



## Introductory Section





**ELECTED AND APPOINTED OFFICIALS  
MIAMI-DADE COUNTY, FLORIDA**



**Carlos Alvarez**  
MAYOR

**BOARD OF COUNTY COMMISSIONERS**



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DISTRICT 2



**Audrey M. Edmonson**  
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DISTRICT 5



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DISTRICT 9



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DISTRICT 10



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DISTRICT 11



**José "Pepe" Díaz**  
DISTRICT 12



**Natacha Seijas**  
DISTRICT 13



**Harvey Ruvin**  
CLERK OF COURTS



**George M. Burgess**  
COUNTY MANAGER



**Murray A. Greenburg**  
COUNTY ATTORNEY



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March 30, 2007

Honorable Carlos Alvarez, Mayor

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

Honorable Harvey Ruvlin, Clerk

Mr. George M. Burgess, County Manager

Ladies and Gentlemen:

We are pleased to present the Miami-Dade County Seaport Department (“the Seaport”) Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended September 30, 2006, pursuant to Florida State law. The financial statements were prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (“GASB”) and audited by a firm of independent certified public accountants retained by the County and paid from its public funds. This report may also be accessed via the internet at <http://www.miamidade.gov/portofmiami>.

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

The accompanying report consists of three parts:

■ **The Introductory Section**, including this letter of transmittal, provides general information on the County’s structure and personnel, as well as other information useful in assessing the County’s financial condition.

■ **The Financial Section** contains the basic financial statements and required supplementary information (including Management’s Discussion and Analysis or MD&A), the report of independent certified public accountants, and other supplemental information useful to financial statement users. The MD&A is a narrative required to accompany the financial statements. It provides an objective and easy to read analysis of the Seaport’s financial activities based on currently known facts, decisions or conditions. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

■ **The Statistical Section** provides a number of tables of unaudited data depicting the financial history of the Seaport over the past ten years, demographics, performance and other miscellaneous information. The statistical section should be used in conjunction with the financial section and the introductory section to help ascertain the Seaport’s financial position.

## Independent Audit

KPMG, a firm of licensed certified public accountants, has audited the Seaport's financial statements. The audit was performed in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Rules of the Auditor General, State of Florida. The goal of the independent audits was to obtain reasonable assurance as to whether the financial statements were free from material misstatement. The audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The scope of the audits was sufficient to satisfy State, Federal, County Charter, and bond covenant requirements. KPMG's opinion resulting from the audit is included in this CAFR.

## Profile of the Government and Government Structure

The Seaport, a department of Miami-Dade County ("the County"), operates as an enterprise of the County. An enterprise fund is used to account for activity in which the cost of providing goods and services are primarily recovered through the fees charged to the users of such goods and services. The County owns the Dante B. Fascell Port of Miami-Dade ("the Port"). The Port is operated by the Miami-Dade Seaport Department.

The Port is the largest cruise home port in the world and is among the top 12 container ports in the U. S. The Port is an island port and, as such, occupies approximately 640 acres of land. For fiscal year 2006 the Seaport handled approximately 3.7 million passengers. During this same period, approximately 8.65 million tons of cargo and close to 1 million TEUs (twenty-foot equivalent units), were processed through the Seaport.

## Budgetary Process and Control

Annually as part of the budget process, the Seaport recommends rates to provide for anticipated operat-



ing expenses, capital improvement requirements and debt service requirements. By October 1st, the beginning of the new fiscal year, the Board of County Commissioners adopts an annual budget for the Seaport's recommended rates, operating expenses, capital outlays and debt service payments. An analysis of revenue and operating expenses for the fiscal year ended September 30, 2006 can be found in the MD&A section of this report. Capital Projects are budgeted in the year anticipated to be obligated and, in the subsequent years, the unused budget is re-appropriated until the project is complete, consequently an annual comparison of these expenses is not included in this report.

The Seaport controls current expenses at both the functional and operating division levels. Through the Seaport's management reporting system, which includes responsibility centers, division managers are responsible for budgetary items that are controllable at their level. Since all expenses are controllable, this dual monitoring of expenses serves to strengthen overall fiscal, management and internal controls.

