# Memorandum

**Date:** October 24, 2012

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

**From:** Carlos A. Gimenez
County Mayor

**Subject:** Upcoming Series 2012A and Series 2012B Subordinate Special Obligation Refunding Bonds – Rating Reports

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I am pleased to announce that the County has received the following ratings from top rating agencies for the upcoming Series 1212A and 2012B Subordinate Special Obligation Refunding Bonds to be issued:

- A+ rating from Fitch Ratings (Fitch) with a Stable Outlook,
- A2 rating with a Stable Outlook from Moody's Investors Services (Moody's), and
- A+ rating from Standard & Poor's Ratings Services (S&P) with a Stable Outlook.

**Background**

As the Board may recall, Resolution R-757-12 authorized the issuance of Series 2012A and Series 2012B Convention Development Tax Subordinate Special Obligation Refunding Bonds, in aggregate principal amount not to exceed $550,000,000 to refund all or a portion of the outstanding Series 1997A, Series 1997B, Series 1997C and Series 2005A Subordinate Special Obligation Bonds in order to generate substantial savings in future debt service payments.

The Refunding Bonds will be backed by the Convention Development Tax, payments to the County from the Omni Redevelopment Agency (for the Series 2012A only) and secondarily, the One-Half Cent Sales Tax. The ratings and the outlooks are cited to be attributable to the following: the County's sizeable economic base diversified by tourism, trade, banking and manufacturing industries; Miami-Dade's reputation as a premier tourist destination and solid projections for population, income and job growth bolster the long-term performance of each of these taxes; and, strong historical coverage of maximum annual debt service requirements that we expect to continue.

**Purpose of Credit Review Process**

The credit review process is an integral part of the County's debt issuance. Credit ratings and outlooks represent an 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. Solid ratings and positive outlooks ultimately result in lower borrowing cost to the County.

Moody's defines an "A" rated issue/issuer as presenting "*above-average creditworthiness relative to other US municipal or tax-exempt issues.*" For Moody's, a "2" numerical modifier represents a mid-range ranking. S&P defines an "A" rated issue/issuer as *"Very strong capacity to meet financial commitments"* with *"Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances."* Fitch defines an "A" rated issue/issuer as an "*expectation of low default risk; capacity for payment of financial commitments is strong...but, this capacity may be more vulnerable to adverse business or economic conditions.*" A plus (+) or minus (-) sign shows relative standing within the major rating categories.

If you have any questions or concerns, please feel free to contact Deputy Mayor Edward Marquez at 305-375-1451.

Attachments

c: Robert A. Cuevas, Jr., County Attorney
Office of the Mayor Senior Staff
Charles Anderson, Commission Auditor
Blanca Padron, Deputy Finance Director
Frank Hinton, Bond Division Director, Finance Department

FitchRatings

Tagging Info

# Fitch Rates Miami-Dade County, FL Sub Special Obligation (Conv Dev Tax) Rfd Bonds 'A+'

Ratings Endorsement Policy
16 Oct 2012 3:56 PM (EDT)

Fitch Ratings-New York-16 October 2012: Fitch Ratings assigns an 'A+' rating to the following subordinate special obligation bonds (convention development tax) of Miami-Dade County, Florida (the county):

--approximately $484 million subordinate special obligation (convention development tax) refunding bonds, series 2012A and 2012B.

The bonds will be sold via negotiation on or about October 23. Proceeds will refund all or portions of the series 1997A, 1997B, 1997C, and 2005A capital appreciation bonds for debt service savings without extending final maturity. The series 2012A and 2012B bonds will be structured as fixed rate current interest bonds.

In addition, Fitch affirms the 'A+' rating on approximately $832 million of outstanding subordinate special obligation bonds (convention development tax) (par amount includes the bonds to be refunded) and $61.9 of outstanding special obligation bonds (senior lien).

The Rating Outlook is Stable.

SECURITY

Special obligation bonds (convention development tax) are secured by a pledge of 2/3 of the receipts of the convention development tax (CDT), which is imposed at the rate of 3% of the total consideration charged for rental of facilities such as hotels, motels and apartments countywide (except in Bal Harbour and Surfside). The bonds are also secured by a surety-funded debt service reserve fund (DSRF).

