Memorandum

MIAMI-DADE COUNTY

Date: September 16, 2008

Agenda Item No. 14(A)(1)

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Amendment of the Standby Bond Purchase Agreement for the Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005

Recommendation

It is recommended that the Board of County Commissioners (Board) adopt the accompanying resolution that (i) approves an amendment to the Standby Bond Purchase Agreement (Agreement) between Miami-Dade County (County) and JPMorgan Chase Bank, National Association (Bank/JPMorgan) dated September 25, 2005 with respect to the issuance of the County's Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 (2005 Bonds) to provide, among other financial changes, that the expiration date of September 29, 2008 be extended until December 28, 2008 (Extension); and (ii) authorizes the County Mayor or the County Mayor's designee to solicit proposals for a substitute Liquidity Provider as soon as it is practicable.

Scope

The impact of the amended Standby Bond Purchase Agreement is countywide.

Fiscal Impact/Funding Source

The fees on the Standby Bond Purchase Agreement shall be paid with the revenues of the Water and Sewer Department (Department).

Currently, the County pays an annual commitment fee of 0.10 percent applied to the Available Commitment amount, initially $298,734,348 (representing the Principal Commitment component of $295.24 million plus the Interest Commitment component of $3,494,348), or $298,734 annually. This equates to approximately $74,700 for a 90-day period. This rate expires on September 29, 2008 and the Bank has the option to extend the commitment or not. On August 29, 2008, JPMorgan notified the County that due to the current lack of liquidity in the marketplace, it was reducing its exposure in the liquidity market and would offer an extension for a period of 90 days until December 28, 2008 at an increased rate of 0.80 percent for the extension period or approximately $597,500 for 90 days. The 90-day extension would give the County time to find a replacement Liquidity Provider. The commitment fee difference for the 90-day period will cost the County an additional $522,800.

Background

On February 17, 2004, the Board adopted Resolution R-227-04, which authorized a competitive bidding for a swaption in connection with the refunding of the Water and Sewer System Revenue Bonds, Series 1995 (Series 1995 Bonds). A swaption is a method of locking-in interest rates ahead of the refunding date of the bonds. The bid was to select a counterparty who offered the largest upfront payment. At the exercise date, the County would be required to refund all or a portion of the callable Series 1995 Bonds on the first call date of the bonds, and enter into an interest rate swap or buy back the option. On March 17, 2004, Bank of America was selected as the counterparty offering the best bid on these bonds, which was an upfront payment of $26,012,000 and $10,923,880 to cover the call premium of the Series 1995 Bonds and

pay the issuance costs, to be paid on the exercise date if the option was exercised, for a total benefit of $36,935,880 or 10.785 percent on a present value basis of the refunded bonds.

On August 15, 2005, Bank of America advised the County that it would exercise its option. As a result, on September 29, 2005, the County issued variable rate bonds backed by a Standby Bond Purchase Agreement, and entered into a swap with Bank of America as the counterparty. The terms are that the County pays variable rate to the bondholders, and the counterparty (Bank of America) pays the County variable rate based on the BMA index and the County pays to Bank of America a fixed rate of 5.27 percent, which was the same rate as the Series 1995 Bonds. This is called a synthetic fixed rate.

In order to secure the 2005 Bonds, the County entered into the Standby Bond Purchase Agreement with JPMorgan, and purchased bond insurance from FSA. This type of liquidity support is necessary to assure the bondholders that there would be a purchaser of the 2005 Bonds if there was a failed remarketing due to market conditions. Because the 2005 Bonds were insured by Financial Security Assurance, Inc. (FSA), an AAA insurer, and the strong variable rate market at the time, the County received very favorable financial terms from JPMorgan Chase in 2005 when the Standby Bond Purchase Agreement was entered into, including the low annual fee of 0.10 percent.

