Finance Department
Office of the Finance Director
111 NW 1 Street • Suite 2550
Miami, Florida 33128-1995
T 305-375-5147 F 305-375-5659

miamidade.gov

May 20, 2009

Honorable Carlos Alvarez, Mayor

Honorable Dennis C. Moss, 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, 2008, 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. For the fiscal year ended September 30, 2008, the County received an unqualified opinion from its independent auditor.

This report may also be accessed via the internet at http://www.miamidade.gov/finance/.

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. The Mayor 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.

On January 29, 2008, a charter amendment was approved to make the Property Appraiser an elected position. November 4, 2008 was the first election for a Property Appraiser in Miami-Dade County.

The Clerk of the Board is a separate, duly elected constitutional officer as mandated by Article V, Section 16 of the Constitution of the State of Florida. The Clerk is elected to a four-year term by the electorate of Miami-Dade County. In this capacity, the Clerk serves as the Clerk of the Board of County Commissioners, County Recorder, County Auditor, custodian of all County funds, and custodian of all records filed with the Court.

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.

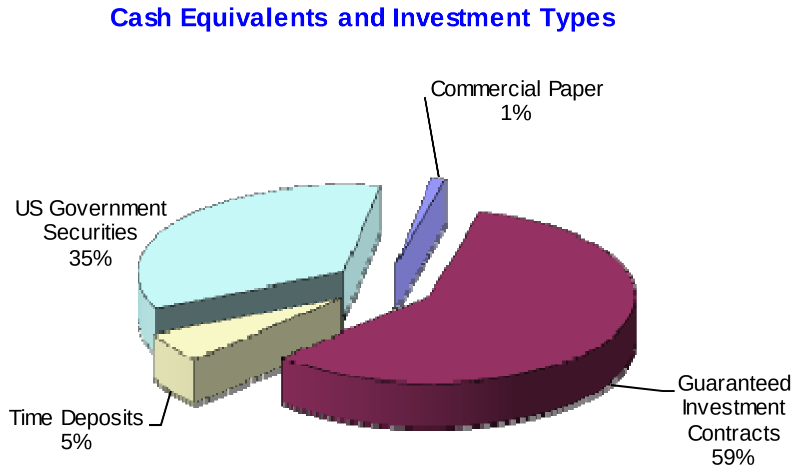
For purposes of maximizing the interest-earning yield on short-term investments, cash balances of all funds are pooled, except where separate cash and investment accounts are maintained in accordance with legal requirements. It is the County's policy not to invest in leveraged derivatives. The primary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

During fiscal year 2008, the average investment yield realized by the County was 3.73%. This represents a decrease of 1.51% points, from last year's yield of 5.24%.

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):

	2008	**2007**	**2006**
Average Portfolio Balance	$ 4,008,982	$ 4,101,698	$ 3,975,846
Average Investment Yield	3.73%	5.24%	4.40%
Interest Earned on Investments Managed by the Finance Department	$ 150,113	$ 215,079	$ 174,735

The following chart summarizes the County's investments, including cash equivalents, at September 30, 2008.



The County participates in the United States Treasury Department Minority Bank Deposit Program. This program, which has been in effect for the past twenty one 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):

2008	$87,838
2007	97,157
2006	87,149

Long-Term Debt Management

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 2008 for all Countywide bonded indebtedness remained at 0.285 mills. Of the total Countywide millage, .034 mills or 12.0% is dedicated to Criminal Justice Facilities Bond Program, .165 mills or 58.0% is attributed to the Parks Bond Program and .0855 mills or 30.0% 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 2008 is 0.042 mills.

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

Governmental Activities
General Obligation Debt
Principal Amortization
In Five Year Increments Following Fiscal Year 2008
(in thousands)

Fiscal Year	Principal Amortization
2013	$ 46,270
2018	53,896
2023	73,505
2028	116,275
2033	147,040
2038	86,610
Total	$ 523,596

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, the Vizcaya Art Museum, the Section 8 Allocation Properties and Mixed Income Properties funds. Following is a brief introduction to the County's major enterprise departments.