Subordinate special obligation bonds are secured by a subordinate pledge of the CDT described above as well as the other 1/3 of the CDT, net of certain contractually obligated prior payments. Omni tax increment revenues up to $1.43 million annually are also pledged to the subordinate special obligation bonds, series 1997A bonds and series 2012A bonds. The bonds carry a DSRF funded by a combination of surety and cash ($57.7 million or 47.5% of maximum annual debt service (MADS)).

The county has covenanted to apply its share of the local government half-cent sales tax to the payment of debt service on the bonds, to the extent necessary. Sales tax revenues are not pledged until on deposit in the debt service fund. There is no debt outstanding with a senior lien on the county's sales tax revenue, and under the subordinate special obligation bond ordinance no additional senior sales tax bonds are permitted. The county is required to apply the sales tax revenues to debt service on the special obligation bonds and subordinate special obligation bonds on a pro rata basis.

KEY RATING DRIVERS

SATISFACTORY COVERAGE LEVELS: The 'A+' ratings are based on the satisfactory coverage of the maximum year obligation on the special obligation bonds and subordinate special obligation bonds from all pledged revenues including sales tax. All-in MADS coverage is about 1.57x based on projected fiscal 2012 revenues compared to more narrow coverage from pledged CDT revenues alone at 1.1x for senior lien bonds and well below 1.0x on the subordinate special obligation bonds.

SPECIAL TAX RECOVERY: CDT revenues experienced a double-digit rate of growth for the third consecutive year in fiscal 2012, and half-cent sales tax revenues continue to rebound from the lows of the recession. Miami-Dade's reputation as a premier tourist destination and solid projections for population, income, and job growth should bolster the long-term performance of each of these taxes.

ADDITIONAL LEVERAGING NOT ANTICIPATED: No additional issuance plans are reported by the county and bond documents require a satisfactory 1.5x MADS coverage requirement as a precedent to the issuance of additional bonds secured by the CDT or half-cent sales tax revenue.

GO CEILING: The ratings assigned to the special obligation bonds and subordinate special obligation bonds are capped by the county's general obligation (GO) rating of 'AA' last affirmed on July 3, 2012 with a Stable Outlook.

MIAMI-DADE CREDIT FUNDAMENTALS: The GO rating reflects the county's moderate level of reserves relative to budget, ability to adjust spending to accommodate strong community resistance to tax increases without significantly affecting service provision, a moderate debt profile with risk to significant contingent liabilities and a broad and diverse economy with strong links to international trade exhibiting increased signs of recovery.

CREDIT PROFILE

HIGH CDT LEVERAGE

The CDT revenue stream is highly leveraged. Although the rating relies on the secondary pledge of the half-cent sales tax, the county expects the debt to be repaid from CDT revenues and has structured the senior and subordinate obligations as a combination of capital appreciation and back-loaded current interest bonds. Principal amortization is very slow; final maturity occurs in fiscal 2035 for the senior lien bonds and fiscal 2047 for the subordinate special obligation bonds.

The 2/3 portion of the CDT pledged to the senior lien bonds totaled $38.8 million in fiscal 2012 or 3.3x annual debt service. Coverage of MADS ($34 million in fiscal 2035) from fiscal 2012 revenue is only 1.14x. Annual debt service coverage for the subordinate special obligation bonds was 2.9x in fiscal 2012 from the 1/3 CDT, OMNI tax increment revenue, and surplus 2/3 CDT pledged to these bonds on a subordinate basis. Coverage of MADS ($121.6 million beginning in fiscal 2038) is only 0.39x.

The calculation of MADS noted throughout includes certain prior payments to the City of Miami Beach and operating subsidies related to the American Airlines Arena and Performing Arts Center, among other items. The prior payments are defined annual commitments, totaling about $14 million through 2026, descending thereafter.

REASONABLE CDT GROWTH NECESSARY TO SERVICE DEBT

In order to achieve 1.0x coverage of annual debt service on the subordinate special obligation bonds through final maturity, Fitch estimates CDT revenue must increase by a compound annual growth rate (CAGR) of approximately 2.9%. This growth assumption reflects the availability of all CDT revenue to pay debt service on the subordinate special obligation bonds once the senior lien bonds mature in fiscal 2035.