The Standby Bond Purchase Agreement had a three-year term, ending on September 29, 2008, but provided that the County may request an extension of that term at the sole option of JPMorgan. In late July 2008, the County requested a three-year extension from JPMorgan. On August 29, 2008, JPMorgan notified the County that it was reducing its exposure in the liquidity market and would not extend for the requested three-year period. However, as an accommodation to the County, it was willing to extend the Standby Bond Purchase Agreement for 90 days, until December 28, 2008, so the County would have time to find a replacement Liquidity Provider, provided the County enter into an amendment to the Standby Bond Purchase Agreement (Amendment) that revised certain financial terms. The Amendment is attached as Exhibit 1 to the Resolution.

The significant change during the 90-day extension is the increase of the annual commitment fee percentage from 0.10 percent to 0.80 percent on the Available Commitment amount ($298,734,348). By comparison, over the past few months, the County has received proposals on other letter of credits on significantly smaller transactions with annual commitment fee percentages of 0.55 percent and 0.60 percent.

It is recommended that the Amendment be approved and that the County Mayor or the County Mayor's designee be authorized to solicit proposals for a Liquidity Provider as soon as practical. Failure to extend the Standby Bond Purchase Agreement will result in a mandatory tender and the 2005 Bonds will become bank bonds at a significantly higher interest rate. After a solicitation process, a replacement Liquidity Provider will be submitted with the new terms for Board consideration at a subsequent meeting. In the event a replacement Liquidity Provider cannot be secured, the County Mayor or the County Mayor's designee may consider other financial advisor recommended viable options such as the termination of the synthetic fixed rate swap and issuance of fixed rate bonds. A resolution shall be presented to the Board approving the terms of the financial advisor recommended option. The County Mayor or the County Mayor's designee is also authorized to extend the Standby Bond Purchase Agreement beyond December 28, 2008 to complete the substitution or the conversion, provided the extension is not longer than 60-days and the annual commitment fee percentage does not exceed 1.0 percent.

Attachment

Cynthia W. Curry
Assistant County Manager

2

MEMORANDUM
(Revised)

TO: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

DATE: September 16, 2008

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Agenda Item No. 14(A)(1)

Please note any items checked.

✓ **"4-Day Rule" ("3-Day Rule" for committees) applicable if raised**

_____ **6 weeks required between first reading and public hearing**

_____ **4 weeks notification to municipal officials required prior to public hearing**

_____ **Decreases revenues or increases expenditures without balancing budget**

_____ **Budget required**

_____ **Statement of fiscal impact required**

_____ **Bid waiver requiring County Manager's written recommendation**

_____ **Ordinance creating a new board requires detailed County Manager's report for public hearing**

_____ **Housekeeping item (no policy decision required)**

_____ **No committee review**

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 14(A)(1)
9-16-08

RESOLUTION NO. _____

RESOLUTION APPROVING AMENDMENT TO STANDBY BOND PURCHASE AGREEMENT BETWEEN MIAMI-DADE COUNTY AND JPMORGAN CHASE BANK, NATIONAL ASSOCIATION WITH RESPECT TO $295,240,000 WATER AND SEWER SYSTEM REVENUE REFUNDING VARIABLE RATE DEMAND BONDS, SERIES 2005; AND AUTHORIZING MAYOR OR COUNTY MAYOR'S DESIGNEE TO SOLICIT PROPOSALS FOR SUBSTITUTE LIQUIDITY PROVIDER

WHEREAS, this Board desires to (i) amend the Standby Bond Purchase Agreement ("Standby Agreement") between Miami-Dade County ("County") and JPMorgan Chase Bank, National Association ("JPMorgan") with respect to the County's Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 ("2005 Bonds") in order avoid a mandatory call of the Series 2005 Bonds on or about September 29, 2008 when the letter of credit expires; and (ii) authorize the County Mayor or the County Mayor's designee to solicit proposals for a Substitute Liquidity Provide as soon as it is practical, for the reasons described in the attached memorandum which is incorporated in this resolution by reference ("Memorandum"),

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that the amendment to the Standby Bond Purchase Agreement attached to this resolution as Exhibit 1 is approved and the Mayor or his designee is authorized to solicit proposals for a Substitute Liquidity Provider for the Series 2005 Bonds as soon as practicable.