Transit Agency

Miami-Dade Transit ("MDT") is the 14^{th} largest public transit system in the nation and the largest in Florida. 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. As one of the largest transit systems, MDT 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 360,800 passengers daily.

On November 5, 2002, the voters of 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 and partially cover MDT's operating and maintenance costs. 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

In January 1989, the Board passed Administrative Order 9-1 creating the Metropolitan Dade County Department of Solid Waste Management (now the Miami-Dade County

Department of Solid Waste Management), by merging the Department of Solid Waste Collection and the Solid Waste Disposal Division of the Public Works Department into a single agency. The Department of Solid Waste Management's principal responsibilities may be categorized as: (1) collection, (2) transfer, (3) disposal and (4) recycling of municipal solid waste.

The Department primarily provides solid waste services to single-family residential units (including certain multi-family units such as duplexes) and a small number of commercial and multi-family accounts in the unincorporated portions of the County. The Department has entered into long-term interlocal agreements with 18 municipalities to provide solid waste disposal services and 11 municipalities for curbside recycling. It also provides solid waste collection services to the City of Aventura, the City of Doral, the City of Miami Gardens, the City of Sunny Isles Beach, the City of Sweet Water, the Town of Cutler Bay, the Town of Miami Lakes, the Village of Palmetto Bay and the Village of Pinecrest.

The Department is responsible for the operation of a variety of facilities, including Resources Recovery (waste-to-energy facility), landfills, transfer stations and neighborhood Trash & Recycling Centers. The Department is also responsible for meeting the State's countywide environmental compliance objectives, such as the State's 30% waste reduction goal, which is achieved primarily through recycling.

During the fiscal year ended September 30, 2008, the Department serviced approximately 323,000 residential units, approximately 3,800 household/commercial accounts and approximately 900 commercial accounts. This represents an overall increase of 1.27% over the fiscal year ended September 30, 2008.

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 2008 the Seaport handled approximately 4.1 million passengers. During the same period, approximately 7.4 million tons of cargo and close to 0.8 million twenty-foot equivalent units (TEU's) were processed through the Seaport.

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 $26.7 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 418,000 retail customers and 15 wholesale customers within the County. The wastewater system serves approximately 336,000 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's Risk Management Division (RMD) administers workers' compensation and general liability self-insurance programs. A large portion of the group medical insurance program is also self-insured, and is managed by an independent third party administrator. The County continues to offer one fully insured HMO program. The County purchases commercial property insurance for County-owned properties, but maintains no excess coverage with independent insurance carriers for the workers' compensation and general liability self-insurance programs.

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 experienced a slowdown following the effects of the same adverse economic conditions driving the national economy.

It was anticipated that fiscal year 2008 would be a year of slow growth for the Miami-Dade economy due to the slowdown in the U.S. economy and its associated strains with the housing and financial markets. Energy prices soared to record levels in the third quarter of fiscal year 2008 negatively impacting consumer spending and greatly accelerating the economic downturn. Although energy prices retreated considerably in the latter half of the year, they get a share of the blame for causing the national economy to decline steeply and bringing on a recession. Nevertheless, the nation still managed to continue its positive trend on the growth of real gross domestic product (GDP), but at a slower pace than the level reported in the previous year, advancing at an estimated annual rate of 1.9% over the fiscal year. The effects of the recession were felt throughout the Miami-Dade's economy as most of the leading economic indicators closed with poor performances and some indications for concern in the year to come. The only positive developments were in the areas of international trade and to some extent the visitor industry.

The two engines powering the Miami-Dade's economy, the visitor industry and national and international trade and commerce, displayed, for the most part, healthy increases during fiscal year 2008 and, in fact, in some measures, reaching all time highs. Although on the domestic front there was a modest expansion of the economy, still robust growth in the global economy, particularly in Europe and South America, coupled with relatively strong currencies against the dollar, continued to positively impact the number of visitors and the volume of exports. However, these activities were simply not sufficient to maintain the positive economic momentum going forward. Total employment growth was virtually flat and the unemployment rate climbed significantly higher. As will be discussed below, throughout the immediate past year the area's key economic drivers were the only bright spots and provided counterbalancing effects to the slowdown in activities tied to the ailing housing and financial sectors.