The county has covenanted not to issue any additional senior lien bonds except for refunding bonds (the growth assumption could be impacted by the issuance of refunding bonds that extend final maturity, which the county is not precluded from doing). Fitch notes the county maintains a current surplus of approximately $38.9 million in CDT revenues that it would use to cover any debt service shortfall before utilizing the secondary half-cent sales tax source.

STRONG HISTORICAL CDT PERFORMANCE

The tourism market is generally prone to periods of stress, whether driven by prevailing economic conditions, competition, or weather-related events. However, the county's CDT performance has been very strong for an extended period of time. From fiscal years 1984 to 2012 CDT revenues increased at a compound annual growth rate (CAGR) of 8.2%. During this period annual CDT revenue declined on just four occasions: fiscal 1988 (-0.6%), fiscal 1994 (-17.7%), fiscal 2002 (-17.3%) and fiscal 2009 (-13.3%). Annual collections continue to rebound from the recession, improving 10% in fiscal 2010, 15.3% in fiscal 2011, and 12.6% in fiscal 2012 to a total of $58.2 million.

Fitch believes Miami-Dade County will remain a premier destination for both domestic and international leisure travelers and business conventions. The vitality of the market is evident in the large number of new construction hotel/motel projects presently underway. According to the county there are a total of 24 projects totaling 3,121 rooms scheduled to open before the end of calendar year 2013.

SALES TAX SUPPORT CRITICAL TO RATING

The 'A+' rating on the bonds looks to the credit strength provided by the secondary pledge of half-cent sales tax revenue although Fitch believes the CDT growth scenario necessary to fully support debt service through final maturity is reasonable. MADS coverage on the senior and subordinate special obligation bonds is 1.57x in fiscal 2012 including half-cent sales tax revenues. Fitch believes the available half-cent sales tax revenue offer bondholders good protection against the sharp but short-lived declines in CDT collections that have occurred periodically in years past.

The county currently has no outstanding, and no plans to issue, other debt secured by its half-cent sales tax revenue. The county may leverage its half-cent sales tax through the issuance of additional bonds provided that the half-cent sales tax revenue together with other legally available revenue expressly pledged to such bonds (if any), is at least 1.5x the maximum obligation payable with respect to the senior lien bonds, the subordinate special obligation bonds, and any debt secured by the half-cent sales tax revenue. Issuance is more likely limited by the county's use of the half-cent sales tax to fund general fund operations.

The half-cent sales tax is collected against the sales price of each item or article of tangible personal property solid at retail within the county. Revenues are distributed between the county and its incorporated municipalities pursuant to a population driven formula. Fitch notes there are no pending petitions for incorporation that may negatively impact the county's' receipt of the half-cent sales tax revenue.

Half-cent sales tax revenues are highly sensitive to general economic conditions, as evidenced by a sharp 15% decline in annual collections during fiscal 2009 which was followed by a more modest 2.5% reduction in fiscal 2010. With an improvement in the county's employment picture and general easing of recessionary pressure, fiscal 2011 revenue increased by 11% and receipts are up an additional 6.2% through the first 10 months of fiscal 2012. Global Insight forecasts fairly favorable annual growth in total employment (2.3%), disposable personal income (5.2%), and total retail sales (3.8%) for the MSA through 2015 supporting expectations for continued good revenue growth.

MEDICAID STATE INTERCEPT

Recent state law authorizes the state to withhold half-cent sales tax revenue payable to any county in the amount of outstanding Medicaid payments outstanding as of April 30, 2012, which will be payable to the state over the next five years, as well as to prospective Medicaid payments. The county will amortize $42.4 million in outstanding payments over the next five years - Fitch does not believe this is material to the rating.

The county's annual cost of Medicaid is approximately $50 million which, if fully offset against the half-cent sales tax revenue, would result in MADS coverage closer to 1.2x. Fitch notes the law does provide an exception to any offsets to the extent that half-cent sales tax revenues are needed to pay debt service on any county debt secured by such. A lawsuit by a number of counties, including Miami-Dade, challenging the Medicaid offset law is now being held in abatement pending negotiations between the state and the counties.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, S&P/Case-Shiller Home Price Index, IHS Global Insight, and National Association of Realtors.