The foregoing resolution was offered by Commissioner , who moved its adoption. The motion was seconded by Commissioner and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman
Barbara J. Jordan, Vice-Chairwoman

Jose "Pepe" Diaz	Audrey M. Edmonson
Carlos A. Gimenez	Sally A. Heyman
Joe A. Martinez	Dennis C. Moss
Dorrin D. Rolle	Natacha Seijas
Katy Sorenson	Rebeca Sosa
Sen. Javier D. Souto	

The Chairperson thereupon declared the resolution duly passed and adopted this 16th day of September, 2008. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF COUNTY
COMMISSIONERS

HARVEY RUVIN, CLERK

Approved by County Attorney as
to form and legal sufficiency.

Gerald T. Heffernan

By:_____
Deputy Clerk

Exhibit 1
Amendment to Standby Bond Purchase Agreement

6

J.P.Morgan

September __, 2008

Miami-Dade County, Florida
Finance Department
111 NW 1st Street, Suite 2550
Miami, Florida 33128-1995
Facsimile: 305-375-5659

Attention: Ms. Rachel Baum, C.P.A.,
Finance Director

Ladies and Gentlemen:

Reference is hereby made to the Standby Bond Purchase Agreement dated as of September 25, 2005 (the "Agreement") between Miami-Dade County, Florida (the "County") and JPMorgan Chase Bank, National Association (the "Bank"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Agreement.

For valuable consideration, the receipt of which is hereby acknowledged by the parties, the County and the Bank hereby agree that Agreement shall be amended as follows:

(i) Effective as of the date hereof, the definition of "Bank Rate" in Section 1.1 of the Agreement shall be amended by inserting at the end thereof, immediately before the period, the following clause:

"and at no time shall the Bank Rate be less than the interest rate applicable to Bonds which are not Purchased Bonds".

(ii) Effective as of the date hereof, the definition of "Base Rate" in Section 1.1 of the Agreement shall be deleted and the following shall be substituted therefor:

"Base Rate" means, for any day, a fluctuating rate of interest equal to the highest of (i) the Prime Rate, (ii) the sum of 0.5% per annum plus the Federal Funds Rate for such day and (iii) 7.0% (it being understood that each change in such Base Rate is to be effective for purposes of this Agreement on the day on which such change is effective for the Bank's purposes); and provided further, that the Bank Rate shall reflect any adjustment referred to in Section 3.1(b).

(iii) Effective as of September 29, 2008, the definition of "Commitment Fee Percentage" in Section 1.1 of the Agreement shall be amended by deleting the phrase "means, at any time, 0.10%" appearing therein and substituting therefor the phrase "means, at any time, 0.80%".

(iv) Effective as of the date hereof, clause (i) of the definition of "Purchase Period" in Section 1.1 of the Agreement shall be amended by deleting "September 29, 2008" appearing therein and substituting therefor "December 28, 2008".

The County hereby represents and warrants that (i) the representations and warranties of the County set forth in the Agreement are true and correct as of the date hereof except that, for purposes of this representation, the term "Agreement", as used in the Agreement, shall mean the Agreement as amended through the date hereof, including by this Amendment and (ii) all consents of the Insurer required in connection with this Amendment have been obtained and are in full force and effect.

This Amendment shall be effective as of the date hereof when the following conditions have been met: (a) this Amendment shall have been executed by the County and the Bank, which may be executed in counterparts, each of which shall constitute an original, but all of which taken together shall constitute a single agreement; and (b) the Bank shall have received such documents as it may require evidencing the authority of the County to execute, deliver and perform its obligations hereunder.

The Agreement, as specifically amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. On and after the effectiveness of this Amendment, each reference in the Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Agreement, shall mean and be a reference to the Agreement, as amended by this Amendment.

This Amendment shall be governed by and construed and interpreted in accordance with the laws of the State of New York

Please confirm you agreement to the terms and conditions set forth herein by signing and returning the enclosed copy of this letter, whereupon it shall be a binding agreement between us.

Very truly yours,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Name:
Title:

Agreed and Accepted as of
the date first written above:

MIAMI-DADE COUNTY, FLORIDA

By:_____
Name:
Title:

8