EMPLOYMENT

In fiscal year 2008, nonagricultural wage and salary employment (annual average) actually declined for the first time in almost five years, recording an overall loss of around 1,100 jobs. This contrasts with the net increase accrued during the previous fiscal year, which recorded a total gain of 14,600 jobs, or a 1.4% increase. The unemployment rate reversed its downward trend of the past several years and increased by a full percentage point, averaging 4.7% for the year compared to 3.7% in 2007.

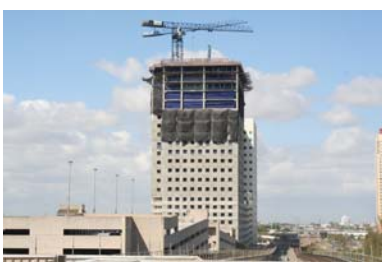
By individual sector, *educational and health services* added the most jobs with a total increase of 6,800 jobs, registering a gain of 4.6% – the fastest growing industry in 2008 – compared to the 4.3% gain attained in the prior year. This was followed by the *government* and the *leisure and hospitality* sectors; each adding 2,600 and 1,700 jobs, or 1.7% and 1.6% increases, respectively. Other industries with positive growth during fiscal year 2008 were: *wholesale trade* with 1,200 jobs, or a 1.6% increase and *other services* with 800 jobs, or a 1.9% increase. The *transportation, warehousing, and utilities* sector as well as the *financial activities* sector reported gains of 400 jobs each, or a less than 1% increase.

The largest job losses were in the *construction* sector with 6,900 jobs lost, or a 12.6% decrease partly reflecting the drop off in construction work related to the development of new housing units. Another declining industry was *professional and business services* loosing 4,700 workers, or a 3.1% decline. This poor performance by the latter was probably an offshoot of the overall economic slowdown which greatly reduced the demand for many types of services during fiscal 2008.

In contrast to the prior year, the *retail trade* sector had a negative year in fiscal 2008 with a slight decrease of 700 jobs, or a less than one percent decline. The *manufacturing* sector and the *information* sector experienced back-to-back decreases in employment, reporting net declines of 1,700 and 600 jobs, or 3.6% and 2.8%, respectively.

Despite the losses in total employment, increases in the number of businesses topped the 2007 level, as they recorded a gain of about 2,600 new establishments during the 2008 fiscal year, up by 3.1%. Trying to cope with job losses, more people unemployed are entering self-employment, and this might explain the higher number of business establishments. At the same time, the median family income was reported at $49,200, representing an increase of $4,000 or 8.8% from prior year.

Construction Management



The County's Adopted Capital Budget and Multi-Year Capital Improvement Plan covering the period October 1, 2008 through September 30, 2014 and future years includes 1,190 projects with programmed expenditures across all Strategic Areas that total $23.46 billion. Of this total, 4.6% represents the Public Safety Strategic Area including corrections, fire rescue, and police; 59.6% comprises the Transportation Strategic Area with aviation improvements comprising 45% and public transit improvements comprising 43.4% of the multi-year expenditure plan in Transportation. Capital projects in the Recreation and Culture Strategic Area comprise 5.8% of the total and Neighborhood and Unincorporated Municipal Services comprises 23.7% with 83.2% of that figure relating to water and wastewater improvements. The remainder of the Multi-Year Capital Improvement Plan including human services, economic development and internal service projects comprises 6.3% of the total.