Applicable Criteria and Related Research:
--'Tax-Supported Rating Criteria' (Aug. 14, 2012);
--'U.S. Local Government Tax-Supported Rating Criteria' (Aug. 14, 2012).

**Applicable Criteria and Related Research:**
U.S. Local Government Tax-Supported Rating Criteria
Tax-Supported Rating Criteria

MOODY'S
INVESTORS SERVICE

# New Issue: Moody's assigns A2 rating to Miami-Dade County's (FL) sale of $483.8 million subordinate special obligation refunding bonds, Series 2012 A&B; outlook is stable

Global Credit Research - 16 Oct 2012

**A2 rating affects $828 million (accreted value) in post-sale rated subordinate special obligation bonds outstanding**

MIAMI-DADE (COUNTY OF) FL
Counties
FL

**Moody's Rating**

| ISSUE | | RATING |
|---|---|---|
| Subordinate Special Obligation Refunding Bonds, Series 2012A | | A2 |
| **Sale Amount** | $178,675,000 | |
| **Expected Sale Date** | 10/22/12 | |
| **Rating Description** | Special Tax: Non-Sales/Non-Transportation | |
| Subordinate Special Obligation Refunding Bonds, Series 2012B | | A2 |
| **Sale Amount** | $305,140,000 | |
| **Expected Sale Date** | 10/22/12 | |
| **Rating Description** | Special Tax: Non-Sales/Non-Transportation | |

**Opinion**

NEW YORK, October 16, 2012 --Moody's Investors Service has assigned an A2 rating to Miami-Dade County's $483.8 million Subordinate Special Obligation Refunding Bonds, Series 2012A ($178.7 million) and Series 2012B ($305.1 million). At the same time, Moody's has affirmed the rating on $832 million rated pre-refunding parity subordinated bonds outstanding. The outlook on the current and outstanding issues is stable. The bonds are secured by a subordinate lien (to $61.9 million Series 1996B bonds; not rated) on designated convention development tax (CDT) revenues (3% hotel/motel tax) and available sales tax revenues deposited to the Debt Service Fund. Omni tax increment revenues ($1.43 million annually) are also pledged, but only to the Series 1997A parity bonds (and the Series 2012A bonds which refunds all of the 1997A bonds).

Bond proceeds will refund $488.5 million (accreted value) of Series 1997A ($195.6 million), Series 1997B ($238.7 million), 1997C ($35 million), and Series 2005A ($19.1M), to achieve an estimated $52.8 million (10.812% of refunded par) net present value savings, taking out the CABs for each issue.

SUMMARY RATING RATIONALE

The A2 rating and stable outlook reflect adequate levels of debt service coverage from the economically sensitive revenue sources that are pledged to support this issue, the weak debt structure that contributes to adequate coverage, the subordinated position of pledged convention development tax revenue, and favorable legal provisions. Also considered in the rating are the county's favorable credit characteristics (G.O. bonds rated Aa2/NEG) including: the diverse and sizable economy, adequate financial operations, and moderate debt position. The economically-sensitive nature of the pledged revenues support a significant amount of pre-refunding bonds.

STRENGTHS

-Sizable base on which pledged revenues are levied

-The county's strong and established national and international tourist identity

-Underlying favorable county credit characteristics

CHALLENGES

-Lengthy and ascending debt structure

-Significant debt and contractual obligations on economically-sensitive pledged revenues

DETAILED CREDIT DISCUSSION

FAVORABLE LEGAL PROVISIONS

Legal provisions include a debt service reserve fund and a 150% additional bonds test. The additional bonds test requires that pledged revenues must not only cover 150% of maximum debt service on the bonds, but also 100% of Prior Payments (arena subsidy, PAC operating subsidy and cultural affairs grants) as well as payments to Miami Beach (annually until 2026, at which point these payments become subordinate). These total payments fluctuate from about $14 million to $3 million over the life of the issue. Further, one percent of CDT revenues (Miami CDT - after prior payments and debt service on the bonds) are used to make annual payments to the City of Miami (between $3 million and $8 million) through 2039. Also permitted are sales tax backed bond issues, that carry a parity lien on the sales tax collections (no senior sales tax bonds allowed) but only if 1.50 times coverage of maximum projected debt service requirements is achieved from sales tax revenue alone (excluding any anticipated CDT revenue). Pursuant to the ordinance, pledged sales tax revenues are not required to be set aside except at the time of a principal or interest payment. Further, sales taxes cannot be used to replenish the debt service reserve in the event of a draw on the reserve, but can only be used to cure debt service payment deficiencies.

