



Miami-Dade County Board of County Commissioners

Office of the Commission Auditor

**Legislative Analysis**

**Budget, Planning & Sustainability**  
**Committee**

May 11, 2010

2:00 P.M.

Commission Chamber

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Commission Auditor  
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Miami, Florida 33128  
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**Miami-Dade County Board of County Commissioners  
Office of the Commission Auditor**

**Legislative Notes  
Budget, Planning & Sustainability Committee  
Meeting Agenda**

**May 11, 2010**

Written analyses and notes for the below listed items are attached for your consideration:

**Item Number(s)**

3(D)
3(E)
3(F)

If you require further analysis of these or any other agenda items, please contact Guillermo Cuadra, Chief Legislative Analyst, at (305) 375-5469.

Acknowledgements--Analyses prepared by:  
Elizabeth N. Owens, Legislative Analyst

**MIAMI-DADE COUNTY  
BOARD OF COUNTY COMMISSIONERS  
OFFICE OF THE COMMISSION AUDITOR**



Legislative Notes

**Agenda Item:** 3(D)  
**File Number:** 101054  
**Committee(s) of Reference:** Budget, Planning & Sustainability  
**Date of Analysis:** May 10, 2010  
**Type of Item:** Aviation Revenue Bonds (Series 2010B)

**Summary**

This resolution authorizes the Finance Director, as the Mayor's designee, to issue Aviation Revenue Bonds in multiple sub-series, in an amount not to exceed \$600 million for 40 years in maturity; and to use Build America Bonds as a portion of the issuance (if advisable).

The series of bonds, referenced as Series 2010B Bonds, are to be issued for the following purposes:

- Deposit to Construction Fund: \$522,400,000
  - Refund of all or a portion of outstanding Commercial Paper (CP) Notes;
  - Repay any internally borrowed Aviation funds used to fund project costs and reserve requirements; and
  - Issuance of additional proceeds for projects included in the Capital Improvement Program (CIP).
- Capitalized Interest: \$44,800,000
- Deposit to Reserve Account (if no surety): \$26,400,000
- Other Costs of Issuance: \$6,400,000

**Background and Relevant Legislation**

In a series of bond enabling ordinances enacted by the Board of County Commissioners (BCC) from 1994 through 2009, the BCC authorized the issuance of Aviation Revenue Bonds collectively totaling \$6.2 billion for the purpose of financing capital improvements for County Airports, among other things. This resolution implements the authority conferred under the Enabling Bond Ordinances for the completion of airport projects, provided the issuance of additional bonds, as authorized, does not exceed \$600 million.

**Policy Change and Implication**

As noted above, the BCC has previously authorized the issuance of Aviation Revenue Bonds in which the bonds are secured on a parity basis with outstanding aviation bonds. Therefore, the proposed resolution does not constitute a new policy.

### **Budgetary Impact**

According to Exhibit D on handwritten page 138 and 139, in FY 2009 there was a decrease in revenue collected from aviation landing fees and from aviation parking revenues.

### Debt Service

The Administration reports that the estimated average annual debt service payment resulting from the issuance of the Series 2010B Bond is calculated at an estimated true interest cost of 5.44% for a 31.2-year maturity term, based on April 2010 market conditions. Taking into consideration unexpected market volatility, the true interest cost parameter is 6.5%.

According to Administration, \$337 million in interest is paid annually on the debt service. Once BCC approves this item, the annual interest payment is projected to increase to \$417 million over the next seven (7) years.

**An updated debt service schedule will be provided to the Board for consideration prior to final approval.**

### Build America Bonds (BABs)

The American Recovery and Reinvestment Act (the "Act") created a new form of bonds known as Build America Bonds ("BABs"). Build America Bonds are taxable and, through Federal subsidies or tax credits, are intended to reduce municipal borrowing costs.<sup>1</sup> If the County issues BABs, it intends to receive the cash subsidy from the US Treasury equivalent to 35% interest on the BABs in lieu of providing the tax credits or direct payments to bond investors.

