Memorandum

MIAMI-DADE COUNTY

Date: January 8, 2015

To: Honorable Chairman Jean Monestime
and Members, Board of County Commissioners

From: Carlos A. Gimenez
County Mayor

Subject: Rating Reports - Miami-Dade County, Florida General Obligation Refunding Bonds (Parks Program and Building Better Communities Program) Series 2015A and B, and General Obligation Bonds (PHT Program), Series 2015C

I am pleased to confirm that the upcoming Miami-Dade County, Florida General Obligation Refunding Bonds (Parks Program and Building Better Communities Program) Series 2015A and B, and General Obligation Bonds (PHT Program), Series 2015C have received credit rating assignments of "AA" with a stable outlook from Standard and Poor's Ratings Services (S&P) and "Aa2" with a negative outlook from Moody's Investors Service (Moody's). This represents an affirmation of current ratings.

At the same time, S&P has reaffirmed its "AA-" rating on the County's non-ad valorem backed special obligation bonds and an "A+" rating on the County's public facilities revenue bonds, both with stable outlook. Moody's also affirmed its "Aa3" rating on the County's non-ad valorem backed bonds with a negative outlook. In affirming its rating on the County's Public Service Tax Bonds, which funded the Quality Neighborhood Improvements Program backed by unincorporated service area revenues, Moody's raised its outlook from negative to stable. Both reports are attached for your reference.

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

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

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

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Table Of Contents

Summary:

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Credit Profile		
US$226.4 mil rfdg bnds ser 2015B due 07/01/2035		
Long Term Rating	AA/Stable	New
US$93.405 mil rfdg bnds ser 2015C due 07/01/2044		
Long Term Rating	AA/Stable	New
US$52.15 mil rfdg bnds ser 2015A due 11/01/2030		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating to Miami Dade County, Fla.'s series 2015 A, B, and C general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'AA' rating on the county's outstanding GO bonds, 'AA-' rating on its special obligation bonds and 'A+' rating on its public facilities revenue bonds. The outlook is stable.

Securing the GO bonds is the county's full faith, credit and taxing power. The special obligation bonds are secured by the county's non-ad valorem pledge, while the public facilities revenue bonds are backed by the county's requirement to replenish any deficiencies in the debt service reserve fund from available non-ad valorem revenues on an annual basis.

Series 2015 A and B GO bond proceeds will refund certain maturities of outstanding GO debt. Series 2015 C proceeds represent the first installment of debt authorized by voters to benefit Jackson Health System's facilities throughout the county.

The 'AA' rating reflects our assessment of the following factors for the county.

- Strong economy, which benefits from participation in the broad and diverse economy of Miami-Fort Lauderdale-West Palm Beach metropolitan statistical area (MSA) and is demonstrating signs of recovery;
- Strong budgetary flexibility, with 2013 audited reserves at 11% of adjusted general fund expenditures;
- Adequate budgetary performance;
- Very strong liquidity providing very strong cash levels to cover both debt service and expenditures;
- Strong management with good financial policies; and
- Weak debt and contingent liability profile.

Strong economy

We consider Miami-Dade County's economy strong due, in part, to its participation in the broad and diverse Miami-Fort Lauderdale-West Palm Beach MSA. The county's declining unemployment rate and tax base growth support our view that an economic recovery is underway. Officials attribute the positive trend in the unemployment rate – it averaged 8.4% in 2013 compared with 9.3% in 2012, 11.1% in 2011, and 12.4% in 2010 – to robust job creation rather than a drop in the labor participation rate. Taxable value is also showing signs of strength following sharp declines between fiscal 2009 and 2012; it increased 6.7% year-over-year in 2014 and 7.3% in 2015 (preliminary) to $210.5 billion. The corresponding market value per capita for 2015 is $117,000, and the county's projected per capita effective buying income measures 81.1% of the U.S.

Adequate budgetary performance

The county's budgetary performance remains adequate overall, in our view, with a small deficit of 2.5% for the general fund in fiscal 2013 but a 0.8% surplus for total governmental funds. Both of these metrics are from audited results and adjusted for recurring transfers as well as nonrecurring revenue. Preliminary results for fiscal 2014 show a 3% general fund deficit after again adjusting for recurring transfers and nonrecurring revenue. Approximately 52% of the county's general fund revenue in fiscal 2014 was from general property taxes, followed by state sales tax (8%), utility taxes (5%), and state revenue sharing (5%). While there is some exposure to volatile revenue streams, we believe the county's recent general fund drawdowns have been driven by heightened appeal activity and depressed property tax receipts rather than revenue cyclicality. Management reports the 2015 budget is structurally balanced, with no one-time revenues supporting recurring expenditures. We also understand that appeal activity has normalized; management reports appeals are below 60,000 for fiscal 2015 compared with a recessionary peak of 140,000.

