

# Memorandum



**Date:** October 21, 2008

Agenda Item No.8(E)(1)(A)

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

**From:** George Burgess  
County Manager

**Subject:** Resolution Providing for Conversion of Water & Sewer System Revenue Refunding Bonds, Series 2005

## **Recommendation**

It is recommended that the Board of County Commissioners (BCC) adopt the attached Resolution (Conversion Resolution) providing for the interest mode conversion of the \$295.24 million Water & Sewer System Revenue Refunding Bonds, Series 2005 from a variable rate to one or more Interest Modes in order to ultimately achieve a fixed interest rate, and to effectuate the conversion. This Resolution also authorizes the County Mayor or the County Mayor's designee, within certain limitations, to take all action necessary, including the approval of amendments to existing documents. The Conversion Resolution further authorizes the termination of a swap currently in effect in connection with the Series 2005 Bonds.

This item is being presented for BCC consideration because a substitute Liquidity Provider was not secured pursuant to Resolution R-978-08 adopted by the BCC on September 16, 2008. The BCC was advised that in the event a replacement Liquidity Provider was not secured, the County could consider other options, including the conversion of the Series 2005 Bonds or refunding as recommended in another item on this same agenda.

## **Scope**

This proposed agenda item will have a countywide impact.

## **Fiscal Impact/Funding Source**

The conversion is necessary because JPMorgan Chase, current letter of credit provider, will not renew its letter of credit and the County can not secure a substitute letter of credit provider.

It is difficult to evaluate the true impact of converting the Series 2005 Bonds from a variable interest rate to fixed rate, including an interim interest rate if necessary, because of the disruption in the financial markets. However, conversion to a fixed interest rate, which historically has been more expensive than variable rate debt, is more favorable right now because of the instability in the variable rate market and will mitigate any further financial losses as of a result of this instability.

The principal and interest on the Series 2005 Bonds are payable from water and sewer revenues.

## **Background**

On November 16, 1993, the BCC enacted Ordinance No. 93-143, as amended and supplemented, which authorized the issuance of water and sewer revenue and revenue refunding bonds (Master Ordinance). On June 7, 2005, the Board adopted Resolution R-646-05 (including Exhibit A) authorizing the issuance of the Series 2005 Bonds in the amount of \$295.24 million, all of which are currently outstanding. Exhibit A provided the terms and provisions applicable to the Series 2005 Bonds in the various interest rate modes. The Series 2005 Bonds were issued as variable rate demand bonds in a weekly mode. At the time of issuance, the County entered into a Standby Bond Purchase Agreement

(Agreement) with JPMorgan Chase Bank, National Association (JPMorgan Liquidity Facility) which provided for the purchase of the tendered and not remarketed Series 2005 Bonds by JPMorgan Chase. The JPMorgan Liquidity Facility was entered into on September 25, 2005 with an original expiration date of September 29, 2008.

On September 16, 2008, the Board adopted Resolution R-978-08 amending the Agreement by providing for an extension of the original expiration date to December 28, 2008 and approving the solicitation of proposals for a substitute Liquidity Provider. The BCC was then advised at the time that in the event a replacement Liquidity Provider was not secured, the County Mayor or the County Mayor's designee could consider other viable options such as termination of the synthetic fixed rate swap and the issuance of fixed rate bonds. The County was unable to obtain a substitute Liquidity Provider and as a result of this and given the uncertainties in the municipal markets, it is imperative that the County position itself to proceed with either a conversion or the refunding of the Series 2005 Bonds without the need of a liquidity facility.

The attached Resolution provides for the conversion of the Series 2005 Bonds to one or more interest modes with the ultimate goal to achieve a long term fixed interest rate on the Series 2005 Bonds. Because of the disruption of the financial markets and the possibility that a market may not be available to convert the Series 2005 Bonds to a long term fixed rate when they are tendered, the Resolution gives the County the ability to convert to an interim fixed interest rate until the market stabilizes.

At the time the Series 2005 Bonds were issued, the County entered into an interest rate swap pursuant to which the County paid a fixed rate of 5.27 percent and received a variable rate (Swap) in return which was used to pay the debt service on the Series 2005 Bonds. In order to make the conversion economically feasible and to avoid two fixed rate payments, one on the Series 2005 Bonds and the other on the Swap, the Swap needs to be terminated through the payment of any required termination costs.