Major capital projects programmed to commence or continue in FY 2008-09 include:

- Commencement of construction of the Earlington Heights – Miami Intermodal Center segment of the Orange Line connecting to the existing Metrorail, funded through the People's Transportation Plan
- Replacement of the County's main frame computers and continued technology security projects

- Construction of a fire rescue training complex and design development for a new ocean rescue facility project at Crandon Park
- Continuing system-wide water and wastewater improvements including a major wastewater reuse project
- Design completion and construction is programmed to commence on a new governmental facilities site including a library, police station, and regional Head Start center
- Construction will continue on the North Terminal at Miami International Airport

The Building Better Communities General Obligation Bond Program, approved by the electorate in 2004, continues with $264.4 million programmed to be spent in the 2009 fiscal year of a $2.45 billion total programmed in the capital plan across all Strategic Areas.

The Capital Improvement Plan includes continuing the Quality Neighborhoods Improvement Bond Program (QNIP) with QNIP IV funded with $8 million of earned interest on prior QNIP bonds and a programmed $22 million new issuance in late 2009 to address neighborhood infrastructure needs including sidewalks, local road resurfacing and drainage improvements. QNIP proceeds are distributed by commission district based on population and unincorporated square miles in each district.

The Capital Improvements Local Option Fuel Tax continues to be allocated for transportation projects benefitting both unincorporated and countywide projects in public works and transit with $19.91 million of funding programmed in FY 2008-09, which is a 15% decrease from the prior year reflecting lower projected consumption of fuel.

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

($ in 000's)	Capital Budget FY 2009		Multi-Year Capital Plan	
Sources of Funds	Amount	Percent	Amount	Percent
Debt Proceeds	$ 1,384,976	53.72%	$ 16,318,405	69.57%
County Proprietary Operations	111,782	4.34%	1,304,327	5.56%
Federal	188,298	7.30%	2,844,479	12.12%
State	128,060	4.97%	1,433,815	6.11%
Impact Fees and Contributions	77,999	3.03%	631,601	2.69%
Fuel Taxes	38,208	1.48%	323,532	1.38%
Other	116,075	4.50%	604,067	2.57%
Carryover (All Sources)	532,872	20.67%	-	0.00%
Total	$ 2,578,270	100.00%	$ 23,460,226	100.00%

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

($ in 000's) Uses of Funds	Capital Budget FY 2009 Amount	Capital Budget FY 2009 Percent	Multi-Year Capital Plan Amount	Multi-Year Capital Plan Percent
Public Safety	$ 133,139	5.16%	$ 1,083,470	4.62%
Transportation	1,443,872	56.00%	13,969,859	59.54%
Recreation and Culture	176,872	6.86%	1,348,871	5.75%
Neighborhood and UMSA	415,818	16.13%	5,572,243	23.75%
Health and Human Services	307,586	11.93%	902,675	3.85%
Economic Development	6,450	0.25%	105,005	0.45%
Enabling Strategies	94,533	3.67%	478,103	2.04%
Total	$ 2,578,270	100.00%	$ 23,460,226	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 2008, the real estate market closed with sharp declines in sales activity, mostly linked to the residential portion of the market, as the housing industry continued to suffer from an excessive supply of new single and multifamily housing units.

During fiscal year 2008, for the third consecutive year, sales of existing single-family homes declined 33.4% following the same trend as in fiscal year 2007 when they declined 29.6%. The same pattern prevailed for existing condominium sales; they declined 31.2%, evidenced a slight improvement from the same period in 2007. This decline was driven by inflated housing prices, steeper insurance costs, high property taxes, high debt levels, tighter lending standards, and to some degree by the uncertainty in the direction of 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 an unprecedented economic environment signified by the strains of a housing slump and a credit crunch, the Federal Reserve kept ordering its key interest rate at historical lows over the course of fiscal year 2008. This marked an aggressive rate-cutting policy for the central bank, which had used its target for the federal funds rate as the main tool to foster price stability and sustainable economic growth. Expected lower interest rates should help the housing market to turn around. Over the fiscal year, the average home mortgage rate inched down by three and a half tenths of a percentage point from 6.70% to 6.35%. On the negative side, the consumer price index for the Miami area moved up at a higher rate (5.4 points) in fiscal year 2008 compared to 3.7 points the year before.