Strong budgetary flexibility

In our opinion, the county's budgetary flexibility is strong. Preliminary results for 2014 show available general fund reserves (assigned and unassigned combined) slightly lower than 2013 levels at $188.3 million (9.6% of adjusted expenditures). For audited fiscal 2013 (Sept. 30 year-end), the total available general fund balance was $207.4 million, or 11% of expenditures after adjusting for recurring transfers. Fiscal 2015 marks the first time since 2010 that the county has raised its millage rate above the rollback rate, which we believe reflects a departure from the recent political resistance to tax increases.

Very strong liquidity

Supporting the county's finances is liquidity we consider very strong, with total government available cash and liquid investments at 39.5% of adjusted total governmental fund expenditures and 566.7% of debt service. We believe the county has exceptional access to external liquidity as it has issued bonds of various security types frequently during the past 15 years. The county currently has variable-rate debt supported by liquidity facilities. We view the reimbursement agreements supporting the letters of credit (LOCs) as sources of liquidity risk given what we deem permissive events of default that could result in an automatic acceleration of principal. However, we believe the risk is moderated by the county's historical maintenance of sufficient cash and liquid investments to cover the principal subject to acceleration. We will continue to monitor the county's cash and liquid assets against outstanding principal at risk of acceleration and would view a decline in coverage to below 1x as a negative credit event.

Strong management conditions

We view the county's management conditions as strong, with "good" financial practices under our Financial Management Assessment. Highlights include a financial forecast through fiscal 2019 that we understand is balanced for the first time in a decade and brings the county closer to compliance with its $100 million special contingency reserve policy.

Weak debt and contingent liability profile

In our opinion, the county's debt and contingent liability profile is weak, with total governmental fund debt service at 7% of adjusted governmental fund expenditures, and with net direct debt at 74.6% of total governmental fund revenue. The county's reimbursement agreements and bank loans allow for an increase in the interest rate following an event of default that, if triggered, would increase annual debt service payments by more than 20%. The county has GO debt as well as debt secured by its covenant to budget and appropriate that is currently being funded through its enterprise funds representing well over 10% of adjusted total governmental revenue. The county's planned debt issuances are not expected to materially affect this factor score.

The county participates in the state public employees' retirement plan and provides postretirement medical and dental coverage to eligible employees. Combined, pension and other postemployment benefit (OPEB) expenditures represented 5.3% of fiscal 2013 adjusted total governmental expenditures. As of Oct 1, 2012, the county's unfunded actuarial accrued liability for OPEBs was $424 million for all county funds.

Strong Institutional Framework

We consider the Institutional Framework score for Florida counties strong.

Outlook

The stable outlook reflects our view of the county's consistent financial performance, which is supported by good management. We do not expect to revise the rating in the next two years because we believe the county will maintain strong reserves and continue to benefit from a recovering economy. However, a failure to maintain cash and liquid investments covering principal at risk of acceleration could result in a negative rating action while a trend of structurally balanced operations, coupled with improved flexibility and economic indicators, could result in a positive rating action.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Moral Obligation Bonds, June 27, 2006
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of December 22, 2014)		
Miami Dade Cnty cap acquis non ad valorem (wrap of insured) (AMBAC & ASSURED GTY) (SEC MKT)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty cap asset acquis		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty cap asset acquis spl oblig bnds		
Long Term Rating	AA-/Stable	Affirmed
Miami Dade Cnty cap asset acquis spl oblig bnds		
Long Term Rating	AA-/Stable	Affirmed
Miami Dade Cnty cap asset acquis spl oblig bnds (Build America Bnds)		
Long Term Rating	AA-/Stable	Affirmed
Miami Dade Cnty cap asset acquis spl oblig ser 2010D (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty cap asset (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty non ad valorem (Pro Sport) (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty GO		
Long Term Rating	AA/Stable	Affirmed
Miami Dade Cnty GO (Building Better Communities Program) (ASSURED GTY)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Miami Dade Cnty (non ad valorem) cap asset acquis spl oblig bnds (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty (Bldg Better Comntys Prog) GO (wrap of insured) (FGIC) (MBIA - SEC MKT)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Miami Dade Cnty (Jackson Hlth Sys) (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Miami Dade Cnty (Juvenile Courthouse Proj) (AMBAC)		
Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty (Pro Sport) misc tax VRDBs		
Long Term Rating	AAA/A-1+	Affirmed
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty non ad valorem		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty pub facs ser 2005 A&B		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed

Ratings Detail (As Of December 22, 2014) (cont.)		
Miami Dade Cnty various taxes		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Miami Dade Cnty GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Miami Dade Cnty (Pks Prog) GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Sunshine St Govt Fing Comm, Florida		
Miami Dade Cnty, Florida		
Sunshine St Govt Fing Comm (Miami Dade Cnty) rev bnds		
Long Term Rating	AA-/Stable	Affirmed
Sunshine St Govt Fing Comm (Miami Dade Cnty) - 2011A (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect 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.

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to Miami-Dade County, FL's GO bonds, Series 2015 A,B,C; outlook negative

Global Credit Research - 18 Dec 2014

Affirms Aa2 on outstanding GO and Aa3 Non-Ad Valorem bonds, outlooks negative. Affirms Aa3 Public Service tax bonds, outlook revised to stable from negative

MIAMI-DADE (COUNTY OF) FL
Counties
FL

Moody's Rating

ISSUE		RATING
General Obligation Refunding Bonds (Parks Program) Series 2015A		Aa2
Sale Amount	$50,855,000	
Expected Sale Date	01/06/15	
Rating Description	General Obligation	
General Obligation Bonds (Public Health Trust Program) Series 2015C		Aa2
Sale Amount	$93,365,000	
Expected Sale Date	01/06/15	
Rating Description	General Obligation	
General Obligation Refunding Bonds (Building Better Communities Program) Series 2015B		Aa2
Sale Amount	$224,595,000	
Expected Sale Date	01/06/15	
Rating Description	General Obligation	

Moody's Outlook NEG(m)

Opinion

NEW YORK, December 18, 2014 --Moody's Investors Service has assigned a Aa2 rating to Miami-Dade County's (FL) $50.9 million General Obligation Refunding Bonds (Parks Program), Series 2015A, $224.6 million General Obligation Refunding Bonds (Building Better Communities Program), Series 2015B, and $93.4 million General Obligation Bonds (Public Health Trust Program), Series 2015C; the outlook is negative.

Concurrently we have affirmed the Aa2 rating on approximately $1.3 billion county general obligation bonds (including $322.8 million double-barreled bonds), as well as the Aa3 rating on approximately $1.9 billion in outstanding obligations supported by county non-ad valorem revenues (including bonds issued through the Sunshine State Governmental Financing Commission). Finally, we have affirmed the Aa3 rating on $128.6 million Public Service Tax bonds. The outlooks on the G.O., and non-ad valorem obligations are negative. The outlook on the Public Service Tax Bonds has been revised to stable from negative.

All three series of general obligation bonds are secured by the county's county-wide general obligation, unlimited tax pledge. The Public Service Tax bonds are secured by public service taxes levied and collected in the unincorporated areas of the county. The non-ad valorem obligations are secured by a covenant to budget-and-appropriate legally-available funds, by amendment if necessary, to pay these obligations. Non-ad valorem security provisions include an anti-dilution test that requires maximum debt service on all non-ad valorem ("covenant") obligations must be no more than half of identified legally available revenues.

Proceeds of the 2015A bonds will refund $55.7 million Series 2005 park bonds for an estimated $4.7 million (8.5% of refunded par) net present value savings taken over the remaining life of the issue. Proceeds of the 2015B bonds will refund $250 million in Series 2005 BBC bonds to achieve an estimated $31.3 million (12.5% of refunded par) net present value savings taken over the life of the issue. Proceeds of the Series 2015C (Public Health Trust Program) bonds will provide funds for the modernization, improvement, and equipping of Jackson Health System facilities in the county. The Public Health Trust bonds are the initial installment of an $830 million G.O. bond authorization approved by voters in November 2013.