The county currently has four separate debt service reserves outstanding that total $71.7 million. One, for $9.1 million (Series 2009 bonds), is in cash. There are three surety policies covering the remainder: two with MBIA for a total of $46 million (Series 2005 A&B, and Series 1997 A, B and C bonds); and another with Ambac for $16.6 million (Series 1996B bonds). In addition, the county has accumulated $38.9 million in CDT excess revenues to date which will be used toward a secondary total $45 million reserve (along with the PST) for potential future pledged revenue declines.

The county has entered into three basis swaps (one for the Series 1996B senior bonds and two for the Series 1997 A,B and C subordinate bonds) with Loop Financial Products and guaranteed by Deutsche Bank (rated A2/STA), with a notional amount of $483.9 million, mirroring the accreted value of the bonds. On the swaps, the county pays SIFMA/.604 and the counterparty pays LIBOR + 1.65343% in one instance, and LIBOR + 1.77% in the other instance. The swaps terminate on October 1, 2022, prior to bond maturity. The county received no upfront payment. The county has the only option for voluntary termination. Counterparty posts collateral below the Aa3 rating level and county posts collateral below the Baa1 rating level. Regular swap payments have a senior lien status, while termination payments are subordinate to bond payments. The swaps have performed well and had a positive $44.7 million value to the county as of October 1, 2012.

In fiscal 2012, the State Legislature passed Medicaid legislation which required counties to pay an unpaid component of Medicaid expenses from November 2001 to April 2012, over a five-year period commencing in fiscal 2013, from a reduction in state revenue sharing funds. This amount equates to $42.4 million for the county payable over the next five fiscal years through fiscal 2017. In addition, going forward, annual Medicaid payment amounts could be withheld from the state's monthly distribution of sales taxes to the county. Medicaid reimbursement payments to the state from the county were $51 million in fiscal 2011. The law further stipulates it will not reduce amounts of sales taxes below those needed to pay debt service on outstanding bonds. The new Medicaid legislation is currently being litigated. Previously, the county paid Medicaid costs from any legally available funds. The new legislation could have the impact of reducing the amount of identified legally available sales tax funds for bond repayment. Moody's will continue to assess the practical implications of the new law on available funds and we will continue to monitor the litigation process.

ADEQUATE DEBT SERVICE COVERAGE ACHIEVED THROUGH SLOW PAYOUT AND ASCENDING DEBT SERVICE SCHEDULE

Moody's believes that pledged revenues remain vulnerable to economic cycles, currency fluctuations and tourist preferences. Revenues pledged to support the current issue include designated convention development tax revenue (a 3% hotel/motel tax, net of an administrative charge of 2%) after payment of Series 1996B bonds and other prior lien payments (including payments to Miami Beach), sales tax revenue, and tax increment revenues ($1.43 million annually) collected in the Omni district of the City of Miami for payment of Series 1997A bonds only (and now the Series 2012A bonds). The pledge of sales tax revenue in the stream provides the basis of credit support for subordinated special obligation bonds, although the sales tax is also a material component of non-ad valorem funds which back (directly or indirectly) about $2 billion in non-ad valorem obligations. Additionally, the Resolution has no requirement for monthly segregation of sales tax funds, providing no assurance of sufficient amounts of sales tax funds available to cure deficiencies at the time of debt service payment. As mentioned above, sales taxes are only subject to a lien for payment on the bonds when deposited into the debt service fund, and they cannot be used to replenish the debt service reserve fund.

Past declines in gross CDT collections after tourist-related shootings in the Miami area in 1994 (-16.6%), the terrorist events of September 2001 (-17.2%), and in the recent economic recession (-13.4%) are indicative of the vulnerability and narrow pledge of this revenue source, although, to date, all losses have been recouped within a two- year period. Gross CDT collections are up a total of 26.9% since the last decline in 2009, to a new peak of $52.7 million in 2011. Sales taxes were down 17.5% between 2008 and 2010, before increasing 11% in 2011. Fiscal 2012 pledged revenue components, to date, show an increase in both CDT (12.6% unaudited 12 months) and sales taxes (6.2% for 10 months). Total available revenues declined 14.5% in one year (from $182.4 million in fiscal 2008 to $156 million in fiscal 2009), before increasing 13% in the last two fiscal years to $176.3 million in fiscal 2011, marginally below 2007 levels.