## Factors Affecting Financial Conditions

The information presented in the financial statements primarily focuses on the Seaport's financial position, results of operations and cash flows for the current and preceding fiscal years. However, the Seaport's financial

status and outlook are best understood when the focus is on previous, existing and future resources and claims on those resources. This broader concept is used to assess its financial condition, which reflects the current financial position as well as the prospects that today's financial position will improve or deteriorate. Many different types of information could be used in assessing the Seaport's financial condition, including the economic condition and outlook of Miami-Dade County, the Seaport's primary trading partners and the cruise lines; long-term debt management; capital construction management; cash management and investments; and risk financing. Following is a brief discussion of each of these factors.

## Economic Condition and Outlook

Last year's economic condition and outlook ended with a forecast that fiscal year 2006 would be a good year with respect to the economy. In many respects, with the exception of the housing market, this forecast was essentially correct. The national economy continued its positive trend, growing approximately 3.4% over the previous year. Miami-Dade's economy was consistent with this, with good performance in most of the leading economic indicators. This was especially true for international trade, the visitor industry, and consumer spending. The economic drivers of Miami-Dade's economy, the visitor industry and national and international trade and commerce, reported good performances during fiscal year 2006.

**CHART 1 — CIP FUNDING SOURCES**  
(IN THOUSANDS)

	Fiscal Year 2007		Fiscal Year 2008-2012	
	Amount	%	Amount	%
<b>Debt Proceeds</b>	\$ 17,197	43.1%	\$ 155,103	71.1%
<b>Federal Grants</b>	\$ 5,875	14.7%	\$ 37,399	17.1%
<b>State Grants</b>	\$ 7,593	19.0%	\$ 657	0.3%
<b>Seaport Revenues</b>	\$ 2,000	5.1%	\$ 10,000	4.6%
<b>Other (Private)</b>	\$ 7,200	18.1%	\$ 15,000	6.9%
<b>TOTAL</b>	\$ 39,865		\$ 218,159	

**CHART 2 — DEBT BY TYPE**  
(IN THOUSANDS)

Amount Outstanding	Gross Interest Expense	Outstanding Interest Rates
<b>Revenue &amp; Revenue Refunding Bonds:</b> \$67,555	\$ 31,710	4.00 – 8.00%
<b>General Obligation Revenue Bonds:</b> \$142,215	\$ 90,827	4.4 – 6.50%
<b>Sunshine State Loans:</b> \$348,710	\$ 236,487	3.57 – 3.77%

**CHART 3 — DEBT SERVICE COVERAGE**

	Primary Coverage	Secondary Coverage
<b>2006</b>	1.85	1.38
<b>2005</b>	1.11	0.90
<b>2004</b>	1.06	1.05

**CHART 4 — CASH MANAGEMENT**  
(IN THOUSANDS)

	2006	2005	2004
<b>Average Portfolio Balance</b>	\$ 82,003	\$ 96,428	\$ 111,702
<b>Average Investment Yield</b>	4.60%	2.70%	1.96%
<b>Interest Earned on Investments</b>	\$ 3,815	\$ 2,350	\$ 2,407

A robust national economy, coupled with improving economic conditions in the overall global economy, particularly in Europe, Latin America, and Asia, continued to positively impact the number of visitors and the volume of exports. Total employment continued its steady expansion and there was a continued reduction in the unemployment rate.

The unemployment rate continued its downward trend, averaging 3.9% for the 2006 year compared to 4.7% in 2005. This marks the fourth consecutive year that this important indicator has performed favorably. As in the previous year, professional and business services added the most jobs – 7,600, and had the highest rate of growth at 4.7%.

Consumer activity, as measured by taxable sales, was strong in fiscal year 2006. Consistent with prior year, this reflects a continuous high level of confidence on the part of the consumer. Total taxable sales increased by 9.5% compared to 11.5% in the prior year. In contrast to prior years, this indicator in Miami-Dade was above the statewide average by almost four percentage points. As in the previous year, there was an across-the-board increase in all major categories, from prior year.

Miami-Dade County's strength in tourism and trade, should positively impact its economy. Based on this factor, the outlook for fiscal year 2007 looks positive.