SUMMARY RATINGS RATIONALE

The Aa2 county general obligation bonds as well as the Aa3 non-ad valorem rating are supported by the largest tax and economic base in the state that continues to recover, a sizable but manageable level of debt, and a narrow financial condition. Additionally, the non-ad valorem bonds reflect the comfortable level of non-ad valorem funds available to repay these obligations and the association with the county's general credit rating.

The Aa3 rating and stable outlook on the Public Service Tax bonds are supported by consistently solid debt service coverage levels, adequate legal protections and the lack of additional borrowing plans.

The negative outlook on the general obligation and non-ad valorem obligations recognizes the county's narrow financial condition, despite officials' implementation of significant budget cuts in recent years, and political challenges in raising additional revenues.

STRENGTHS

-Largest tax and economic base in the state

-Manageable level of debt

-Sizable level of county non-ad valorem funds

- Solid debt service coverage on Public Service Tax bonds

CHALLENGES

-Narrow county financial condition with political challenges in raising additional revenues

-Ability to manage increasing operating costs given the very sizable countywide budget

-Significant county obligations supported by the covenant (non-ad valorem) pledge

DETAILED CREDIT DISCUSSION

POSITIVE VOTER SUPPORT FOR PUBLIC HEALTH TRUST CAPITAL NEEDS, ALTHOUGH HOSPITAL OPERATIONS REMAIN NARROW

We believe that voter-support for the health trust's hospital infrastructure needs, as exhibited by voter support for a general obligation (G.O.) bond authorization in November 2013, is a positive factor. County voters approved the issuance of $830 million G.O. bonds in order to fund modernization, improvement and equipping of the Jackson Health System's facilities located throughout the County, including, emergency rooms, a children's ambulatory pavilion and urgent care centers. The Series 2015C Bonds are the first series of bonds issued under that voter authorization, with the remainder expected to be issued incrementally through 2023.

In addition to the authorized G.O. bonds, the county has $340 million in debt on behalf of the hospital that is backed by the county's covenant to budget and appropriate legally-available non-ad valorem revenues in the form of Debt Service Reserve Fund replenishment. The non-ad valorem obligations are effectively paid from a health care sales tax from first funds that are received and paid directly to the county, acting as its own trustee. The health care sales tax is estimated at about $227.3 million in fiscal 2014, in relation to about $25 million in annual debt service on the bonds. Residual sales tax funds are transferred to the hospital for its operating needs only. The non-ad valorem obligations are paid prior to hitting the debt service reserve, as the legal structure allows. The Public Health Trust also has taken out a $75 million line of credit with Wells Fargo for a one-year period (ending December 31, 2014), and there are currently no draws on this line of credit. An extension of the line of credit is currently being negotiated for 2015 at a reduced $50 million level.

The county's hospital system, Jackson Health System (JHS), has experienced financial difficulties in the recent past . The hospital system operates with a very lean days-in-cash position, and was in violation of its rate covenant from fiscal 2009 to fiscal 2011, although in compliance subsequently. In May 2011, the county disbanded the hospital system's Board and replaced them with an independent, seven-member Financial Recovery Board, which became the permanent Board of the Public Health Trust in 2013. Hospital expenses have been lowered materially, with about $200 million in operational reductions implemented, including elimination of about 1,800 full time equivalent positions. Also, hospital net revenue increased minimally in fiscal 2012, and days-in-cash remained very narrow at about 13 days at the end of fiscal 2012. Hospital operations for fiscal 2013 ended with a $51.1 million increase in net position, and about 27 days cash, while fiscal 2014 operations are expected to show a net position of $50.7 million, and slight improvement to 41 days cash on hand. The fiscal 2015 budget is balanced and projects an $11.6 million gain from operations.

In addition to the health care sales tax excess the hospital receives after payment of non-ad valorem obligations, the county is required to contribute each year maintenance-of- effort (MOE) amount no less than 80% of the General Fund support at the time of the tax levy. The MOE is calculated as 11.873% times the millage rate levied for countywide purposes in fiscal 2007 times 95% of the preliminary tax roll for the upcoming fiscal year, and by multiplying 11.873% on General Fund non-ad valorem revenues with the exception of local and state gas taxes ($137.9 million in fiscal 2014). The county advanced both sales tax and MOE funds in fiscal 2010 to ease the hospital system's cash flow difficulties, but the county declined a similar request in fiscal 2011 in favor of the administrative actions previously discussed. Since that time, no requests for advanced funds have been made by hospital officials. The hospital, which continually faces competitive issues, is additionally facing federal and state funding uncertainties associated with new health care reform measures. Florida did not expand Medicaid in the last legislative session, which would have aided Jackson's financial performance. Additional financial support to the health system from the county could further weaken the county's overall financial condition and weigh heavily on its credit strength.