In order to accomplish the conversion, certain technical amendments to the agreements and Exhibit A are necessary, which include, among others, the ability to: (i) remarket the bonds at a discount or with a premium; (ii) amend the optional redemption provision so that the first optional redemption date can be ten years and not 5 years after the conversion; (iii) revise amortization installments to maintain overall leveled principal and interest payments; and allow the use of a reserve facility. The Finance Director, as the County Mayor's designee, is further authorized, after consultation with Public Resources Advisory Group (Financial Advisors) and the Water and Sewer Director, to take all actions necessary or advisable to accomplish one or more conversion of the Interest Mode of the Series 2005 Bonds as it deems to be in the best interest of the County.

The Conversion Resolution also authorizes:

- The Finance Director, after consultation with Bond Counsel and the County Attorney, to amend and supplement the Remarketing Agreement entered into concurrently with the original issuance of the Series 2005 Bonds with RBC Capital Markets Corporation, as Remarketing Agent;
- The payment of any and all costs incurred by the County and associated with the Conversion and remarketing of the Series 2005 Bonds from legally available funds of the Water and Sewer Department;
- The termination of the Swap and the payment, from available funds of the Water and Sewer Department, of any required termination payment, as determined by the Finance Director, in

consultation with Swap Financial Group LLC (Swap Advisor) and the Water and Sewer Director;

- The distribution, use and delivery of a Preliminary Remarketing Memorandum in substantially the form attached as Exhibit 1 to this Conversion Resolution; and
- The appropriate officials of the County to take all actions necessary, including executing and delivering any and all documents and certificates which are deemed necessary or advisable in order to consummate the conversion and remarketing of the Series 2005 Bonds.

The Resolution also provides for a waiver of Resolution R-130-06, which states that any County contract with a third party be finalized and executed prior to its placement on the committee agenda. The items contemplated in the above documents will occur after the effective date of this Resolution in order to provide the County the maximum flexibility in the market place as described above. Therefore, a waiver of Resolution R-130-06 is necessary.

Under a separate agenda item, the Board will be requested to consider for adoption a resolution (Refunding Resolution) providing for the issuance of refunding bonds to refund the Series 2005 Bonds, in the event that it is determined that it is not in the County's best interest to proceed with the conversion of the Series 2005 Bonds, as authorized by the attached Conversion Resolution. It is intended that the authorizations provided under both resolutions can and will be pursued concurrently so that, in the judgment of the Finance Director, after consultation with the Director, Financial Advisors, County Attorney and Bond Counsel, the County can achieve the most expeditious and advantageous results.

Staff will report to the BCC once the transaction is completed.

Attachments



Cynthia W. Curry  
Senior Advisor to County Manager



# MEMORANDUM

(Revised)

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

DATE: October 21, 2008

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

SUBJECT: Agenda Item No. 8(E)(1)(A)

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

Agenda Item No. 8(E)(1)(A)

Veto \_\_\_\_\_

10-21-08

Override \_\_\_\_\_

RESOLUTION NO. \_\_\_\_\_

RESOLUTION PROVIDING FOR INTEREST MODE CONVERSION OF \$295,240,000 AGGREGATE PRINCIPAL AMOUNT OF WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2005; AUTHORIZING COUNTY MAYOR OR COUNTY MAYOR’S DESIGNEE, WITHIN CERTAIN LIMITATIONS AND RESTRICTIONS, TO PROVIDE CERTAIN DETAILS OF BONDS UPON CONVERSION; APPROVING FORM AND AUTHORIZING EXECUTION AND DELIVERY OF RELATED AGREEMENTS, WITHIN CERTAIN PARAMETERS; PROVIDING CERTAIN OTHER DETAILS RELATING TO CONVERSION OF BONDS; AUTHORIZING AMENDMENT OF CERTAIN DOCUMENTS; AUTHORIZING TERMINATION OF SWAP; AUTHORIZING COUNTY OFFICIALS TO DO ALL THINGS NECESSARY FOR CONVERSION OF BONDS AND OTHER RELATED MATTERS; AND PROVIDING FOR SEVERABILITY.

WHEREAS, the Board of County Commissioners (the “Board”) of Miami-Dade County, Florida (the “County”), acting pursuant to the authority recited in Section 1 of this Resolution (the “Conversion Resolution”), owns and operates water and wastewater treatment plant facilities and a distribution and collection system and pursuant to such authority, including Ordinance No. 93-134, enacted by the Board on November 16, 1993, as amended and supplemented from time to time (the “Master Ordinance”), is authorized to issue revenue and revenue refunding bonds from time to time; and

WHEREAS, the County issued its \$295,240,000 Miami-Dade County, Florida Water and Sewer System Revenue Refunding Bonds, Series 2005, all of which are currently outstanding (the “Series 2005 Bonds”) under the Master Ordinance and Resolution No. R-646-05, adopted on June 7, 2005 (the “Series 2005 Resolution”), including Exhibit A thereto, as amended (“Exhibit A”), which provides for different Interest Modes (as defined in Exhibit A); and