According to Administration, BABs are risky because failure to comply with the IRS rules may result in the loss of all or some of the federal subsidy. Moreover, a change in federal law may adversely impact the subsidy amount that the County receives in the future. The current economic benefit is estimated to be 7%. Economic benefits are assessed only at the time of sale.

### **Questions / Comments**

The proceeds are to repay any internally borrowed Aviation funds used to fund project costs and reserve requirements – how much has been borrowed?

According to Administration, the Aviation Department has not had to advance any funds for either projects or reserve account.

**Prepared by:** Lauren Young-Allen and Elizabeth N. Owens

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<sup>1</sup> <http://www.munibondadvisor.com/BuildAmericaBonds.htm>

**MIAMI-DADE COUNTY  
BOARD OF COUNTY COMMISSIONERS  
OFFICE OF THE COMMISSION AUDITOR**



Legislative Notes

**Agenda Item:** 3(E)  
**File Number:** 101091  
**Committee(s) of Reference:** Budget, Planning & Sustainability  
**Date of Analysis:** May 10, 2010  
**Type of Item:** Transit System Sales Surtax Revenue Bonds (Series 2010)

**Summary**

This resolution authorizes the Finance Director, as the Mayor's designee, to issue Transit System Sales Surtax Revenue Bonds in multiple sub-series, in an amount not to exceed \$217.26 million for 40 years in maturity; and to use Build America Bonds as a portion of the issuance (if advisable).

The series of bonds, referenced as Series 2010 Bonds, are to be issued for the following purposes:

- Deposit to Construction Fund: \$182.19 million
  - Deposit to Transit Construction Account (\$136.64 million); and
  - Deposit to Public Works Construction Account (\$45.55 million).
- Capitalized Interest: \$24.5 million
- Deposit to Reserve Account (if no surety): \$11.43 million
- Other Costs of Issuance: \$1.96 million
- Original Issue Premium: \$2.82 million

**Background and Relevant Legislation**

In November 2002, the voters of Miami-Dade County authorized the levy and collection of 0.5% discretionary sales surtax along with a series of bond enabling ordinances enacted by the Board of County Commissioners (BCC) from 2005 through 2009, the BCC authorized the issuance of Transit Surtax bonds for the for the purpose of financing transportation and transit projects. This resolution implements the authority conferred under the voter referendum and enabling bond ordinances for the completion of transportation and transit projects, provided the issuance of additional bonds, as authorized, does not exceed \$217.26 million.

**Policy Change and Implication**

As noted above, the BCC has previously authorized the issuance of Transit System Sales Surtax Revenue Bonds; therefore, the proposed resolution does not constitute a new policy.

## **Budgetary Impact**

### Debt Service

In the May 11, 2010 memo, Administration reports that the estimated average annual debt service payment resulting from the issuance of the Series 2010 Bond is calculated at an estimated true interest cost of 4.41% after federal subsidy for a 30-year maturity term, based on April 2010 market conditions. Taking into consideration unexpected market volatility and without the federal subsidy, the true interest cost parameter is 6.74%.

The aggregate gross debt service in September 30, 2012 is estimated to be \$55.527 million. Once this item comes on line in 2013, the estimated gross debt service will increase to \$71.1 million. In 2040 it will be \$65.062 million.

**An updated debt service schedule will be provided to the BCC for consideration prior to final approval.**

### Build America Bonds (BABs)

The American Recovery and Reinvestment Act (the "Act") created a new form of bonds known as Build America Bonds ("BABs"). Build America Bonds are taxable and, through federal subsidies or tax credits, are intended to reduce municipal borrowing costs.<sup>1</sup> If the County issues BABs, it intends to receive the cash subsidy from the US Treasury equivalent to 35% interest on the BABs in lieu of providing the tax credits or direct payments to bond investors.

