Memorandum

MIAMI-DADE COUNTY

Date: June 18, 2012

To: Honorable Joe A. Martinez and Members
Board of County Commissioners

From: Carlos A. Gimenez
County Mayor

Subject: Miami-Dade County, General Obligation and Special Obligation Bonds
Fire Rescue District Series 2002 Bonds

I am very pleased to announce that the County has received a rating outlook improvement to ***"stable"*** from *"negative"* on our General Obligation and Non-Ad Valorem backed debt from Standard & Poor's Ratings Services as part of their standard surveillance credit review process. During this review, Standard & Poor's affirmed the County's AA- General Obligation Bond rating and the A+ Special Obligation Bonds rating. Standard & Poor's also affirmed the Fire and Rescue Service District rating and outlook. Solid ratings and positive outlooks ultimately result in lower borrowing cost to the County.

The affirmation of the ratings and the outlook revision are attributable to: the County's broad and diverse economy, which serves as the center of trade and commerce to Latin America; an improved financial position which is expected to remain largely stable; good financial policies and practices; and a moderate to low overall debt burden. Other factors considered in the outlook change include: not providing extraordinary operational support to the Public Health Trust beyond regular maintenance of effort revenues; limited exposure to House Bill 5301, which changed collection procedures for Florida counties' share of Medicaid costs; and cost-cutting measures, including departmental reorganizations, and eliminating vacant positions.

The Fire and Rescue District debt rating of AA- was also affirmed. The unlimited tax pledge on property within the district and recent reductions to operating expenditures caused by eliminating positions and reduced discretionary spending were the primary reasons for the retention of the AA- rating. The outlook remained negative due to low reserves which could reduce the district's operating flexibility.

It should be pointed out that the S&P report did not look favorably on potential draw-downs of our reserves in order to fund operations, stating that to do so may cause our credit quality to suffer.

The credit review process is an integral part of the County's debt issuance. Credit ratings and outlooks represent Standard & Poor's opinion of the creditworthiness of an issuer with respect to certain financial information. Consideration is given to the likelihood of making prompt payments, commitment to financial obligations, nature and provisions of the obligation and protections afforded to the bondholder.

Standard & Poor's defines an "AA" rated municipality as having *"Very strong capacity to meet financial commitments"* and an "A" rated municipality as having *"Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances."* A plus (+) or minus (-) sign shows relative standing within the major rating categories.

c: Office of the Mayor Senior Staff
Department Directors
Charles Anderson, Commission Auditor

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May 31, 2012

Miami Dade County, Florida; Appropriations; General Obligation; Joint Criteria; Miscellaneous Tax; Moral Obligation

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Miami Dade County, Florida; Appropriations; General Obligation; Joint Criteria; Miscellaneous Tax; Moral Obligation

Credit Profile		
Miami Dade Cnty cap asset acquis spl oblig bnds		
Long Term Rating	A+/Stable	Outlook Revised
Miami Dade Cnty GO		
Long Term Rating	AA-/Stable	Outlook Revised

Rationale

Standard & Poor's Ratings Services has revised the outlook on its long-term rating and underlying rating (SPUR) on Miami Dade County, Fla.'s general obligation (GO) and appropriation debt to stable from negative based on a tax base that, although severely weakened during the recent economic downturn, has displayed signs of sluggish gains, but with assessed value still far from its peak. The outlook revision also reflects the county's improved financial position, which management projects to remain largely stable. At the same time, Standard & Poor's affirmed its 'AA-' ratings on the county's GO debt and its 'A+' ratings on the county's special obligation debt.

The ratings and outlook reflect our view of the county's:

- Broad and diverse economy, which serves as the center of trade and commerce to Latin America;
- Good general fund financial performance in fiscals 2010 and 2011;
- Good financial policies and practices; and
- Moderate-to-low overall debt burden.

Offsetting rating factors include the aforementioned persistent weakness in the economy with above-average unemployment rates.

The county's financial position declined during fiscals 2008 and 2009, in line with its shrinking tax base and waning economically sensitive revenues. The county also has undergone several key management position changes over the past few years, including the position of finance director and mayor. The county's mayor was recalled by voters in March 2011, and a new mayor took office in July 2011. Over the past few years, the county has implemented several cost-cutting measures, including increased employee health care contributions, departmental reorganizations, and holding certain positions vacant. Based on audited results for fiscal 2011, the county posted a $62.8 million general fund operating surplus. Its available reserves (across its committed, assigned, and unassigned balances) totaled $221.6 million, or 14.6% of general fund expenditures. Like other counties in the state, Miami Dade County's operating revenue base is diverse, with property taxes making up 56% of fiscal 2011 general fund revenues, charges for services (13%), and state sales taxes (6%).

In addition, management reports that it is not providing extraordinary operational support to its Public Health Trust (PHT) enterprise fund, which includes the Jackson Health System beyond its budgeted regular county maintenance of effort revenues. We understand the hospital system's management has been restructured and is expected by county management to continue to operate with adequate liquidity.

