescue station facilities throughout the fire district and completion of a new fire rescue training complex,
- land acquisition and construction of new branch library facilities,
- Americans with Disabilities Act (ADA) barrier removal projects including Elections polling locations and ADA Hotline projects associated with public rights-of-way,
- telecommunications and information technology projects targeting security and retrofits of existing infrastructure

The Building Better Communities General Obligation Bond Program, approved by the electorate in November 2004, continues with $2.44 billion programmed in the FY 2007-08 Capital Improvement Plan.

The Capital Improvement Plan includes continuing programs that address infrastructure needs including local park improvements, sidewalks, and local road resurfacing and drainage improvements in older urban and suburban unincorporated neighborhoods through the Quality Neighborhoods Improvement Bond Program (QNIP). QNIP funding is distributed by commission district based on the unincorporated municipal population and unincorporated square miles in each district. $30.785 million of new projects was programmed in QNIP V, which was issued in August 2007 for FY 2007-08 and future years

The Capital Improvements Local Option Gas Tax (CILOGT) Program continues to be allocated for transportation projects benefiting both unincorporated and countywide projects with $22.582 million of funding programmed in FY 2007-08, the same level as in FY 2006-07. CILOGT funding remains level due to rising fuel prices and lower fuel consumption.

Funding sources for programmed capital improvement expenditures in the multi-year capital improvement plan are allocated as follows:

($ in 000's)	Capital Budget FY 2008		Multi-Year Capital Plan	
Sources of Funds	Amount	Percent	Amount	Percent
Debt Proceeds	$ 1,520,389	63.18%	$ 15,149,211	65.18%
County Proprietary Operations	103,796	4.31%	1,425,386	6.13%
Federal	197,086	8.19%	3,471,112	14.93%
State	100,847	4.19%	1,400,546	6.03%
Impact Fees and Contributions	93,947	3.90%	932,031	4.01%
Gas Taxes	40,894	1.70%	223,403	0.96%
Other	126,885	5.27%	640,406	2.76%
Carryover (All Sources)	222,455	9.24%	-	0.00%
Total	$ 2,406,299	100.00%	$ 23,242,095	100.00%

Capital improvement plan expenditures by strategic area are allocated as follows:

($ in 000's)	Capital Budget FY 2008		Multi-Year Capital Plan	
Uses of Funds	Amount	Percent	Amount	Percent
Public Safety	$ 88,556	3.68%	$ 689,376	2.97%
Transportation	1,516,282	63.01%	13,944,610	60.00%
Recreation and Culture	163,498	6.79%	1,381,091	5.94%
Neighborhood and UMSA	327,079	13.59%	5,627,414	24.21%
Health and Human Services	168,502	7.00%	882,439	3.80%
Economic Development	828	0.03%	96,600	0.42%
Enabling Strategies	141,554	5.88%	620,565	2.67%
Total	$ 2,406,299	100.00%	$ 23,242,095	100.00%

REAL ESTATE MARKET

By tradition**,** the real estate sector in Miami-Dade County is closely monitored and is viewed as one of the critical measures of the County's economic health. In fiscal year 2007, for the second consecutive year, the real estate market closed with a sharp decline in sales activity, as the housing industry continued to suffer from an excessive supply of new single and multifamily housing units.

During 2007, sales of existing single-family homes declined 29.6 percent following the same trend as in fiscal year 2006 when they declined 28.0 percent. That was the biggest decline in the sale of previously owned homes since the recession year of 1990. The same pattern prevailed for existing condominium sales; they declined 38.7 percent from the same period in 2006. This decline was driven by inflated housing prices, steeper insurance costs, high property taxes, tougher lending standards, high debt levels, and to some degree by the small rise in mortgage interest rates. This led to a significant housing market contraction from its strong pace during the first half of this decade.