COUNTY FINANCIAL RESERVES ARE NARROW; FORECASTED STRUCTURALLY-BALANCED BUDGETS AND GROWTH IN RESERVES ARE POSITIVE

Future challenges related to rising service costs and the sizable budget, are balanced against officials appropriate response in reducing costs and current focus on budgetary structural balance and growing reserves, aided by a recovering economy. However, officials face political challenges in raising additional recurring revenues, which could be an obstacle in attaining sustainable long-term financial health.

In an effort to maintain tax rates, county officials have made sizable cuts in the last three fiscal years through 2015 that included the elimination of 2,185 positions and reported savings of $400 million in personnel costs, as well as utilizing one-time revenues. These cuts have come at the price of continuing to defer some maintenance and replacement costs, continuing concessions for non-bargaining employees, and reducing back office and support functions, operating reserves, and other general government support costs. Although operating deficits in fiscal 2012 and 2013, are modest relative to budget and General Fund balance remains at about 18% of revenues, available reserves have declined. Plans to begin to replenish reserves beginning in fiscal 2016 is a positive credit factor.

Operating deficits in fiscal 2008 and 2009, associated with tax base declines and expenditure pressures, reduced General Fund balance nearly 19% to $296.5 million in fiscal 2010 (15% of General Fund revenues), and unreserved fund balance to less than one-half of what it was in fiscal 2007 ($76.4 million; 3.9% of General Fund revenues). From that point, due to a savings plan implemented by the county as well as some over-collection of revenues sources (especially in fiscal 2011), General Fund balance improved to $357.9 million in fiscal 2012 (19.4% of revenues), and assigned/unassigned balance was $221.11 million (12.04% of revenues) which includes an unassigned balance of $71.2 million. In fiscal 2013, an unexpected $23.4 million operating deficit, caused by lost property tax revenues associated with refunds for tax appeals, as well as reserve transfers for Fire-District tax shortfalls, reduced fund balance to $334.3 million, or 17.9% of revenues, and assigned and unassigned balance of $207.4 million, or over 11% of revenues. Most of the assigned and unassigned General Fund reserve is available for any purpose. Operations also resulted in a $9 million reduction in the contingency fund (part of unassigned balance), to $42.3 million, or a narrow 2.3% of revenues.

The fiscal 2014 budget was initially balanced with the help of $26 million in one-time tourist tax revenues, and earlier expectations were that the contingency fund would increase to the $52 million level. However, property tax losses related to tax appeals, and the elimination of the employee 5% health care contributions in January 2014, contributed to an $33.3 million reduction in total fund balance and a $42.2 million contingency reserve (2.3% of revenues). This level of targeted contingency reserves is low for Aa2-rated local governments in the U.S. and for a government the size of Miami-Dade. Fiscal 2014 total and assigned/unassigned fund balance are still 15.9% and

10% of revenues, respectively.

The county has some additional revenue raising flexibility in the tax rate and some other minor county fees, but flexibility is limited and the negative political implications of imposing such increases, as evidenced by a county official being removed from office or reversing a proposed minor tax rate increase, has proven to be a material obstacle.

Going forward, with the help of ongoing employee concessions, health care savings and government reorganization, county officials anticipate a slight surplus beginning in fiscal 2015, and increased contributions to the contingency fund beginning in fiscal 2016. The contingency fund is expected to reach over $77 million in 2019 (the end of the forecast period), with a goal of $100 million. Based on reasonable assumptions of growth in the tax base, the financial forecast appears to be structurally-balanced over the five-year term. While challenges will persist over the duration, the ability to achieve balanced operations is a positive credit factor.