WHEREAS, the Series 2005 Bonds were originally issued as bonds bearing interest in the Weekly Mode (as defined in Exhibit A); and

WHEREAS, under the provisions of the Series 2005 Resolution, during such time as the Series 2005 Bonds bear interest in the Weekly Mode, the County must maintain a Series 2005 Liquidity Facility (as defined in Exhibit A); and

WHEREAS, concurrently with the original issuance of the Series 2005 Bonds, the County entered into a Standby Bond Purchase Agreement dated as of September 29, 2005, as amended (the "JPMorgan Liquidity Facility") with JPMorgan Chase Bank, National Association, providing for the purchase of tendered and not remarketed Series 2005 Bonds, which JPMorgan Liquidity Facility constitutes a Series 2005 Liquidity Facility under the Series 2005 Resolution; and

WHEREAS, the JPMorgan Liquidity Facility is set to expire under its terms on December 28, 2008 and, as a result of the current credit crisis, the County has been unable to obtain a Substitute Series 2005 Liquidity Facility (as defined in Exhibit A); and

WHEREAS, as a result of the County's inability to obtain a Substitute Series 2005 Liquidity Facility and given the uncertainties in the markets, it is imperative that the County be in a position to proceed with either the conversion or the refunding of the Series 2005 Bonds without the need of a liquidity facility; and

WHEREAS, the Board desires to authorize one or more conversions of the Series 2005 Bonds to one or more Interest Modes; and

WHEREAS, on this date, the Board is adopting a resolution (the "Refunding Resolution") providing, among other things, for the issuance of Refunding Bonds to refund the Series 2005 Bonds in the event that the County determines not to proceed with the conversion of the Series 2005 Bonds as authorized by this Conversion Resolution; and

WHEREAS, the Board has previously appointed RBC Capital Markets Corporation as Remarketing Agent for the Series 2005 Bonds; and

WHEREAS, the Board wishes to authorize the distribution, use and delivery of a Preliminary Remarketing Memorandum in substantially the form attached as Exhibit 1 to this Conversion Resolution, and a final Remarketing Memorandum, with the approval of the Finance Director, as the County Mayor's designee, after consultation with Squire, Sanders & Dempsey L.L.P. and KnoxSeaton (collectively, "Bond Counsel"), the County Attorney, Hunton & Williams LLP and Law Offices of Thomas H. Williams, Jr., P.L. (collectively, "Disclosure Counsel") and Public Resources Advisory Group (the "Financial Advisor"), as provided in Section 6 of this Conversion Resolution, in connection with such conversion of the Interest Mode and remarketing of the Series 2005 Bonds; and

WHEREAS, in connection with the Series 2005 Bonds, the Swap (as defined in the Series 2005 Resolution) is currently in effect; and

WHEREAS, in connection with the conversion of Series 2005 Bonds, it is necessary to terminate the Swap and pay any required termination payment in order to make the conversion of the Series 2005 Bonds economically feasible; and

WHEREAS, the Board desires to accomplish the purposes outlined in the accompanying memorandum (the "County Manager's Memorandum"), a copy of which is incorporated in this Conversion Resolution by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that:

Section 1. Authority. This Conversion Resolution is adopted pursuant to the provisions of the Constitution of the State of Florida, the Home Rule Amendment and Charter of



Miami-Dade County, Florida, as amended, Chapters 125 and 166, Florida Statutes, as amended, the Master Ordinance, the Code of Miami-Dade County, Florida, as amended, and other applicable provisions of law (collectively, the “Act”).

Section 2. Definitions. All terms in capitalized form, unless otherwise defined in this Conversion Resolution, including the recitals to this Conversion Resolution, shall have the same meaning as ascribed to them in the Master Ordinance and the Series 2005 Resolution.

Section 3. Findings. The Board finds, determines and declares as follows:

A. The recitals contained in the “WHEREAS” clauses are incorporated in this Conversion Resolution as findings and the attached County Manager’s Memorandum is approved and incorporated in this Conversion Resolution.

B. The County is authorized under the Act to convert the Interest Mode on the Series 2005 Bonds and remarket the same in accordance with their terms and the terms of the Act.

C. As a result of the expiration of the JPMorgan Liquidity Facility and the inability of the County to obtain a Substitute Series 2005 Liquidity Facility, it is necessary for the County to either (i) convert the Series 2005 Bonds, or (ii) refund the Series 2005 Bonds as authorized by the Refunding Resolution.