The construction employment decrease was manifested in the level of home construction activities. The number of building permits for residential units was significantly down by 58.1% to about 3,619 units for fiscal year 2008 compared with about 8,646 units in fiscal year 2007. Similarly, residential construction expenditures fell by 69.2% from $1.41 billion to $435.6 million during the same period. This was, of course, primarily due to the fall off in residential construction activities due to a weakened housing market. But there were also notable drawbacks in the level of construction for commercial and industrial developments. During 2008, activities in the commercial component, as measured by the amount of square footage of office and retail space that was under construction, evidenced a decline by 10.5% from the figure recorded in the prior year. A similar trend also prevailed for industrial space; it declined by 5.9% over the same period.

In conjunction with the sharp drop in sales in fiscal year 2008, the average sales price of an existing single-family home in Miami-Dade declined to $319,725 in current dollars, down by 16.0%. That was in contrast to the 1.0% gain during the same period a year earlier. During the past twelve months, existing condominiums sold at an average price of $260,025, or a 4.6% decrease from fiscal year 2007. For the year ahead, housing prices are expected to continue to decline 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.

Office space additions to existing inventory (square footage) increased from 44.1 million to 45.3 million, or a 2.6% increase from 2007, while the overall office vacancy rate climbed to 14.4%, up by 3.9 percentage points from the previous year. Reduction of professional activity, as reflected in the decrease in professional and business services employment, also had a negative effect on demand for office space.

Despite the country's economic slowdown, Miami-Dade's commercial real estate market, in some measures, continues to remain reasonably stable. Sustained population growth and strong connections with Latin America, coupled with increases in both the export and import segments of international trade, continue to fuel demand for office and other commercial activities. This latter fact is demonstrated by the overall stable rental rates posted during the last twelve months. For office space, the average rental rate ($37.49 per square foot) increased marginally by 1.4% from the previous year at $36.98. In terms of industrial space, the average rental rate in manufacturing, office service, and warehouse/distribution ($7.43 per square foot) decreased slightly by 1.6% from the previous year at $7.55. For the year ahead, the commercial market is expected to tighten considerably as is showing signs of decline in both demand and values.

SALES INDICATORS

Economic activity, as measured by taxable sales, was weak in fiscal year 2008, probably reflecting lack of confidence and uncertainty on the part of the consumer. Total taxable sales were down 4.1%, with retail sales alone down 2.3% compared to the same sales in the previous year (without taking price inflation into account). Atypically, as was the case in fiscal years 2006 and 2007, Miami-Dade County fared better than the State in relative taxable sales. As such, the average decline in taxable sales for the County was not as pronounced as the statewide average, which declined by 6.3%. With the exception of Tourism and Recreation and Consumer Non-Durables, which posted modest increases of 2.1% and 1.9%, respectively, there were significant declines in the other two major categories. The losses reported in autos and accessories and consumer durables were 14.1% and 6.1%, respectively. This diverse performance was reflected in the Miami-Dade's Index of Retail Activity, which declined by 1.9% during the same period, reflecting the fact that consumer confidence levels fell throughout fiscal year 2008. Similarly, the same index, at the State level, displayed an even larger decline of 4.8%.