For fiscal 2012, management has indicated that it expects its available general fund balance to remain roughly the same as fiscal 2011. Year-to-date figures indicate increases in most general fund revenue line items, with the exception of ad valorem property taxes with year-to-date amounts down about $15 million due to settled value appeals. Property tax collection rates have improved somewhat; management projects the rate to equal about 96% on a current-year basis.

In March 2012, the state governor signed into law House Bill 5301, which changed collection procedures for Florida counties' share of Medicaid costs. With respect to past due Medicaid amounts, counties will now have this amount netted from their portion of certain state shared revenues, or primarily its guaranteed entitlement funds. The county reports that this outstanding balance totals $36 million, with $12.1 million netted out in fiscal 2013, equal to less than 1% of general fund expenditures. The remainder of the $43 million balance will be netted from the county's state shared revenues over the following five years. In addition, starting in October 2012, the state will withhold from each county's portion of the state-distributed half-cent sales tax distribution, its monthly share of Medicaid costs, unless the county has paid these costs by the fifth of each month. We do not expect these changes to materially affect the county's financial position. In addition, the county does not have outstanding debt solely backed by the half-cent sales tax. The county does have guaranteed entitlement-fund-backed revenue bonds outstanding, but the bill contains language that ensures timely payment of principal and interest when due.

As of Sept. 30, 2011, the county had $1.1 billion in GO debt outstanding and $2.4 billion in special obligation (tax supported and non ad valorem) debt outstanding. However overall debt levels are moderate to low, in our view, at $3,196 per capita, or 2.8% of market value. County management has indicated that it expects to issue about $295 million in non ad valorem debt during this calendar year for seaport-related capital projects.

After very strong growth during fiscals 2006 to 2008, assessed values decreased sharply, with a 24% cumulative drop since fiscal 2009. AV for fiscal 2012 totaled a still sizable $187 billion. Market value per capita for fiscal 2012 is extremely strong. The county will receive its preliminary fiscal 2013 AV in July, and management reports that it expects values to remain largely flat compared with the previous fiscal year. Although many reports show that the number of home sales have increased across the county, according to IHS Global Insight, the county's median home price for the first quarter of 2011 was down 4.1% compared with the previous quarter at $166,400. In addition, the state recently finalized a foreclosure settlement with the federal government and major banks that could increase the number of foreclosure filings within the state. We will continue to track this development, but we believe the strong tax certificate sale market in the state partially offsets this credit concern.

Miami Dade County's financial management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA), indicating that in our opinion adequate practices exist in most key areas, although not all may be formalized or regularly monitored by governance officials.

Outlook

The stable outlook reflects our expectation of continued positive, but slow moving, economic growth in the region over the next two years, with modest steps toward recovery in the labor market and other key economic indicators. We further expect the county to maintain structurally balanced general fund operations with limited use of fund balance to balance operations. Should the county continue to draw down on its reserves to fund these needs or growing capital expenditures, credit quality may suffer.

Pension And Postemployment Health Benefits

The county participates in the state public employee retirement plan and has contributed 100% of its required contribution during the past three audited fiscal years. For audited fiscal 2011, the county contributed $265.2 million toward this liability, or 17% of general fund expenditures. Management has indicated the county's budget assumes that employees continue to contribute 3% to the state retirement plan. We understand the matter is currently in the appeals process, and a final decision has not been reached regarding overturning this 3% contribution and any potential paybacks by the state or counties if it is overturned. The county also provides postretirement medical and dental coverage (OPEB) to eligible employees. The county contributed $22 million for OPEBs in fiscal 2011, equal to 1.5% of general fund expenditures. As of Oct 1, 2010, the county's unfunded actuarial accrued liability for OPEBs was $356.3 million.

Weakened Economy But Long-Term Strength Still Apparent

The county's employment base is broad and diverse with trade, transportation, and utilities making up 26% of the total, followed by education and health (17%), government (15%), professional and business services (14%), and leisure/hospitality (11%). Due to its proximity to and strong ties to the Latin America, the county is arguably the center for trade and business with this region. The county's unemployment rate has tracked downward in recent months in part due to good growth in the trade and leisure/hospitality sectors following strong international trade activity and growth in tourism. The county's jobless rate (not seasonally adjusted) was 9% for March 2012. Income indicators for the county remain steady, with median household and per capita effective buying income at 87% and 86% of the U.S. levels, respectively, in 2011.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006

Ratings Detail (As Of May 31, 2012)		
Miami Dade Cnty cap acquis non ad valorem (wrap of insured) (AMBAC & ASSURED GTY) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty cap asset acquis		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty cap asset acquis spl oblig bnds		
Long Term Rating	A+/Stable	Outlook Revised
Miami Dade Cnty cap asset acquis spl oblig bnds		
Long Term Rating	A+/Stable	Outlook Revised
Miami Dade Cnty cap asset acquis spl oblig bnds (Build America Bnds)		
Long Term Rating	A+/Stable	Outlook Revised
Miami Dade Cnty cap asset acquis spl oblig bnds (Scott Carver Homes Proj)		
Long Term Rating	A+/Stable	Outlook Revised