The pace of economic growth is very important to the housing market, not only because it strongly influences the demand side of the market, but also because it influences Federal Reserve policy on short-term interest rates, which, in turn, affects long-term rates such as mortgage rates. Confronted with the strains of a housing slump and a credit crunch, the Federal Reserve ordered its key interest rate lowered during the last month of fiscal year 2007. This marked a change in policy for the central bank, which had kept its target for the federal funds rate at the same level for almost a year to control inflation. The reasons behind the Fed's stance were to not only help the housing market, but also to give a boost to the overall economy, which has shown signs of weakness during the past year. To that end, the Fed's rate reduction was to keep the housing collapse and credit crunch from throwing the economy into a recession. Expected lower interest rates should help the housing market to turn around. Over the fiscal year, the average home mortgage rate inched up by one tenth of a percentage point from 6.6 percent to 6.7 percent. On the positive side, the consumer price index for the Miami area moved up at a lower rate (3.6 points) in fiscal year 2007 compared to 5.5 points the year before.

The construction employment increase was not reflected in the level of home construction activities. The number of building permits for residential units was significantly down by 57.7 percent to about 8,650 units for fiscal year 2007 compared with about 24,400 units in fiscal year 2006. Similarly, residential construction expenditures fell drastically by 52.2 percent from $2.95 billion to $1.41 billion during the same period. This was, of course, primarily due to the fall off in residential construction activities due to a weakened housing market. At the same time, there was a shift from the residential to the commercial market with a focus on the development of office, industrial, and retail space. This latter perspective is supported by the 8.1 percent increase in the amount of square footage of office and industrial space that was under construction during the past year.

Despite the sharp drop in sales in fiscal year 2007, the average sales price of an existing single-family home in Miami-Dade managed to actually climb a bit to $380,500 in current dollars, up by 1.0 percent. But that was far below the 14.5 percent gain during the same period a year earlier. That price is still more than eight times higher than the median family income for the period, the ratio of which is indicative of the housing affordability crisis in the area. In a similar trend to prices of single-family homes, condominium prices experienced an even higher appreciation rate in fiscal year 2007. During the past twelve months, existing condominiums sold at an average price of $272,592 in current dollars, or a 5.7 percent increase from fiscal year 2006. Price fluctuations for multifamily units such as condos are often difficult to explain as may be driven by the large foreign buyer segment. For the year ahead, housing prices are expected to adjust downwards as a slowdown in homes sales will help the housing inventory to reach a level somewhat close to what is considered desirable for price stability.

The downward direction in the residential housing market during fiscal year 2007 was also seen in the office and industrial markets. As such, the commercial real estate market performed at a substantial reduction in volume with declines in leasing and sales activities during the year. In terms of office space, the additions to existing inventory (square footage) increased from 41.9 million to 44.1 million, or a 5.1 percent increase from 2006, while the overall office vacancy rate remained at 10.5 percent, virtually unchanged from the previous year. However, the overall absorption (50,487 square feet) dropped significantly from the 2006 figure (752,701 square feet), or a 93.3 percent decline, a similar trend was also found in leasing activity (3.4 million square feet), which totaled about 3.1 million square feet in 2007, or a 9.8 percent reduction from the previous year. These developments occurred despite the demand for office space that should result from the increase in professional and business services employment.

The industrial market performed much as the office market, where both overall absorption and leasing activity posted a weak performance in fiscal year 2007. Along with a 1.2 percentage point increase in the overall vacancy rate to 6.2 percent from the 5.0 percent recorded twelve months earlier, leasing activity decreased to 6.0 million square feet and overall absorption was negative 2.6 million square feet during the same period. This translated into a weakening industrial market, which declined by 12.1 percent in terms of leasing activity. The industrial market has remained flat and the existing industrial space (164.4 million square feet) has increased slightly from that of the previous year (163.0 million square feet) by about one percent.

For the most part, Miami-Dade's commercial real estate market continues to look healthy and reasonably strong. Sustained population growth and strong connections with Latin America, coupled with increases in the export segment of international trade, continue to fuel demand for office and other commercial activities. This latter fact is demonstrated by the higher rental rates posted during the last twelve months. For office space, the average rental rate ($36.98 per square foot) increased by 16.0 percent from the previous year at $31.88. In terms of industrial space, the average rental rate in manufacturing, office service, and warehouse/distribution ($7.55 per square foot) increased by 10.5 percent from the previous year at $6.83.

Concurrent with these trends, electrical usage, as measured by new electrical connections to residential customers and businesses, displayed a mixed picture in 2007. The residential side continued to move upward with a 1.9 percent increase in connections installed, slightly lower than the 2.0 percent experienced a year ago. Conversely, commercial connections declined by 1.9 percent, representing a reversal of the 2.0 percent gain during the prior year.