MODERATE DEBT LEVELS WITH MANAGEABLE NON-ENTERPRISE BORROWING EXPECTED

The county's debt burden will likely remain manageable given moderate non-enterprise borrowing expectations. The county has an overall debt burden of 2.8% (1.6% direct net), which is manageable given the size of the tax base and population, although debt per capita is above average at $1,681 (net direct) and $2,922 overall. Debt service costs of about 8.7% of fiscal 2013 total operating revenues are moderate. The county's $21.7 billion multi-year capital program (including $9.7 billion for FY 2015-2020, and $7.5 billion for years beyond 2020) is heavily weighted towards enterprise systems (especially water & sewer) and transportation, and includes projects that may not be funded. Within the next year, governmental new money borrowing plans include the continual funding for the G.O. (BBC) drawdown bond program and up to $21 million in non-ad valorem obligations. The county is also in the midst of a multi-billion water and sewer funding program.

Currently, nearly 60% of the county's net direct (non-enterprise) debt is special tax debt, with the remainder being general obligation bonds. About 16% of total countywide debt ($92 million G.O and $426 million non-ad valorem) is related to the seaport, and is being paid from seaport revenues. Seaport operations have narrowed in recent years and could pose some near-term stress if some portion of the debt service on these county-backed obligations would have to be paid from countywide operating revenues.

The county has approximately $440 million in outstanding variable rate obligations currently (13.6% of total debt). These variable rate issues are represented by: two special tax issues that total $145.9 million (backed by TD Bank and Wells Fargo letter of credit facilities, expiring September 1, 2018 and July 12, 2019, respectively); non-ad valorem bonds issued through the Sunshine State ($92.4 million), with a Bank of NY Mellon letter of credit expiring December 19, 2016, which are related to, and paid by, the Seaport; and, two lines of credit with Wells Fargo, one for the Port of Miami Tunnel Project (none currently outstanding), and one for Public Health Trust (none currently outstanding), in relation to $45.8 million and $75 million lines of credit, respectively (facilities expire in December, 2014).

Finally, the county has entered into a flexible drawdown bond program with RBC Capital Markets (to January 9, 2017) in conjunction with its BBC G.O. bond authorization. The program has a commitment total of $675 million that requires maximum amount outstanding at any one time of $400 million, of which the county has drawn $294.3 million to date. All of the county's credit facilities have favorable three to five year term out provisions (except for the PHT line of credit which is due and payable at the end of 2014).

There are also three non-enterprise basis swaps on special tax debt (including one for some Industrial Development Bonds - BAC funding), $438.2 million notional amount, all requiring collateral posting (below the Baa1 rating level). No collateral posting is currently required. All three swaps are with Deutsche Bank. Under the swaps, the county pays SIFMA divided by 0.604 and receives LIBOR plus a rate anywhere from 1.43% to 1.57%. Mark-to-market values on the swaps (at October 1, 2014) are a positive $32.4 million to the county.

The county has obligations to 10 outstanding lease in-leases out (LILO) agreements (one expiring on Jan 2, 2015) that were defeased with guaranteed investment contracts (GICs) held by Ambac, FSA and AIG. One agreement relates to the county's Metro Center, and nine relate to maintenance and parking facilities and "qualified technological equipment" of the county's transit enterprise. Due to the downgrade of GIC providers, the county is in technical default on 9 of the 10 agreements. In each case, the county is negotiating with the investor (Bank of America) to remedy the technical default. Bank of America has been extending the cure period on the technical default every two months for another two month period. The current extension expires December 31, 2014. In the county's Metro Center lease case, the county has posted $2.391 million (valued at $2.428 million on September 30, 2014) in collateral to Rabo Bank to bring the transaction back into compliance. County officials estimate that if it had to post collateral on the other nine transactions currently in default in the same manner as the Metro Center transaction, $12.3 million of additional collateral could be required. If, however, the county were required to fully collateralize the transactions, it could require up to $80.2 million. The county has decided to exercise the early buy-out provision of the Metro Center lease and one of the qualified technological equipment leases on January 2, 2015. As of January 2, 2015 and the exercise of the early buy-out provision, these two leases will be terminated. Upon termination, the collateral posting for the Metro Center transaction will be returned to the county.

PENSION AND OPEB FUNDING LEVELS ARE MODERATE

Officials have reported an estimated $424.2 million unfunded liability related to GASB 45 (OPEB), with a fiscal 2013 annual costs of $35.6 million, in relation to the $25 million contributed (70.1%). County health care, pension and OPEB contributions (excluding the Public Health Trust) are reportedly less than 10% of the countywide budget.