According to Administration, BABs are risky because failure to comply with the IRS rules may result in the loss of all or some of the federal subsidy. Moreover, a change in federal law may adversely impact the subsidy amount that the County receives in the future. The current economic benefit is estimated to be 7%. Economic benefits are assessed only at the time of sale.

**Prepared by:** Elizabeth N. Owens

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<sup>1</sup> <http://www.munibondadvisor.com/BuildAmericaBonds.htm>

**MIAMI-DADE COUNTY  
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Legislative Notes

**Agenda Item:** 3(F)  
**File Number:** 101094  
**Committee(s) of Reference:** Budget, Planning & Sustainability  
**Date of Analysis:** May 10, 2010  
**Type of Item:** Capital Asset Acquisition Special Obligation Bonds (Series 2010)

**Summary**

This resolution authorizes the Finance Director, as the Mayor's designee, to issue and negotiate sale of Miami-Dade County Capital Asset Acquisition Special Obligation Bonds in multiple sub-series, in an amount not to exceed \$107 million for 40 years in maturity; and to use Build America Bonds as a portion of the issuance (if advisable).

The series of bonds, referenced as Series 2010 Bonds, are to be issued for the following purposes:

- Deposit to the Acquisition Fund: \$95,033,023
  - Deposit to Acquisition Account (\$93.917 million); and
  - Cost of Issuance Account (\$1.116 million).
- Deposit to Reserve Account: \$7.691 million
- Original Issue Discount: \$3.616 million

**Background and Relevant Legislation**

In a series of bond enabling ordinances enacted by the Board of County Commissioners (BCC) from 2007 through 2010, the BCC authorized the issuance of Capital Asset Acquisition Special Obligation Bonds to finance the acquisition, construction and/or renovation of priority capital assets, including the purchase of Overtown II. This resolution implements the authority conferred under the Enabling Bond Ordinances for specific projects, provided the issuance of additional bonds, as authorized, does not exceed \$107 million.

Principal and interest payments will be made solely from legally available non-Ad Valorem revenues as appropriated annually in the County's budget and from revenues otherwise available from authorized funds and debt service revenues. Revenues include but are not limited to causeway revenues from the Rickenbacker and Venetian Causeway projects and rental payments from other governmental agencies occupying the Overtown II building.

## **Policy Change and Implication**

As noted above, the BCC has previously authorized the issuance of Capital Asset Acquisition Special Obligation Bonds; therefore, the proposed resolution does not constitute a new policy.

## **Budgetary Impact**

### Debt Service

According to the May 11, 2010 memo, Administration reports that the estimated average annual debt service payment resulting from the issuance of the Series 2010 Bond is calculated at an estimated true interest cost of 5.30% with federal subsidy for a 30-year maturity term, based on April 2010 market conditions. Taking into consideration unexpected market volatility and without the federal subsidy, the true interest cost parameter is 7.23%.

The aggregate gross debt service in 2010 is estimated to be \$45.536 million. Once this item comes on line in 2011, it will add to the existing debt service for the next 28 years approximately \$7.690 million to the existing debt service.

**An updated debt service schedule will be provided to the BCC for consideration prior to final approval.**

### Build America Bonds (BABs)

The American Recovery and Reinvestment Act (the "Act") created a new form of bonds known as Build America Bonds ("BABs"). Build America Bonds are taxable and, through federal subsidies or tax credits, are intended to reduce municipal borrowing costs.<sup>1</sup> If the County issues BABs, it intends to receive the cash subsidy from the US Treasury equivalent to 35% interest on the BABs in lieu of providing the tax credits or direct payments to bond investors.

According to Administration, BABs are risky because failure to comply with the IRS rules may result in the loss of all or some of the federal subsidy. Moreover, a change in federal law may adversely impact the subsidy amount that the County receives in the future. The current economic benefit is estimated to be 7%. Economic benefits are assessed only at the time of sale.

**Prepared by:** Elizabeth N. Owens

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<sup>1</sup> <http://www.munibondadvisor.com/BuildAmericaBonds.htm>