INTERNATIONAL TRADE AND COMMERCE

One indicator of economic vigor during the fiscal year was in the area of international trade and commerce. After a mixed performance during the prior fiscal year, international trade activities rose in both exports and imports throughout 2008. What's more, the picture presented by trade data displays the area's strategic position to produce high volumes of trade-related services and ability to remain competitive with other trading hubs, even amid the country's economic recession and the headwinds of the financial markets. Merchandise trade through the Miami Customs District totaled $89.3 billion, the highest ever. This represents a 15.2% increase in total trade in contrast with the 7.1% gain in 2007. In fiscal year 2008, exports had an impressive year with an increase of 22.0% compared to a 14.7% advance during the prior fiscal year. The import side presented a similar picture with a 6.4% advance in 2008 compared to a decline of 1.3% in the previous year. Reversals of this magnitude are typical in Miami-Dade's import-export sector. Most U.S. goods are exported from the Miami Customs District to South America, Central America, and the Caribbean. The robust economies in most of the countries in these regions and their dependency on South Florida for shipping supplies of essential goods, such as industrial machinery, and high-tech products and parts, 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 Miami Customs District (that includes an area broader than Miami-Dade) were not quite reflected in the activity levels at MIA and the Seaport in fiscal year 2008, as freight tonnage performance at these trade facilities displayed for the most part different results. At the former, overall air freight tonnage was down by about 1.1% in contrast with the 6.6% gain in the previous year. While the international freight tonnage handled improved by only 1.3%, well below the 7.5 percentage point's increase in fiscal year 2007, domestic freight figures recorded a substantial drop by 14.9% this past year compared to 1.3% increase the year before, probably reflecting the flat performance of the national economy. At the Seaport, cargo tonnage figures were down by 5.2% moving in the same direction as in the prior year, which reported a 9.5% decline. With trade credit tied and imports profoundly affected by the construction slump, most trade experts are cautiously optimistic regarding international commerce in Miami-Dade and predict little to no change in the volume levels in freight and cargo tonnage movement through its ports in the years to come.

TOURISM

After a good year for tourism in 2007, the visitor industry continued to achieve high activity levels during 2008 with total visitors surpassing the 12 million mark for the first time. For the seventh consecutive year, an increase in tourism was reported, with a visitor growth of 1.4% to the Miami-Dade area. In total, 12.1 million people visited Miami-Dade County in 2008 going well beyond the 11.2 million overnight visitors recorded in 2000. Visitor satisfaction with their stay continued at high levels as 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 2008, visitors spent $17.6 billion, an increase from $17.1 billion of total expenditures in 2007, probably reflecting successful targeting of a more upscale visitor market. The number of international visitors was up 5.4% to a record number of 5.8 million, while domestic visitors declined to 6.3 million, about 2.0% lower than in 2007. This reflected a visitor market mix of 52.3% domestic and 47.7% international. The good showing of the international component of Miami-Dade's visitors reflects in some degree the soft value of the dollar. On the other hand, the decline in the domestic segment can be attributed to a weak travel market nationwide, most likely as a result of the economic recession.

In conjunction with the increase in visitors, the Miami International Airport passenger levels increased to 34.1 million, representing a gain of 2.4% compared to a gain of 3.7% in the prior year. The increase consists of advances in international air passengers, making up for declines in domestic passengers. In 2008, the MIA saw international passengers go up by 5.6% to 16.1 million, while domestic air passengers declined by less than one percent to about 18.0 million. With the completion of the South Terminal at MIA and the continued development of the new North Terminal, aviation officials are fairly optimistic that international traffic in fiscal year 2009 will continue its upward momentum. This optimism is based on the continued addition of flights from MIA to more destinations around the world. The Airport's experience was also shared at the Port of Miami, where the number of cruise passengers increased by a solid 9.2% compared to a modest 1.5% advance the year before.

In contrast to the higher visitation levels, hotel booking activity recorded some modest declines in fiscal year 2008. Hotel occupancy rate had slightly dropped from 72.4 percent to 71.5 percent on a year-round basis in contrast to the 1.1 percentage point gain in the previous year. Increased competition and additions of about 4,000 hotels rooms to the existing supply with the return of the Fontainebleau Miami Beach and the opening of other large hotels might explain the hotel occupancy performance. 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 mostly disappointing results, the economic outlook for fiscal year 2009 is on track for another year of constrained expectations for Miami-Dade County with prospects most likely on the downside. A generally unfavorable macro-based view can be drawn about the performance of Miami-Dade's economy from the leading indicators measured by job losses, high unemployment, and weak consumer spending. Most of the unfavorable conditions center on the area's real estate and financial markets. These are the markets that will by and large define the local economy in the coming year. The financial and economic crisis that emerged in the last quarter of fiscal year 2007 and the subsequent impacts of the national recession on almost every aspect of the economy, including housing and credit, may hinder any optimistic projections for a good performance. On the bright side, however, the County's economy is large and quite diversified that even with the presence of these concerns and the current recessionary pressures it will likely hold up better than in most large urban areas in the nation. This is the consensus of most analysts and economists who worry that their predictions might be too optimistic, rather than too pessimistic regarding Miami-Dade's economy in the year to come.