County employees participate in the Florida Retirements System (FRS), a multi-employer, cost-sharing retirement plan sponsored by the State of Florida (GO rated Aa1/stable). The county's annual required contribution (ARC) for the plan was $170.8 million in fiscal 2013. The adjusted net pension liability for fiscal 2013 under Moody's methodology for adjusting reported pension data is $4.1 billion, or approximately 1.43 times operating revenues (1.55% of full value). Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

LARGE AND DIVERSIFIED ECONOMY WITH ESTABLISHED TOURISM AND INTERNATIONAL TRADE COMPONENTS

The county's very sizable economic base is well-diversified by the tourism, trade, banking, health care, construction, business services and manufacturing industries. The airport, a primary entry point for Latin American and Caribbean visitors, and seaport, with the largest multi-day cruise port in the world, remain major economic engines. Several economic sectors are doing well (real estate, health services , leisure and hospitality, and professional and business services), while others are contracting (especially public sector employment). International trade has also dropped off as evidenced in both imports and exports, although foreign tourism and enplaned passengers have increased.

The Miami area had been strongly affected by the residential housing crisis, leading to significant foreclosure activity and falloff in construction activity, although recent foreclosure filings have improved (11 in 1,000) and housing sales and construction activity have been strong, with the exception of the condominium market. Also, commercial, industrial and office real estate metrics have improved. Tourism continues to remain positive, and taxable sales have surpassed pre-recession levels. And finally, although some annexation and incorporation activity is occurring according to county officials, it is not expected to have any material impact on the county.

The county's tax base, which had almost doubled from fiscal 2004 to the fiscal 2009 high of $245.9 billion, had subsequently contracted 24% to $187 billion by fiscal 2012. More recently however, the tax base has grown 12.3% for the last three fiscal years through 2015 (to $209.9 billion), with 6.5% growth in fiscal 2015 alone, showing signs of a sustained recovery. The number of county jobs, which had grown in 2010 and 2011, has not shown improvement since then. Good private sector job growth is in contrast to declines in public sector employment. Unemployment rates have also shown recovery at 6.8% in September 2014, compared to 12.9% in June 2010, although they have remained persistently at an above average level compared to the state (6.1%) and nation (5.7%), as average real wages have trended down since 2006. Employment growth is expected to hit a high of 3.5% in 2014. Larger local construction projects for water and sewer, the school system, and the Public Health Trust should provide an economic stimulus for the area.

According to Moody's Economy.com (November 2014), in the near term, the Miami area will grow in line with the nation due to strength in multi-family construction and trade, and the metro division's international linkages. Over the forecast horizon, Miami's international character, combined with infrastructure expansion, will help its household income growth to outperform the nation's.

COMFORTABLE LEVEL OF NON-AD VALOREM REVENUES FOR DEBT SERVICE NEEDS

While the county's covenant to budget and appropriate from legally-available non-ad valorem revenues affords favorable bondholder security, the county's use of these revenues to support a very significant amount of county obligations (directly and indirectly) dilutes its effectiveness. Unadjusted non-ad valorem revenues declined nearly

11% between fiscal 2007 and the 2009 low of $828.4 million, prior to increasing 7.8% to the fiscal 2013 level of $892.8 million. Unadjusted legally-available revenues of $892.8 million ($747.8 million net of essential general government and public safety expenditures), are ample in relation to maximum debt service of about $165 million on all obligations either paid from non-ad valorem funds or ultimately backed by non-ad valorem funds, regardless of the majority of debt service paid from separate non-operating sources.

In addition, an important factor for the non-ad valorem bond rating is that only about 20% of non-ad valorem debt service is actually paid from covenant revenues, with the remainder paid from other county sources, primarily enterprise revenues. This is a credit positive given that such a significant amount of non-ad valorem debt requirements could further limit financial flexibility.

Approximately $426.3 million ($308.5 million Sunshine State loans and $117.8 million capital asset acquisition bonds) in non-ad valorem obligations are for the county Seaport alone, aside from another $92 million in double-barreled G.O. bonds. Seaport operations have narrowed in recent years, as the port accelerates its borrowing program to fund a large capital improvement plan. In addition to the approximately $550 million of new money revenue bonds issued in 2013 and 2014, the port plans to issue an additional $222 million through 2018. To date, all seaport debt has been self-supporting but margins are forecasted to tighten significantly as annual debt service requirements ramp up, leading to projected revenue shortfalls in 2017 and the reliance on sustained volume and revenue growth to achieve forecasted DSCRs. As of fiscal 2013, the port had $25.9 million unrestricted cash and discretionary reserves or 144 days cash on hand, down slightly from 156 days in FYE 2012. Management's plan is to pay county-issued debt service deficits with port liquidity, and certain gas tax funds from the state. If General Fund support is required for the seaport's non-ad valorem obligations, it would place added pressure on county operating funds.