D. The authorization with regard to the conversion of the Interest Mode on the Series 2005 Bonds and the remarketing of the same as provided in this Conversion Resolution, is necessary to the proper and efficient implementation of the provisions of this Conversion Resolution, and such authorization is in the best interest of the County.

Section 4. Authorization of Conversion of Interest Mode on Series 2005 Bonds; Exhibit A to Series 2005 Resolution. The Finance Director, after consultation with the Director and the Financial Advisor, is authorized to take all actions necessary or advisable to accomplish

one or more conversions (each such conversion, a “Conversion”) of the Interest Mode of the Series 2005 Bonds to another Interest Mode described in Exhibit A as it deems to be in the best interests of the County, and each such Conversion is in the best interests of the County and can be implemented in a manner fully consistent with the requirements of and subject to the limitations set forth in the Act and this Conversion Resolution. Approval of each Conversion of the Interest Mode of the Series 2005 Bonds shall be evidenced by the terms and provisions to be set forth in a certificate (each such certificate, a “Bond Series Certificate”), including, without limitation, the Interest Mode to which the Series 2005 Bonds shall be converted, the date such Conversion shall take effect, the details of the Series 2005 Bonds upon Conversion, and such other matters or terms of the Series 2005 Bonds to be established in connection with such Conversion as shall be required or permitted by the Series 2005 Resolution. A separate Bond Series Certificate will be provided for each Conversion of Series 2005 Bonds.

The Finance Director, after consultation with the Director and the Financial Advisor, is authorized to amend and supplement Exhibit A in such manner as it deems necessary in order to remarket the Series 2005 Bonds, including, among others, such amendments and supplements as may be necessary to permit the remarketing of the Series 2005 Bonds (i) as Serial Bonds and/or Term Bonds, (ii) at a premium or discount, (iii) with different redemption provisions, and (iv) without the benefit of a Substitute Series 2005 Liquidity Facility. Any such amendments and supplements shall be set forth in the Bond Series Certificate and may include a revised Exhibit A.

Section 5. Amendment of Remarketing Agreement. If necessary or advisable to accomplish the remarketing of Series 2005 Bonds, the Finance Director, after consultation with Bond Counsel and the County Attorney, is authorized to amend and supplement the Remarketing Agreement entered into with the Remarketing Agent concurrently with the original issuance of the

Series 2005 Bonds. The execution and delivery by the Finance Director shall be conclusive evidence of the Board's approval of any such amendments and supplements.

Section 6. Approval of the Preliminary Remarketing Memorandum and Final Remarketing Memorandum. The proposed Preliminary Remarketing Memorandum (the "Preliminary Remarketing Memorandum") and final Remarketing Memorandum for use in connection with the conversions of the Series 2005 Bonds (the "Remarketing Memorandum") are approved in substantially the form of the Preliminary Remarketing Memorandum attached as Exhibit 1 to this Conversion Resolution, subject to such changes, modifications, insertions and omissions and such filling in of blanks as may be deemed necessary by the Finance Director, after consultation with Bond Counsel, the County Attorney, Disclosure Counsel and the Financial Advisor, with the delivery of the Remarketing Memorandum by the Finance Director, on behalf of the County, being conclusive evidence of the Board's approval of the Preliminary Remarketing Memorandum and the Remarketing Memorandum; provided, however, that said form of Preliminary Remarketing Memorandum may be modified as necessary in order to reflect the Interest Mode to which the Series 2005 Bonds shall be converted if such Conversion is to an Interest Mode other than the Fixed Mode. The use and distribution of the Preliminary Remarketing Memorandum in connection with the remarketing of the Series 2005 Bonds and the delivery of the Remarketing Memorandum in connection with the sale of the Series 2005 Bonds on behalf of the County are authorized. The Finance Director, with the approval of Disclosure Counsel and the County Attorney, is authorized to make any necessary certifications to the Remarketing Agent regarding a near final or deemed final Preliminary Remarketing Memorandum, if and to the extent required by the Rule.

Section 7. Revision of Bond Form. The form of the Series 2005 Bonds may be amended in a manner consistent with the Series 2005 Resolution and the Bond Series Certificate. Such form shall be subject to approval by the Finance Director, in consultation with the County Attorney and Bond Counsel.

Section 8. Payment of Costs Related to Conversion. The Finance Director is authorized to pay any and all costs incurred by the County and associated with a Conversion and remarketing of the Series 2005 Bonds from any Department funds legally available for such purpose.