#### **THE SEAPORT**

##### **■ International Trade and Commerce**

At the Seaport, cargo tonnage decreased by approximately 8.6% in contrast with the prior year, which reported an increase of approximately 2.6%. This decrease is expected to be temporary and the Seaport continues to aggressively address the decrease through marketing efforts. The Seaport is optimistic regarding international commerce in Miami-Dade and predicts higher volume levels in freight and cargo tonnage movement through the Port

in the years to come. This is based on the expectation that economic growth in Latin America will continue to improve and that trade with Europe, South America, and Asia, particularly China, will increase.

The Americas continue to represent the majority of the Seaport's share of total cargo. For fiscal year 2006, the Americas accounted for 55% (Caribbean 16%, Central America and Mexico 14% and South America 25%). This was followed by the Far East, Asia and the Pacific, Europe, North America and Middle East, Southwest Asia, and Africa with 27%, 17%, 0.3% and 0.2% of total Seaport cargo

#### ■ *Competition*

Regional competition and industry wide consolidation, which contributed to reducing the cargo tons by 8.6%, from 2005, significantly affected the Seaport's cargo related revenue streams, during fiscal year 2006. The Seaport does not anticipate any further erosion of its customer base and is confident that with its aggressive marketing, Miami-Dade County's multicultural community, its worldwide trade ties and the commitment of its new leadership of collaborating with the Seaport's business partners the loss of cargo can be reversed quickly. The Seaport expects to recover some business along with new growth during fiscal year 2007 and is anticipating further growth in fiscal year 2008.

#### ■ *Tourism*

After a very good year for tourism in 2005, the visitor industry continued to achieve high activity levels during 2006. For the fifth consecutive year, an increase in tourism was reported, with a visitor growth of 2.5% to the Miami-Dade area. In total, close to 11.6 million people visited Miami-Dade County in 2006 surpassing the 11.2 million overnight visitors recorded prior to 9/11. Visitor satisfaction with their stay continued at high levels indicating that travelers are noting the increase in improved

attractions, upgraded and expanded hotels, and great beaches. The factors in attracting more visitors are the result of a successful marketing campaign by the Greater Miami Convention and Visitors Bureau to promote year-round tourism and the strategy to target vacationers from within the U.S., especially the Northeast.

The cruise industry remains among one of the fastest-growing segments of the international travel and leisure sector. Fiscal year 2006 proved to be a good year for tourism, with the visitor industry reflecting a 2.5% increase in total visitors from 2005. The Port of Miami continues to be the world's largest cruise homeport. During the 2006 fiscal year total cruise passengers were 3,731,459. This represents an increase of approximately 3.5% from prior year.

#### ■ *Future Outlook*

The Seaport is anticipating an increase in fiscal year 2007 to approximately 3.8 million passengers, an increase of 2.7% from fiscal year 2006.

The Seaport is prepared to accommodate the new and larger cruise ships, which are expected to weigh over 150,000 to 220,000 gross registered tons and carry approximately 3,600 to 6,400 passengers.

Construction of two state of the art cruise passenger terminals is expected to be completed during fiscal year 2007. Additionally, groundbreaking for a 750 space garage, which will accommodate the new terminals, is expected to take place during fiscal year 2007 and completion is expected in the 2008 fiscal year.

Despite the loss of cargo to other regional ports and industry consolidation, the Seaport feels it is in a great position and with its aggressive agenda for growth, management is confident it can make it even better. The Seaport is currently working with its cargo partners to achieve a common goal of increasing the volume of cargo moving through the Port of Miami. The Seaport is expecting to open 16 new, (10 inbound and 6 out-

bound) state of the art cargo gates. The 10 inbound and 6 outbound new cargo gates will increase capacity by 200% and 300% respectively, which will eliminate traffic congestion and enable cargo to flow in and out of the Port of Miami more efficiently. Additionally, the new gates will contribute to enhancing the overall vehicle traffic through and around the Port of Miami.

## **Long Term Financial Planning**

### **MAJOR INITIATIVES**

#### ■ *Construction Management*

The Seaport's proposed five year Capital Improvement Program for the period October 1, 2006 through September 30, 2012 is budgeted at \$258 million. Of this amount, approximately \$172.3 million or 66.8%, \$43.3 million or 16.8%, \$8.3 million or 3.2%, \$12.0 million or 4.7%, \$22.2 million or 8.5%, will be funded by debt proceeds, federal grants, state grants Seaport revenues and Other (private), respectively. Of the \$258 million, approximately \$96.6 million or 37.4%, \$83.9 million or 32.5%, \$28.2 million or 10.9% will fund the dredging project, cargo improvements and passenger facilities, respectively. The balance of \$49.3 million will fund equipment acquisition—\$14.0 million; Seaport facility improvements—\$28.5 million and \$6.9 for security improvements.