Non ad valorem funds are diverse and include a variety of non-property type taxes, permits and fees, charges for services, intergovernmental revenues, as well as other revenues. The county's liberally-utilized covenant pledge either supports or is the ultimate security for about $1.9 billion in varied county bonds and loans. Non-ad valorem revenues, which are used to pay operating expenses, are an important budgetary funding component , and we believe that continued over-leveraging of this pledge could restrict future financial flexibility.

STRONG DEBT SERVICE COVERAGE FOR PUBLIC SERVICE TAX BONDS FROM UTILITY-BASED TAX

Strong debt service coverage levels will likely continue to be supported by consumer-based pledged revenues and that the potential for additional incorporations in the county will not impact debt repayment in the next few years. The bonds are secured by the public service tax (PST) and the discretionary local communications service tax (CST), levied and collected in the unincorporated areas of the county. Excess CST revenues are used for operating purposes in the unincorporated area. There is a 120% additional bonds test and a debt service reserve funded with $13.5 million in four sureties.

Pledged revenues have increased 6.2% over the past five fiscal years through 2013, most notably due to a 19.6% increase in the electric component of pledged revenues (58.2% of total fiscal 2013 pledged revenues), which offset a 10% decline in the CST (33.2%% of total pledged revenues). The decline in CST revenues is largely attributable to a state audit of certain CST providers that identified misallocation of CST distributions between jurisdictions, and equated to $13.1 million in overpayments to the county. As a result, the county's allocation was incrementally reduced over a 36 month period that began in March 2009, to return the $13.1 million. Pledged revenues are otherwise viewed as a relatively steady source of revenue from taxes levied on mostly essential local utilities (water, gas, electric and communications). Fiscal 2013 total pledged revenues, levied at maximum levels, provide a strong 9.54 times coverage of maximum debt service. Unaudited fiscal 2014 pledged revenues of $124.1 million, are up 4.2% over fiscal 2013 and provide a solid 9.94 times coverage of maximum debt service. Estimated annual debt service is level through 2023, with rapid declines thereafter. All $121.7 million outstanding PST bonds are repaid within 18 years and there are reportedly no plans to issue additional PST bonds at this time.

OUTLOOK

The negative outlook recognizes the county's narrow financial condition, despite officials' implementation of significant budget cuts in recent years, and political challenges in raising additional revenues.

WHAT COULD MAKE THE RATING GO UP:

-Significant strengthening of county financial reserves and liquidity

-Substantial economic improvement leading to increased property tax and other major county revenues

-Improved socio-economic profile

WHAT COULD MAKE THE RATING GO DOWN:

-Further erosion of county reserves, liquidity and flexibility

-Inability to maintain budgetary structural balance

-Overleveraging of non-ad valorem security

KET STATISTICS:

Post-Sale G.O. Bonds Outstanding (excluding $322.8 million Double-Barreled Bonds): $1.4 billion

Bond Payout,

10 years: 28.7%

20 years: 74.1%

30 years: 100%

Obligations supported (directly or indirectly) by non-ad valorem revenues: $1.9 billion

Non-Ad Valorem obligations paid from sources other than non-ad valorem revenues: 80%

County Population (2010 Census): 2.47 million (2.6 million 2014 est.)

FY 2015 Full Value: $304.8 billion

Full value, Per Capita: $118,809

FY 2013 General Fund Balances (as % of G.F. Revenues),

Total: 17.9%

Available: 11.5%

Unemployment rate, 9/2014: 6.8% (6.1% state; 5.7% U/S.)

County as % State,

Median Family Income: 96.6%

Housing Values: 112.4%

Persons Below Poverty: 140.9%.

RATING METHODOLOGIES

The principal methodology used in rating the general obligation debt was US Local Government General Obligation Debt published in January 2014. The principal methodology used in rating the Public Service Tax Bonds was US Public Finance Special Tax Methodology published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain 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 certain 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 certain 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.

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