Section 9. Reserve Account Credit Facilities. If the Finance Director determines, after consultation with the Director and the Financial Advisor, that there is an economic benefit to the County to obtain and pay for a Reserve Account Credit Facility, the Finance Director is authorized to secure a Reserve Account Credit Facility with respect to the Series 2008C Bonds. The Finance Director is authorized and directed to execute and deliver such agreements, instruments or certificates for and on behalf of the County as may be necessary to secure such Reserve Account Credit Facility with such terms, covenants, provisions and agreements as may be approved by the Finance Director upon advice of the County Attorney and Bond Counsel. The execution and delivery of such agreements or instruments for and on behalf of the County shall be conclusive evidence of the Board's approval of such agreements or instruments. The Finance Director is authorized to provide for the payment of any premiums on or fees for such Reserve Account Credit Facilities from any available funds of the Department, including funds on deposit in the Reserve Account which are available for such purpose.

As provided in the Master Ordinance, any agreements with Reserve Account Credit Facility Providers shall supplement and be in addition to the provisions of the Master Ordinance and this Conversion Resolution.

Section 10. Authorization of Swap Termination. The termination of the Swap and the payment of any required termination payment is authorized, as determined by the Finance Director, in consultation with the Swap Financial Group LLC and the Director, and as set forth in the Bond Series Certificate. The payment of any termination payment shall be made from available funds of the Department.

Section 11. Further Action. The Mayor, the Clerk, the County Manager, the Finance Director, the Director, the County Attorney and the County's other officials and officers, as well as its attorneys and consultants, are authorized and directed to do all acts and things, to execute and deliver any and all documents and certificates, and to obtain all necessary approvals and consents, which they deem necessary or advisable in order to consummate the Conversion of the Interest Mode on the Series 2005 Bonds and otherwise to carry out, give effect to and comply with the terms and intent of the Series 2005 Resolution, this Conversion Resolution, the Series 2005 Bonds and the Act. In the event that the Mayor, the Clerk, the County Manager, the Finance Director, the Director, the County Attorney or other officer or official of the County is unable to execute and deliver the documents contemplated by this Conversion Resolution, such documents shall be executed and delivered by the respective designee of such officer or official or any other duly authorized officer or official of the County.

Section 12. Severability of Invalid Provisions; Resolution Controlling. In case any one or more of the provisions of this Conversion Resolution or any approved document shall for any reason be held to be illegal or invalid, then such provision shall be null and void; provided,

however, that any such illegality or invalidity shall not affect any other provisions of this Conversion Resolution or such document, as the case may be, and such other provisions shall be construed and enforced as if such illegal or invalid provisions had not been contained. All or any part of resolutions or proceedings in conflict with the provisions of this Conversion Resolution are to the extent of such conflict repealed or amended to the extent of such inconsistency. It is intended, however, that the authorization under the Refunding Resolution and the authorizations hereunder can and will be pursued concurrently so that, in the judgment of the Finance Director, after consultation with the Director, the Financial Advisor, Bond Counsel, the County Attorney and Disclosure Counsel, the County can achieve the most expeditious and advantageous converting or refunding of the Series 2005 Bonds.

Section 13. Governing Law. The Series 2005 Bonds are to be converted and this Conversion Resolution is adopted with the intent that the laws of the State of Florida shall govern their construction.

Section 14. Waivers. The provisions of Resolution No. R-130-06, requiring that any contracts of the County with third parties be executed and finalized prior to their placement on the committee agenda are hereby waived at the request of the County Manager for the reasons set forth in the County Manager's Memorandum.

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

José "Pepe" Diaz  
Carlos A. Gimenez  
Joe A. Martinez  
Dorrin D. Rolle  
Katy Sorenson  
Sen. Javier D. Souto

Audrey M. Edmonson  
Sally A. Heyman  
Dennis C. Moss  
Natacha Seijas  
Rebeca Sosa

The Chairman thereupon declared the resolution duly passed and adopted this 21<sup>st</sup> day of October, 2008. This resolution shall become effective ten (10) days after the date of this adoption unless vetoed by the County Mayor, and if vetoed, shall become effective only upon 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

PRELIMINARY REMARKETING MEMORANDUM

**EXHIBIT 1**

PRELIMINARY REMARKETING MEMORANDUM DATED \_\_\_\_\_, 2008

REMARKETING - NOT A NEW ISSUE -  
BOOK-ENTRY ONLY

SEE "RATINGS" herein

*On September 22, 2005, Holland & Knight LLP and the Law Offices of Steve E. Bullock, P.A., delivered their approving opinions which concluded that under then existing law, (i) assuming compliance with certain arbitrage rebate and other tax requirements, interest on the Series 2005 Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax, and (ii) the Series 2005 Bonds are exempt from all present intangible personal property taxes imposed by the State of Florida. The approving opinion further concluded that interest on the Series 2005 Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Bondholder's alternative minimum tax based on such a Bondholder's adjusted current earnings, and Holders of Series 2005 Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended. In connection with the conversion of the Interest Mode of the Series 2005 Bonds, Squire, Sanders & Dempsey L.L.P. and KnoxSeaton will deliver opinions to the effect that the change in Interest Mode is authorized or permitted by the Act and the Master Ordinance and will not, in and of itself, cause the interest on the Series 2005 Bonds to become includable in gross income for federal income tax purposes. Squire, Sanders & Dempsey L.L.P. and KnoxSeaton will not express an opinion regarding the current status of such interest for federal income taxation. For a more complete discussion of the tax aspects of the Series 2005 Bonds, see "Tax Matters" herein.*