The completion of two new cruise terminals is expected to be completed during the 2007 fiscal year. Additionally, the construction of a 750 space parking garage is expected to break ground during fiscal year 2007, with completion during the 2008 fiscal year. Additional information regarding the Seaport's capital improvement program can be found in the Management's Discussion and Analysis ("MD&A") section and the Notes to the Financial Statements section of this report. **CHART 1** summarizes the funding sources for the Seaport's capital improvement program for next fiscal year and fiscal years 2008-2012.



## Debt Administration

The Seaport has followed a program to eliminate high interest rate debt in favor of lower cost debt through refinancing and calling debt when feasible. The Seaport is continuing to address opportunities to take advantage of market conditions in the current low interest rate environment. During the 2006 fiscal year, the Seaport restructured five of its Sunshine State Loans. Detailed information about the restructuring can be found in the MD&A section and the Notes to the financial statements section of this report.

Debt by type is summarized in **CHART 2**. The required debt service coverage ratio for "net revenues" as defined by the Seaport's Master Bond Ordinance, Miami-Dade County Ordinance 88-66, is a blend resulting from 1.25 of maximum principal and interest for revenue bond issues and a 1.10 of maximum principal and interest payments for general obligation bond issues. Excluded from this calculation is the subordinate debt comprised of various Sunshine State loans which has a coverage requirement of 1.0. Actual coverage for the past three years is shown in **CHART 3**.

## Security

Securing the Seaport and providing efficient commerce will present challenges for the foreseeable future. In addition to operational issues, funding needs for security has increased dramatically from both the operational and capital perspectives. Security expenses continue to increase and continue to adversely affect the Seaport. During fiscal year 2006, security costs were approximately \$18.4 million. The Seaport has made lowering security costs a priority and is currently working with the United States Coast Guard and the Florida Department of Law Enforcement (FDLE) on amending the existing security plan. The amended changes would yield approximately \$3.5 million in savings to the Seaport annually.

## Cash Management and Investments

The Seaport's unrestricted cash is pooled with the County's unrestricted cash and investments. Restricted cash, including excess interest amounts related to the Sunshine State Loans, is held in an escrow account under the terms of the loan agreements. Pooled investments are made pursuant to Florida Statutes and resolutions of the Board of County Commissioners and consist of U.S. Government and Agency Securities, Commercial Paper, Bankers' Acceptances and Repurchase Agreements, which are collateralized by U.S. Government and Agency Securities. A summary and comparison of cash management activity is shown in **CHART 4**.

## Risk Management

The Seaport participates in the County's self-insurance programs for workers' compensation, automobile liability, and general liability insurance. Insurance is maintained with independent carriers for all other risks of loss.

## Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Miami-Dade Seaport Department for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This was the seventh consecutive year that the Seaport received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's require-

ments and we are submitting it to the GFOA to determine its eligibility for another certificate.


## Acknowledgments

This report could not have been prepared on a timely basis without the efficient and dedicated services of the Seaport's Finance Division staff. We are grateful to all Seaport employees who assisted and contributed to its preparation. We also thank the Mayor, the Miami-Dade Board of County Commissioners, the County Manager and his staff, the County Attorney's Office and other County departments for their continued assistance in enabling the Seaport to fulfill its role in promoting international trade and economic development in Miami-Dade County.

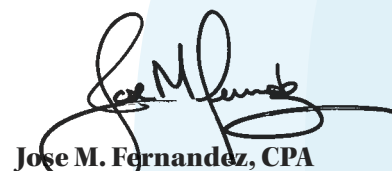
Respectfully submitted,



**Bill Johnson,**  
*Port Director*



**Miriam N. Abreu, CPA**  
*Assistant Director for Finance*



**Jose M. Fernandez, CPA**  
*Controller*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Miami-Dade County  
Seaport Department  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# MIAMI-DADE SEAPORT DEPARTMENT ORGANIZATIONAL CHART

