



# CITY OF DORAL

## Office of the City Manager

### Letter to Council

LTC No. 029-2024

To: The Honorable Mayor and Members of the City Council

From: Rey Valdes, City Manager

Date: September 16, 2024

Subject: **Fitch Ratings upgraded the City of Doral's General Obligation, Series 2019 and 2021 Bonds to AAA**

This Letter to Council (LTC) is to provide information to the Mayor and Councilmembers on the bond ratings assigned by Fitch Ratings to the City's Series 2019 and 2021 General Obligation Bonds.

The City of Doral received a questionnaire from the rating agency and responses were prepared. We are pleased to report that Fitch Ratings has upgraded the City's AA+ rating to AAA. As per the agency, the rating reflects the city's low long-term liability metrics as well as financial resilience.

The agency based their ratings on:

- Sound and prudent management practices
- Strong financial policies and practices
- Strong budgetary performance and conservative budgeting practices
- The buildup and use of reserves, which provides for future financial flexibility
- The City's low property tax rate compared to the statutory cap
- Doral's strong economy

Attached is the Fitch Ratings Final Press Release.

If you should need any further information about this matter, please do not hesitate to contact my office.

c: Francisco Rios, Deputy City Manager  
Fernando Casamayor, Assistant City Manager/CFO  
Lorenzo Cobiella, City Attorney  
Solangel Perez, Finance Director  
Michelle C. Guillen, Assistant Finance Director



**RATING ACTION COMMENTARY**

**Fitch Upgrades Doral, FL's IDR and General Obligation Bonds to 'AAA' Due to Criteria Change**

Tue 10 Sep, 2024 - 4:04 PM ET

Fitch Ratings - New York - 10 Sep 2024: Fitch Ratings has upgraded the city of Doral, Florida's Issuer Default Rating (IDR) and series 2019 and 2021 (Parks and Recreation Projects) General Obligation bonds to 'AAA' from 'AA+'.

The Rating Outlook is Stable. The Ratings have been removed from Under Criteria Observation.

**RATING ACTIONS**

ENTITY / DEBT ⇅	RATING ⇅	PRIOR ⇅
Doral (FL) [General Government]	LT IDR    AAA Rating Outlook Stable Upgrade	AA+ Rating Outlook Stable
Doral (FL) /General Obligation - Unlimited Tax/1 LT	LT    AAA Rating Outlook Stable    Upgrade	AA+ Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

The upgrade of the IDR and GO bonds to 'AAA' from 'AA+' reflects implementation of Fitch's new U.S. Public Finance Local Government Rating Criteria. The rating reflects the city's low long-term liability metrics and 'aaa' financial resilience, based on the city's 'high' budgetary flexibility and Fitch expectation that available general fund reserves will equal at

least 10% of spending, compared to the current level of nearly 140%. The rating also incorporates Fitch's assessment of 'strongest' for the city's demographic and economic trend and level metrics which are given greater weight under the new criteria.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

--A sustained decline in available general fund balance and transfers out below 10% of total governmental expenditures would reduce the town's financial resilience assessment to below 'aaa';

--Weakened underlying economic and demographic performance including but not limited to persistent population loss, rising unemployment and lower resident income;

--A sustained 80% increase in long-term liabilities due to additional debt and/or net pension liability and increased carrying costs, absent a commensurate increase in personal income or governmental resources.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

--Not applicable for 'AAA' ratings.

## **SECURITY**

The bonds are general obligations of the city of Doral. The bonds are backed by a pledge of the full faith, credit and taxing power of the city without limitation.

## **FITCH'S LOCAL GOVERNMENT RATING MODEL**

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate

credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

## **RATINGS HEADROOM & POSITIONING**

Doral Model Implied Rating: 'AAA' (Numerical Value: 10.80)

-- Metric Profile: 'AAA' (Numerical Value: 10.80)

-- Net Additional Analytical Factor Notching: 0.0

Doral's Model Implied Rating is 'AAA'. The associated numerical value of 10.80 is at the upper end of the range for its current 'AAA' rating.

## **KEY RATING DRIVERS**

### **FINANCIAL PROFILE**

#### **Financial Resilience - 'aaa'**

Doral's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment:  $\geq 10.0\%$

-- Current year fund balance to expenditure ratio: 138.5% (2023)

-- Five-year low fund balance to expenditure ratio: 117.1% (2023)

#### **Revenue Volatility - 'Midrange'**

Doral's weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 6.3% decrease for the three-year period ending fiscal 2011

-- Median issuer decline: -4.5% (2023)

## **DEMOGRAPHIC AND ECONOMIC STRENGTH**

### **Population Trend - 'Strongest'**

Based on the median of 10-year annual percentage change in population, Doral's population trend is assessed as 'Strongest'.

Population trend: 3.7% Analyst Input (97th percentile) (vs. 4.1% 2022 median of 10-year annual percentage change in population)

### **Unemployment, Educational Attainment and MHI Level - 'Strongest'**

The overall strength of Doral's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2023 are assessed as 'Strongest' on a composite basis, performing at the 80th percentile of Fitch's local government rating portfolio. This is due to very high education attainment levels and very low unemployment rate offsetting midrange median-issuer indexed adjusted MHI.

-- Unemployment rate as a percentage of national rate: 44.4% 2023 (100th percentile), relative to the national rate of 3.6%

-- Percent of population with a bachelor's degree or higher: 56.4% (2022) (93rd percentile)

-- MHI as a percent of the portfolio median: 98.8% (2022) (48th percentile)

### **Economic Concentration and Population Size - 'Strongest'**

Doral's population in 2022 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 76,935 (2022) (above the 15th percentile)

-- Economic concentration: 25.4% (2023) (above the 15th percentile)

## **LONG-TERM LIABILITY BURDEN**

### **Long-Term Liability Burden - 'Strong'**

Doral's carrying costs to governmental expenditures and liabilities to governmental revenue have improved while liabilities to personal income remain moderately strong. The long-term liability composite metric in 2023 is at the 73rd percentile, indicating a somewhat lower liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 3.2% Analyst Input (73rd percentile) (vs. 3.3% 2023 Actual)

-- Liabilities to governmental revenue: 155.9% Analyst Input (61st percentile) (vs. 160.2% 2023 Actual)

-- Carrying costs to governmental expenditures: 10.3% (2023) (81st percentile)

### **Analyst Inputs to the Model**

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

Liabilities to personal income, and liabilities to governmental revenues were adjusted to reflect amortization of principal since the end of fiscal 2023 through fiscal end 2024.

## **PROFILE**

The city is located approximately 10 miles west of the city of Miami in the northwestern section of Miami-Dade County. It encompasses approximately 14 square miles and has a

2023 Census estimated population of 79,359. The city's population has experienced fast growth since its incorporation in 2003 and grew by close to 73.6% from 2010 to 2023.

### **Sources of Information**

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DRIVER by Solve.

### **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

### **ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

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**APPLICABLE CRITERIA**

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

**APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

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