**\$295,240,000**

**MIAMI-DADE COUNTY, FLORIDA**

**Remarketing of**

**Water and Sewer System Revenue Refunding Variable Rate Demand Bonds  
Series 2005**

**Due: October 1, 2025**

The Miami-Dade County, Florida is remarketing its Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 (the "Series 2005 Bonds") as fixed rate bonds. The Series 2005 Bonds are being remarketed as fully registered form without coupons registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2005 Bonds will be made in book-entry only form in denominations of \$5,000 or any integral multiple of \$5,000, and beneficial owners will not receive physical delivery of bond certificates. See "DESCRIPTION OF THE SERIES 2005 BONDS - Book-Entry Only System" in this Remarketing Memorandum.

Interest on the Series 2005 Bonds shall be payable semi-annually on [April 1] and [October 1] commencing [April 1, 2009]. Payments of the principal of, and interest on the Series 2005 Bonds will be payable at the designated office of \_\_\_\_\_, as Paying Agent and Registrar for the Series 2005 Bonds. As long as DTC or its nominee is registered owner of the Series 2005 Bonds, payments of the principal of and interest on the Series 2005 Bonds will be made directly to DTC or its nominee.

The Series 2005 Bonds are subject to optional redemption, mandatory tender for purchase, and mandatory sinking fund redemption prior to maturity under the terms and conditions more fully described herein.

**THE SERIES 2005 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE COUNTY PAYABLE SOLELY FROM AND SECURED BY THE PLEDGED REVENUES AS AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE. NEITHER THE FAITH AND CREDIT OF THE STATE OF FLORIDA NOR THE FAITH AND CREDIT OF ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR OF THE COUNTY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2005 BONDS. THE ISSUANCE OF THE SERIES 2005 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF FLORIDA OR ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF FLORIDA OR THE COUNTY TO LEVY ANY TAXES WHATSOEVER OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT EXCEPT FROM THE PLEDGED REVENUES PLEDGED TO THE PAYMENT OF THE SERIES 2005 BONDS AND TO THE EXTENT PROVIDED UNDER THE BOND ORDINANCE.**

The scheduled payment of principal of and interest on the Series 2005 Bonds when due is guaranteed under an insurance policy previously issued by Financial Security Assurance Inc. For a discussion of the terms and provisions of this policy, including the limitations of this policy, see "MUNICIPAL BOND INSURANCE" in this Remarketing Memorandum.

**[BOND INSURER LOGO]**

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Remarketing Memorandum, including Appendices, to obtain information essential to the making of an informed investment decision.**

See "TAX MATTERS" for a description of the legal opinions of Squire, Sanders & Dempsey L.L.P., Miami, Florida and KnoxSeaton, Miami, Florida, Bond Counsel related to the Series 2005 Bonds and their conversion. In connection with the remarketing of the Series 2005 Bonds, certain legal matters will be passed upon for the County by the Office of the Miami-Dade County Attorney. Certain legal matters relating to disclosure will be passed upon for the County by Hunton & Williams LLP, Miami, Florida and Law Offices Thomas H. Williams, Jr., P.L., Miami, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the Remarketing Agent by its counsel, GrayRobinson, P.A., Tampa, Florida. Public Resources Advisory Group, St. Petersburg, Florida, has served as Financial Advisor to the County and the Department in connection with the conversion of the Series 2005 Bonds. It is expected that the Series 2005 Bonds will be available for delivery through DTC in New York, New York on or about \_\_\_\_\_, 2008.