Again, this wary outlook is based on continuing troubles of the financial system as a result of the national economic crisis. Furthermore, the U.S. recession is having a sizeable impact on the area's strengths in tourism and trade. Members of the tourist industry are predicting a difficult year with some tough times ahead. As fewer attendees at events and conventions are anticipated this year, it does not seem probable that the visitor industry can top the 2008 record level. While no significant decline appears likely, there is still a bit of optimism due in part to the schedule of several new events in 2009. 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 trading partners such as Brazil, Venezuela, Colombia, China, and the Dominican Republic. Assuming that conditions in these countries did not deteriorate as a result of the global economic crisis and their economies remain robust, many of the indicators associated with the health of these two sectors will continue to 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 a mixture of mostly negative, non-inflationary job developments in the various sectors, with small gains perhaps in the healthcare sector in the coming year. In addition to the financial crisis, the real estate sector appears to be the major story, as the housing market imposes a big question mark hanging over the economy. While the residential component is undergoing a price correction with the problem of a large inventory, especially that of condos, and high foreclosure rates, this may result in negative contributions to economic growth and have ripple effects elsewhere in the economy.

While the Miami-Dade economy is not strongly influenced by national conditions, adverse market trends at the national level would have a negative effect on the growth of the area's key economic sectors. Based on the fairly pessimistic projections for the nation in the near future, the local economy is expected to experience recessionary conditions. As a consequence, the number of employed workers is expected to continue to decline and there is anticipation that unemployment rates will bump up a bit. On an optimistic note, overall inflation is expected to remain stable over the next year, fostered by the assumed flattening of energy prices. State and local public infrastructure construction projects, including those funded through the County's capital program, along with developments from private sector already under construction, are factors that will help offset construction employment job cuts related to the decline in housing and commercial construction activity.

Over and above the uncertainties surrounding the national economy in fiscal year 2009, close attention to issues that could adversely affect the Miami-Dade economy, such as relatively higher consumer prices, rising unemployment rates, slow growth in personal income, higher and unaffordable housing prices, high foreclosure rates, and increasing insurance premiums, need to be given. In the new fiscal year, dealing with these issues and providing solutions to ease the impact of the recession and speed the economic recovery will be a great challenge for the elected officials and business leaders of Miami-Dade County.

In summary, fiscal year 2009 is foreseen as a year of low expectations for the Miami-Dade County economy and its most vital industries, including trade, transportation, tourism, and real estate. Given the current recession and the negative economic forces weighing on consumers and businesses, it would take time for a meaningful recovery to occur. Assuming that, even in the best-case scenario, a turnaround of the economy takes place sometime in the second half of the year, the Miami-Dade economy will in all likelihood perform at a level appreciably lower than in 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.

Property tax roll growth for calendar years 2004 through 2007 showed extraordinary increases ranging from 13.4% to 21.4%. In 2008 tax roll increases were approximately 4.7% and a minus 0.09% when adjusted by the impact of the January 29 constitutional amendment. For 2010 and 2011, the property tax roll growth is assumed to remain flat and grow 3% thereafter. Budgeted Property taxes for fiscal year 2009 were $1,275.3 million an increase of 4.6% over prior years budget of $1,218.6 million.

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, and for developing our underlying financial accounting theory.

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,

Carter Hammer

CARTER HAMMER
Finance Director

Graciela Cespedes

GRACIELA CESPEDES
Deputy Finance Director