Ratings Detail (As Of May 31, 2012) (cont.)		
Miami Dade Cnty cap asset acquis spl oblig ser 2010D (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty cap asset (AGM)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty non ad valorem (Pro Sport) (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty GO (Building Better Communities Program) (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Outlook Revised
Miami Dade Cnty (non ad valorem) cap asset acquis spl oblig bnds (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty (Bldg Better Comntys Prog) GO (wrap of insured) (FGIC) (MBIA - SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Outlook Revised
Miami Dade Cnty (Jackson Hlth Sys) (ASSURED GTY)		
Unenhanced Rating	A(SPUR)/Stable	Outlook Revised
Miami Dade Cnty (Juvenile Courthouse Proj) (AMBAC)		
Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty (Pro Sport) misc tax VRDBs		
Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty non ad valorem		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty non ad valorem (MUNI-CPI)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty pub facs ser 2005 A&B		
Unenhanced Rating	A(SPUR)/Stable	Outlook Revised
Miami Dade Cnty various taxes		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised
Miami Dade Cnty GO		
Unenhanced Rating	AA-(SPUR)/Stable	Outlook Revised
Miami Dade Cnty (Pks Prog) GO		
Unenhanced Rating	AA-(SPUR)/Stable	Outlook Revised
Sunshine St Govt Fing Comm, Florida		
Miami Dade Cnty, Florida		
Sunshine St Govt Fing Comm (Miami Dade Cnty) rev bnds		
Long Term Rating	A+/Stable	Outlook Revised
Sunshine St Govt Fing Comm (Miami Dade Cnty) - 2011A (AGM)		

Ratings Detail (As Of May 31, 2012) (cont.)		
Unenhanced Rating	A+(SPUR)/Stable	Outlook Revised

Many issues are enhanced by bond insurance.

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May 31, 2012

Summary:
Miami Dade Couty, Florida; Miscellaneous Tax

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Summary:

Miami Dade Couty, Florida; Miscellaneous Tax

Credit Profile		
Miami Dade Cnty (Miami-Dade Fire & Rescue Svc Dist) spl tax		
Unenhanced Rating	AA-(SPUR)/Negative	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services has affirmed its 'AA-' underlying rating (SPUR) on Miami Dade County, Fla.'s special obligation bonds (Fire and Rescue Service District), series 2002. The outlook remains negative due to recent operating deficits that have driven down reserves to very low levels.

The 'AA-' SPUR reflects our assessment of the following credit characteristics:

- An unlimited-tax pledge on property within the fire district's boundaries, which encompasses roughly 60% of the county's assessed valuation (AV); and
- Recent reductions to operating expenditures following elimination of positions and reduced discretionary spending.

Unlimited ad valorem taxes levied within fire district boundaries secures the bonds.

The district was created in 1980, but has functioned as a fire rescue department of the county since 1935. It covers 2,209 square miles and is the largest fire rescue department in the southeast. Fire protection and emergency medical services are provided to the unincorporated areas of the county as well as 29 of 35 municipalities. After experiencing very strong growth during fiscals 2006 to 2008, AV has contracted sharply in recent years, with a cumulative 26% decrease since fiscal 2008 to $110 billion for fiscal 2012. Fiscal 2013 is expected to remain largely flat, but the preliminary AV will not be released until July 1. Tax collections of the district have been strong, at 97% on a current basis for fiscal 2011 with a similar collection rate expected for fiscal 2012.

District operations are largely supported by a 3-mill pledge of district property; the district levied 2.4496 mills for operations for fiscal 2012, down about 5% from fiscal 2011. For audited fiscal 2011, the district posted its second consecutive operating drawdown of $8.8 million. Its available operating reserve balance was 0%. Total fund balance equaled $27.6 million and is made up of restricted and nonspendable amounts. After implementing a series of position reductions and cuts to discretionary spending in conjunction with increasing some fees, county management expects the district will end fiscal 2012 with balanced operations. For fiscal 2013, we understand the operating millage is expected to remain flat, and the budget will be finalized by early September.

The district's budget is under the county's supervision and appears as a special revenue fund in the county's audited financial statements. The district is governed by the county's Board Of County Commissioners, with the director of the department reporting to the county mayor. The county oversees the district's budget, collects taxes for the district, and manages investments.

For fiscal 2012, the district levied 0.0131 mills for debt service. Assuming a collection rate of 97%, coverage of series 1996 and 2002 MADS of $1.4 million is 1x.

Outlook

The negative outlook reflects our expectation that available reserves will remain low over the one-year outlook period, which significantly limits the district's operating flexibility. Should finances deteriorate further, the rating will be revised downward.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.