**RBC CAPITAL MARKETS, Remarketing Agent**

Dated: \_\_\_\_\_, 2008

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This Preliminary Remarketing Circular and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Remarketing Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

16A

**MIAMI-DADE COUNTY, FLORIDA**

Carlos Alvarez, Mayor

**MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS**

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

Barbara J. Jordan, District 1  
Dorin D. Rolle, District 2  
Audrey M. Edmonson, District 3  
Sally A. Heyman, District 4  
Bruno A. Barreiro, District 5  
Rebeca Sosa, District 6  
Carlos A. Gimenez, District 7

Katy Sorenson, District 8  
Dennis C. Moss, District 9  
Senator Javier D. Souto, District 10  
Joe A. Martinez, District 11  
Jose "Pepe" Diaz, District 12  
Natacha Seijas, District 13

**CLERK**

Harvey Ruvin

**COUNTY MANAGER**

George M. Burgess

**COUNTY ATTORNEY**

R.A. Cuevas, Jr., Esq.

**FINANCE DIRECTOR**

Rachel E. Baum, C.P.A.

**WATER AND SEWER DEPARTMENT**

John W. Renfrow, P.E., Director  
Joseph A. Ruiz, Jr., Deputy Director - Operations  
L. Douglas Yoder, PhD., Deputy Director - Regulatory Compliance and Capital Improvement  
Diane A. Camacho, C.P.A., Assistant Director – Finance

**BOND COUNSEL**

Squire, Sanders & Dempsey L.L.P.  
Miami, Florida

KnoxSeaton  
Miami, Florida

**DISCLOSURE COUNSEL**

Hunton & Williams LLP  
Miami, Florida

Law Offices Thomas H. Williams, Jr., P.L.  
Miami, Florida

**INDEPENDENT PUBLIC ACCOUNTANTS**

Rachlin LLP  
Miami, Florida

**FINANCIAL ADVISOR**

Public Resources Advisory Group  
St. Petersburg, Florida

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY MIAMI-DADE COUNTY, FLORIDA (THE "COUNTY"), THE MIAMI-DADE WATER AND SEWER DEPARTMENT (THE "DEPARTMENT") OR THE REMARKETING AGENT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS SET FORTH IN THIS REMARKETING MEMORANDUM AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY, THE DEPARTMENT OR THE REMARKETING AGENT. THIS REMARKETING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SERIES 2005 BONDS BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER, SOLICITATION OR SALE. THIS REMARKETING MEMORANDUM IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE SERIES 2005 BONDS.

THE INFORMATION SET FORTH IN THIS REMARKETING MEMORANDUM HAS BEEN OBTAINED FROM THE COUNTY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE REMARKETING AGENT. THE INFORMATION AND EXPRESSIONS OF OPINIONS IN THIS REMARKETING MEMORANDUM ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS REMARKETING MEMORANDUM NOR ANY SALE MADE UNDER THIS REMARKETING MEMORANDUM SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY OR THE DEPARTMENT SINCE THE DATE OF THIS REMARKETING MEMORANDUM. THIS REMARKETING MEMORANDUM IS SUBMITTED IN CONNECTION WITH THE SALE OF THE SERIES 2005 BONDS REFERRED TO IN THIS REMARKETING MEMORANDUM AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE.

THE REMARKETING AGENT HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS REMARKETING MEMORANDUM. *THE REMARKETING AGENT HAS REVIEWED THE INFORMATION IN THIS REMARKETING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE REMARKETING AGENT DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.*

CERTAIN STATEMENTS CONTAINED IN THIS REMARKETING MEMORANDUM REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS REMARKETING MEMORANDUM.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY AND THE DEPARTMENT DO NOT

PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE REMARKETING AGENT MAY OFFER AND SELL THE SERIES 2005 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PRICES REFLECTED ON THE COVER PAGE OF THIS REMARKETING MEMORANDUM, AND SUCH PRICES MAY BE CHANGED FROM TIME TO TIME BY THE REMARKETING AGENT.

THE SERIES 2005 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY STATE SECURITIES LAW NOR HAS THE BOND ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING FINANCIAL SECURITY ASSURANCE INC. ("FINANCIAL SECURITY") CONTAINED UNDER THE CAPTION "MUNICIPAL BOND INSURANCE" AND EXHIBIT G - "SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY" HEREIN, NONE OF THE INFORMATION IN THIS REMARKETING MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY FINANCIAL SECURITY AND FINANCIAL SECURITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2005 BONDS; OR (III) THE TAX EXEMPT STATUS OF THE INTEREST ON THE SERIES 2005 BONDS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REMARKETING MEMORANDUM OR APPROVED OR RECOMMENDED THE SERIES 2005 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS REMARKETING MEMORANDUM IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [www.MuniOs.com](http://www.MuniOs.com). THIS REMARKETING MEMORANDUM SHOULD BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

THIS PRELIMINARY REMARKETING CIRCULAR IS IN A FORM DEEMED FINAL BY THE COUNTY FOR PURPOSES OF RULE 15-C2-12 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15C2-12(B)(1).