Fiscal 2011 pledged revenues of $176.3 million were composed of $51.6 million (29.3%) in designated CDT revenues, $123.3 million (69.9%) in sales tax revenue and $1.43 million in (0.8%) Omni tax increment revenues. Total fiscal 2011 pledged revenues of $176.3 million, provide an adequate 1.49 times coverage of estimated maximum debt service on senior and subordinate special obligation bond issues of $118.6 million (post-refunding), after required prior payments ($13.9 million currently, but only $3 million when MADS occurs in 2038).

Because current pledged receipts of the CDT are insufficient to cover maximum projected debt service, debt service is structured with an ascending schedule (through MADS in 2038), with final maturity in fiscal 2048. This structure is based on projected growth in CDT revenue which is anticipated to eventually be sufficient to meet annual debt service. Importantly, sales taxes are an important operating revenue source for the county, and are a main component of county obligations supported by the county's available non-ad valorem revenues. Sales taxes accounted for 6.1% of fiscal 2011 General Fund revenues, and local officials estimate that about 31% of the sales tax is paid by visitors. The gradually ascending debt service schedule (from $27.2 million in fiscal 2014 to $115.5 million beginning in fiscal 2036) is meant to minimize any usage of the sales tax and continue to provide for prior payments with anticipated CDT revenue growth. Payout is slow with 40% of total principal repaid in 20 years.

COUNTY'S DOMESTIC AND INTERNATIONAL TOURIST IDENTITY CONTRIBUTES TO BROAD-BASED TOURIST TAXES

The county's sizable economic base is diversified by the tourism, trade, banking, and manufacturing industries. Tourism and conventions have provided support for the CDT. Tourism remains a primary economic component bolstered by the county's airport and seaport operations as well as significant hotel/motel accommodations throughout the county, but especially in Miami and Miami Beach. The leisure and hospitality sector accounts for over 10.8% of area non-agricultural employment. The number of tourists increased 31.4% to 13.44 million over the last 10 years through 2011, roughly split between domestic and international tourists that feed from several domestic and international markets. The economic impact of tourism is estimated to have increased 81.5% over that same period to $21.6 billion annually. The greater Miami area is estimated to have roughly 48,000 hotel rooms (with another 3,814 planned between now and 2014) which generate most of the CDT taxes. For calendar year 2012 to date, the Miami area average room rate was $167, occupancy rates (77.7%), and revenue per room ($129.8), are favorable, indicative of the strength, maturity and sustainability of the market.

The Miami area has been strongly affected by the residential housing crisis, leading to significant foreclosure activity and falloff in construction activity, although more recent housing sales and construction activity have been positive. Unemployment rates have also shown recovery at 7.8% in June 2012, versus10.8% in June 2011, and compared to 9% for the state and 8.4% for the nation. According to Moody's Economy.com (July 2012), Miami's recovery will strengthen on the back of service sector expansion aided by international spending. Long term, Miami will outperform the nation because of its growing infrastructure, strong international trade ties, and stature as an international tourist destination.

FINANCIAL OPERATIONS CHALLENGED BY PROPERTY TAX LIMITATIONS AND WEAKENED ECONOMY

In as much as non-ad valorem revenues are used to fund general operations, the county's financial health is a contributing factor in the assigned rating. Operating surpluses in fiscal 2005 through fiscal 2007 had improved cash and reserve levels considerably, with fiscal 2007 total General Fund balance at 18.1% of revenues ($404.9 million). Subsequent deficits in fiscal 2008 and 2009, associated with tax base declines and expenditure pressures, reduced General Fund balance to $296.5 million (14.1% of G.F. revenues), and unreserved fund balance to about one-half of what it was in fiscal 2007. Since then, due to a savings plan implemented by the county as well as some over-collection in revenues sources (especially in fiscal 2011), General Fund balance increased to $360.9 million in fiscal 2011 (17.9% of revenues) and assigned/unassigned balance (excluding encumbrances) was $176.3 million (8.8% of revenues). The county's unassigned balance includes a contingency reserve which is over $51.7 million at the end of fiscal 2011. For fiscal 2012, officials preliminary indications suggest a marginal decrease in total fund balance due to spending down of certain restricted funds for endangered lands and stormwater capital needs, but a marginal increase in unassigned fund balance (including roughly the same $51.8 million in contingency reserve).