In the banking and finance arena, for fiscal year 2007, the number of commercial banks declined from 68 to 64, but total deposits advanced to $65.9 billion, a 10.3 percent increase from the prior year. The number of savings institutions declined slightly from 11 to 10, with total deposits decreased to $10.5 billion, or a 22.4 percent decline from fiscal 2006.

SALES INDICATORS

Economic activity, as measured by taxable sales, was mixed in fiscal year 2007, probably reflecting uncertainty on the part of the consumer. Total taxable sales were up only 1.2 percent, with retail sales alone up 2.2 percent. As was the case in fiscal year 2006, the percentage increase in total taxable sales in Miami-Dade County was above the statewide average, which declined by 2.4 percent. With the exception of Autos and Accessories, and Consumer Durables, which posted 5.7 percent and 1.8 percent decreases, respectively, there were notable increases in the other two major categories. The gains reported in Tourism and Recreation and Consumer Non-Durables, though lower relative to the sales percentage gains in the previous year, were 2.7 percent and 7.5 percent, respectively. This diverse performance was reflected in the Miami-Dade's Index of Retail Activity, which increased by 3.1 percent during the same period, despite the fact that consumer confidence levels fell throughout fiscal year 2007. Similarly, the same index, at the State level, displayed a modest gain of less than one percent.

INTERNATIONAL TRADE AND COMMERCE

With respect to international trade, activity levels rose for the most part throughout fiscal year 2007, although not at the same pace as in the previous year. What's more, the picture presented by trade data displays some uneven results with large increases in exports but slight declines in imports. Merchandise trade through the Miami Customs District (52) totaled $77.5 billion, the highest ever. This represents a 7.1 percent increase in total trade in contrast with the 9.7 percent gain in 2006. In fiscal year 2007, imports presented a different picture by declining 1.3 percent; this was in the opposite direction of the 4.3 percent increase recorded a year earlier. However, exports had an impressive year with an increase of 14.7 percent compared to a 15.1 percent during the prior fiscal year. Most U.S. goods are exported from the Miami Customs District to South America, Central America, and the Caribbean. The continued expansion of economies in most of the countries in these regions, along with relatively strong currencies against the dollar, contributed to the increase of exports.

Two of Miami-Dade County's barometers of trade activity are the freight tonnage moving through Miami International Airport ("MIA") and the Seaport of Miami ("the Seaport"). The merchandise trade figures for the custom district (that includes an area broader than Miami-Dade) were not reflected in the activity levels at MIA and the Seaport in fiscal year 2007, as freight tonnage performance at these trade facilities displayed different results. At the former, overall air freight tonnage was up by 6.6 percent compared to only 0.4 percent the year before. While the domestic freight tonnage handled was up by 1.3 percent following a reversal from the 4.2 percentage points decline in fiscal year 2006, international freight figures improved by 7.5 percent this past year compared to 1.3 percent in the previous year. At the Seaport, cargo tonnage figures were down by 9.5 percent moving in the same direction as in the prior year, which reported an 8.6 percent decline. In any event, most trade experts are quite optimistic regarding international commerce in Miami-Dade and predict higher volume levels in freight and cargo tonnage movement through its ports in the years to come. This is based on the expectation that economic growth in Latin America will continue to improve and that trade with Europe, South America, and Asia, particularly China, will increase. One unknown in this scenario is the extent to which a slowdown in the United States would impact the economies to the south and Japan, Asia's biggest economy.

TOURISM

After a good year for tourism in 2006, the visitor industry continued to achieve high activity levels during 2007 with total visitors nudging the 12 million mark. For the sixth consecutive year, an increase in tourism was reported, with a visitor growth of 3.3 percent to the Miami-Dade area. In total, 11.97 million people visited Miami-Dade County in 2007 surpassing the 11.2 million overnight visitors recorded in 2000. Visitor satisfaction with their stay continued at high levels as that travelers are noting the increase in improved attractions, upgraded and expanded hotels, and great beaches. The factors in attracting more visitors are the result of a successful marketing campaign by the Greater Miami Convention and Visitors Bureau to promote and sustain year-round tourism and the strategy to target vacationers not only from within the U.S., but from Europe as well.

In 2007, visitors spent $17.1 billion, an increase from $16.3 billion of total expenditures in 2006, probably reflecting successful targeting of a more upscale visitor market. The number of domestic visitors was up 3.4 percent to a record number of 6.5 million, while international visitors increased to 5.5 million, about 3.2 percent higher than in 2006. This reflected a visitor market mix of 54.1 percent domestic and 45.9 percent international. The good showing of the domestic component of Miami-Dade's visitors can be attributed to a strong travel market nationwide. On the other hand, the continuous expansion in the international segment reflects in some degree the soft value of the dollar.

In conjunction with the increase in visitors, the Miami International Airport passenger levels increased to 33.3 million, representing a gain of 3.7 percent compared to a gain of 3.8 percent in the prior year. The increase consists of advances in both domestic and international air passengers. Domestic passengers went up by 2.9 percent to about 18.1 million, while international air passengers increased by 4.7 percent to about 15.2 million. With the expansion of the South Terminal at MIA, improvements to the Central Terminal, and the continued development of the new North Terminal, aviation officials are fairly optimistic that international traffic in fiscal year 2008 will continue its upward momentum and eventually will return to its 2000 peak level. The Airport's experience was also shared at the Port of Miami, where the number of cruise passengers increased by 1.5 percent.

Along with the higher visitation levels, hotel booking activity recorded some modest improvements in fiscal year 2007. Over the course of the year, hotel occupancy rate had slightly rebounded from 71.3 percent to 72.0 percent on a year-round basis in contrast to the 1.2 percentage point loss in the previous year. Competition and increases in hotel room rates might explain the hotel occupancy performance. An increase in the average room rate to $157.63 in 2007, compared to $144.29 in the year before, demonstrates the industry's preference to push prices forward even with a modest increase in demand for rooms. Certainly, the entry of more luxury hotels in recent years has helped tourism officials to brand Miami-Dade as a more upscale destination. While this is helpful to the area's image, there might be a down side to that advantage; with many additional rooms entering the market at the upper end of the rate scale, the industry could face a fairly lengthy period of stable or even lower occupancy levels.

FUTURE OUTLOOK

After a year of mixed results, the economic outlook for fiscal year 2008 should remain on track for moderate growth for Miami-Dade County with prospects of positive, but weaker growth than for the last three years. There are some indications for concern in the near future, most of which center on the area's housing market. This is the market that will by and large define the local economy in the coming year. A slowdown in the U.S. economy, housing and credit problems, and continued uncertainties in the direction of energy prices may hinder any optimistic projections for a good performance. On the bright side, Miami-Dade's economy is large and sufficiently diversified that even if some of these concerns, in fact, come to pass it will hold up relatively well. This is the consensus of most analysts and economists who are cautiously optimistic regarding Miami-Dade's economy in the year to come.

Again, this cautiously optimistic outlook is firmly grounded in the area's strengths in tourism and trade. For the former, members of the tourist industry are predicting a good year with growth rates perhaps stable or up slightly. The projected growth is due in part to the bookings of several high-profile conventions in 2008. Another reason: the strong influx of international visitors, drawn in part by the weak U.S. dollar. For the latter, the key is the economic health of Miami-Dade's principal export trading partners such as Brazil, Venezuela, Colombia, Dominican Republic, and Argentina. As the economies of these countries continue to improve, many of the indicators associated with the health of these two sectors will improve and this would be beneficial to the local economy.

For the important segments of this economy, such as consumer spending, merchandise trade, and transportation, forecasts call for continued moderate, non-inflationary job growth, but with significantly smaller gains in the coming year. The real estate sector is a different story, as the housing market imposes a big question mark hanging over the economy. While the residential component is currently undergoing a price correction with no strong evidence of rebound on the horizon, the problem of a large inventory, especially that of condos, and high foreclosure rates, may result in negative contributions to economic growth and have ripple effects elsewhere in the economy.