In fiscal 2013, the county, due in part to almost 2% tax base growth and $158 million in annual recurring savings through labor negotiations (10% of salaries), has marginally cut the operating tax rate by 2%, and is expected to produce balanced operations, while maintaining, or slightly improving, contingency funds.

The county belongs to the state-administered Florida Retirement System (FRS) pension plan and pays its required 100% annual contribution. Contributions have remained manageable and have not pressured district operations. The state plan's liability is highly funded at about 87%. Beginning in fiscal 2011 (state fiscal year 2012), members of the FRS were required to contribute 3% of their gross compensation to the pension plan. This member contribution was overturned on March 6, 2012 in Circuit Court. The state appealed the lower court ruling to the First District Court of Appeals who certified the case to the Florida Supreme Court as a matter of great importance. Should the lower court decision be upheld, all local governments belonging to the state-administered plan would have to resume paying the members portion going forward. Officials have reported an estimated $356.3 million unfunded liability related to GASB 45 (OPEB), with a fiscal 2011 net obligation of $44 million. The OPEB annual required contribution for fiscal 2011 was $33 million, of which the county funded $22 million, or 66.6%. County health care, pension and OPEB contributions (excluding the Public Health Trust) are less than 10% of governmental expenses.

OUTLOOK

The stable outlook is based on the adequate level of pledged revenues supporting a significant amount of debt, and the revenues' overall stable performance.

What could make the rating go up:

-Significant improvement in pledged revenues supporting both debt and contractual obligations

-Improved debt structure while maintaining adequate debt service coverage

What could make the rating go down:

-Declines in pledged revenues and coverage

-Deterioration in county financial condition

-Overleveraging of this security

KEY STATISTICS:

Security: A subordinate lien (to Series 1996B bonds) on designated convention development tax (CDT) revenues (3% hotel/motel tax) and available sales tax revenues deposited to the Debt Service Fund. Omni tax increment revenues are also pledged, but only to the Series 1997A parity bonds (and Series 2012A bonds refunding a portion of the 1997A bonds).

Sales Tax as % FY 2011 General Fund Revenues: 6.1%

Post-Sale Bonds Outstanding: $890 million (accreted value and incl. senior lien bonds)

Bond Payout (non-accreted value),

10 years: 3.5%

20 years: 40%

36 years: 100%

Annual Growth in Pledged Revenues (2007-2011),

CDT: 15.6%

Sales Tax: -5.8%

Total Pledged Revenues: -0.33%

Pledged Revenues Components (FY 2011),

Sales Tax: $123.3 million (69.9%)

CDT: $51.6 million (29.3%)

Omni Tax Increment (maximum): $1.43 million (0.8%)

Total FY 2011 Pledged Revenue: $176.34 million

Estimated Maximum Debt Service (incl. Prior Payments): $118.6 million

Estimated Maximum Debt Service Coverage (all bds. & Prior Payments): 1.49 times

Additional Bonds Test: 1.50 times

Tourism (2011),

Visitors: 13.4 million

Economic Impact (estimate): $21.6 billion

Est. Number Hotel Rooms: 48,000

Leisure & Hospitality Employment (% of Non-Ag): 10.8%

County Population (2010 Census): 2.47 million

FY 2013 Full Value: $263.1 billion

Full value, Per Capita: $104,561

FY 2011 General Fund Balances (as % of G.F. Revenues),

Total: 17.9%

Unrestricted/Spendable: 11.0%

Unemployment rate, 6/2012: 10.3% (9.0% state; 8.4% U/S.)

County as % State,

Median Family Income: 96.6%

Housing Values: 112.4%

Persons Below Poverty: 140.9%.

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are endorsed by Moody's Investors Service Ltd., One Canada Square, Canary Wharf, London E 14 5FA, UK, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Information sources used to prepare the rating are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Analytics information.