While the Miami-Dade economy is not directly influenced by national conditions, adverse market trends at the national level would have a negative affect on the growth of the area's key economic sectors. Based on the pessimistic projections for the nation in the near future, locally the number of employed workers is expected to advance only modestly and there is anticipation that unemployment rates will bump up a bit. On the inflation side, modest expansion is foreseen. State and local public infrastructure construction projects and commercial developments already under construction are factors that will keep construction employment at least at current levels, despite job cuts related to the decline in housing construction activity. Planned expenditures related to the $2.9 billion *Building Better Communities* GOB authorization approved by voters in 2004, the biggest item of which includes major capital improvements in parks countywide, the Miami Metrozoo with its Florida Exhibit and other improvements, a tunnel to ease access to the Port of Miami, a new waterfront Museum Park, as well as the Civic Center and Omni redevelopments, are projects promising to enhance the area's economic growth. Despite the strains associated with a credit crunch and high-energy prices, businesses appear to be somewhat upbeat on the economy and expect capital investments and hiring to remain at current levels or even improve during the second half of the year. Because of high debt levels and continuing uncertainties in the economy, consumers are expected to act cautiously during the coming year thus dampening expansionary influences of the basic sectors. Volume levels in merchandise trade are most likely to continue on an upward path as they depend on the growth of exports to the Caribbean and Latin America, for which the U.S. is a major exporter, and the expected economic improvement of the region.

While fiscal year 2008 is envisioned as a year of slow growth, close attention to issues that could adversely affect the Miami-Dade economy, such as relatively higher consumer prices, slow growth in personal income, higher and unaffordable housing prices, and increasing insurance premiums need to be given. As the area moves to a new fiscal year, dealing with these issues and providing solutions to reform and diversify the local economy may result in greater challenges for the elected officials and business leaders of Miami-Dade County.

In summary, fiscal year 2008 is foreseen as a year of slow growth for the Miami-Dade County economy and its most vital industries, including trade, transportation, tourism, and real estate. The hope is that economic conditions in the U.S. will not deteriorate and lead to a recession. Beyond housing and all the other factors considered, if energy prices remain stable and do not spread inflation through the economy, and international markets hold up as expected, economic expansion should continue, albeit at a slower pace than the previous year.

CONSTITUTIONAL PROPERTY TAX REFORM AMENDMENT

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current $25,000 homestead exemption by another $25,000 (for property values between $50,000 and $75,000) except for school district taxes. Since the new $25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a $15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of $240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to $500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a $25,000 exemption for tangible personal property.

Amendment 1 provided a retroactive effective date of January 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on the County Manager's memo of October 31, 2007, the estimated annual loss of property tax revenues for our county from the additional homestead exemption and the $25,000 exemption for tangible personal property is approximately $83 million. At present, there is no accurate way to determine the impact of the assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. Portability estimates from the Property Appraiser's office, based on current applications, range from $2 to $4 million annual loss of property tax revenue to the county.

CERTIFICATE OF ACHIEVEMENT

For the twenty-seventh consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Miami-Dade County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The attainment of this award represents a significant accomplishment by a government and its financial management.

In order to be awarded a Certificate of Achievement, the County has to publish an easily readable and efficiently organized CAFR, whose contents conform to established program standards. Such comprehensive reports must satisfy both generally accepted accounting principles and applicable legal requirements. To earn a Certificate of Achievement, a government must demonstrate a constructive spirit of full disclosure to clearly communicate its financial story, while enhancing the understanding of the logic underlying the traditional governmental financial reporting model. An impartial Special Review Committee composed of other government officers, independent certified public accountants, educators, and others with particular expertise in government accounting and financial reporting, evaluated the County's 2006 CAFR.

ACKNOWLEDGMENTS

The preparation and completion of this CAFR represents the culmination of numerous processes performed by many of the accountants throughout the County departments, and of the continued excellent cooperation and assistance of all of the accounting firms associated with the audit of the County's operations. We would like to thank the Research Section of the Department of Planning and Zoning for providing the information regarding our economy. In particular, we wish to express our appreciation to the staff of the Finance Department who were responsible for compiling and collating the data comprising this report, for developing our underlying financial accounting theory, and for achieving the highly respected Certificate of Achievement award.

Finally, your guidance and cooperation in planning and conducting the financial affairs of the County in a responsible and progressive manner is greatly appreciated.

Respectfully submitted,

Rachel Baum

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Finance Director

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Deputy Finance Director