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## Summary:
# Miami Dade County, Florida; Miscellaneous Tax

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## Table Of Contents

## Summary:

# Miami Dade County, Florida; Miscellaneous Tax

| Credit Profile | | |
|---|---|---|
| US$305.14 mil sub spl oblig rfdg bnds (Convention Development Tax) ser 2012B due 10/01/2037 | | |
| *Long Term Rating* | A+/Stable | New |
| US$178.675 mil sub spl oblig rfdg bnds (Convention Development Tax) ser 2012A due 10/01/2037 | | |
| *Long Term Rating* | A+/Stable | New |

## Rationale

Standard & Poor's Ratings Services has assigned its 'A+' rating on Miami Dade County, Fla.'s series 2012A and B subordinate-lien special obligation bonds. At the same time, Standard & Poor's affirmed its 'A+' underlying rating (SPUR) on the county's parity-lien subordinate special obligation bonds series 2005A, 2005B, and 2009. The outlook on all ratings is stable.

The rating reflects our assessment of the county's:

- Strong historical coverage of maximum annual debt service (MADS) requirements that we expect to continue;
- Absence of plans for additional parity subordinate debt; and
- Deep and diverse underlying economy that is displaying signs of sluggish growth.

The series 2012 bonds are secured by a subordinate lien on designated net convention development tax (CDT) revenues. CDTs are levied at a rate of up to 3% on rental accommodations in the county. In addition, the bonds are secured by a senior lien on the county's apportionment of the half-cent sales tax, on parity with the series 1996B senior-lien bonds (not rated), to make up for any deficiencies in the debt service fund. The series 2012 bonds will be on parity with the county's previously issued 1997A-1997C (not rated), 2005A-B bonds, and 2009 special obligation bonds. Standard & Poor's does not make a rating distinction between the senior series 1996B and the subordinate-lien bonds because they are all secured by a first lien on the half-cent sales tax, which makes up the majority of total available revenues for debt service. The series 2012A and B bonds will refund the county's series 1997A-C and a portion of its series 2005A parity bonds.

The series 1997A parity bonds (not rated) and series 2012A refunded bonds are additionally secured by Omni redevelopment area tax increment revenues. These increment revenues are not pledged to the series 1997B, 1997C, 2005, 2009, and 2012B bonds.

In our view, available CDT and sales taxes have fluctuated over the past three audited years. Total revenues available to support debt service, including CDT revenues, fell a cumulative 3% from fiscal 2008 to $176.3 million in fiscal 2011. This covered series 1997A-C, 2005, and 2009 MADS of $118.6 million by a still-strong 1.49x. The $118.6 million MADS figure assumes that the senior 1996B MADS occurs in 2035 (or at bond maturity), and after that year there will be only one working lien. Management projects total available revenues to increase 8% to $190 million for fiscal 2012.

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 their guaranteed entitlement funds. 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 coverage levels for these bonds as we understand the county will continue to pay its share of Medicaid costs before the withholding date.

Miami Dade's 1997 authorizing ordinance outlines that additional bonds may be issued with a lien on sales taxes if the total amount of sales tax received (during 12 consecutive months out of the 24 months immediately preceding the parity issuance) is at least equal to 1.5x MADS. The county has indicated that it has no plans for additional parity subordinate-lien debt. The county's series 1996B senior-lien bonds have a closed lien.

## Outlook

The stable outlook reflects our expectation that pledged revenues will continue to provide strong coverage of MADS. The rating could be pressured downward if pledged revenues deteriorate over the two-year outlook period, although we do not expect this to occur. Should pledged revenues demonstrate consistent year-over-year growth, we could raise the rating.

## Related Criteria And Research

USPF Criteria: Special Tax Bonds, June 13, 2007

| Ratings Detail (As Of October 17, 2012) | | |
|---|---|---|
| Miami Dade Cnty misc tax | | |
| *Long Term Rating* | A+/Stable | Affirmed |
| Miami Dade Cnty subord (wrap of insured) (MBIA & BHAC) (SEC MKT) (National) | | |
| *Unenhanced Rating* | A+(SPUR)/Stable | Affirmed |
| **Miami Dade Cnty subord spl oblig CDT** | | |
| *Unenhanced Rating* | A+(SPUR)/Stable | Affirmed |
| Many issues are enhanced by bond insurance. | | |

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