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**REMARKETING MEMORANDUM**

**\$295,240,000**

**MIAMI-DADE COUNTY, FLORIDA  
WATER AND SEWER SYSTEM REVENUE VARIABLE RATE DEMAND  
REFUNDING BONDS  
SERIES 2005**

**INTRODUCTION**

The purpose of this Remarketing Memorandum, including the cover page and all Appendices, is to set forth certain information in connection with the conversion by Miami-Dade County, Florida (the "County") of \$295,240,000 aggregate original principal amount of Miami-Dade County, Florida Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 (the "Series 2005 Bonds") to a fixed interest rate. The Series 2005 Bonds were issued pursuant to the authority of, and in compliance with, the Constitution and Laws of the State of Florida (the "State"), including, without limitation, (a) Chapter 125 and Chapter 166, Florida Statutes, each as amended from time to time; (b) the Home Rule Amendment and Charter of Miami-Dade County, Florida, as amended, and the Code of Miami-Dade County, Florida, as amended; (c) Ordinance No. 93-134, enacted by the Board of County Commissioners of Miami-Dade County, Florida (the "Board") on November 16, 1993, as supplemented by Resolution R-228-04 adopted by the Board on February 17, 2004 (collectively, the "Master Ordinance"), and as further supplemented by Resolution No. R-646-05, adopted by the Board on June 7, 2005 (the "Series 2005 Resolution"). The Master Ordinance and the Series 2005 Resolution are collectively referred to in this Remarketing Memorandum as the "Original Bond Ordinance." All capitalized terms in this Remarketing Memorandum not otherwise defined shall have the meanings assigned to them in the Bond Ordinance, defined below.

The Series 2005 Bonds are being reoffered upon their conversion to a fixed rate (the "Conversion"). The Conversion is being undertaken pursuant to the Original Bond Ordinance and Resolution No. R-\_\_\_\_-08, adopted by the Board on \_\_\_\_\_, 2008 (the "2008 Resolution" and, together with the Bond Ordinance, the "Bond Ordinance").

Upon the Conversion, payment of principal and interest on the Series 2005 Bonds will remain secured by the Net Operating Revenues of the Utility. See "SECURITY FOR THE SERIES 2005 BONDS." The scheduled payment of principal and interest on the Series 2005 Bonds also remains insured by the financial guaranty insurance policy (the "Insurance Policy") issued by Financial Security Assurance Inc. ("FSA" or the "Bond Insurer") upon the original issuance of the Series 2005 Bonds. See "MUNICIPAL BOND INSURANCE."

This Remarketing Memorandum contains descriptions of, among other things, the Series 2005 Bonds, the Bond Ordinance, the Miami-Dade Water and Sewer Department (the "Department") and the County. Such description and information do not purport to be comprehensive or definitive. Certain information in this Remarketing Memorandum has been provided by The Depository Trust Company, New York, New York ("DTC"). The County has not provided information in this Remarketing Memorandum with respect to DTC and does not certify as to the accuracy or sufficiency of the disclosure policies of or content provided by DTC and is not responsible for the information provided by DTC. All references in this Remarketing Memorandum to the Bond Ordinance and related documents are qualified by reference to such documents, and references to the Series 2005 Bonds are qualified in their entirety by reference to the form of such bonds included in the Bond Ordinance.

## DESCRIPTION OF THE SERIES 2005 BONDS

### General

The Series 2005 Bonds shall bear interest at such rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. \_\_\_\_\_ will act as Paying Agent and Registrar for the Series 2005 Bonds (the "Paying Agent" and the "Registrar").

The Series 2005 Bonds will be issued initially as fully registered bonds in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2005 Bonds. Purchases of the Series 2005 Bonds will be made through a book-entry only system maintained by DTC, in denominations of \$5,000 or any integral multiple of \$5,000, and purchasers of the Series 2005 Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. As long as DTC or its nominee is the registered owner of the Series 2005 Bonds, the principal and interest payments will be made to DTC or its nominee, which will in turn remit such principal and interest payments to DTC's Participants (as defined below under "Book-Entry Only System") for subsequent disbursement to the Beneficial Owners. See "Book-Entry Only System" below.

### Optional Redemption

The Series 2005 Bonds maturing on or before October 1, 20\_\_ are not be subject to optional redemption prior to maturity. The Series 2005 Bonds maturing on or after October 1, 20\_\_ are subject to optional redemption prior to maturity, at the option of the County, in whole or in part at any time, on or after October 1, 20\_\_, and if in part, in maturities determined by the County and by lot within a maturity, at a redemption price equal to 100% of the principal amount of the Series 2005 Bonds to be redeemed plus accrued interest to the date of redemption without premium.

In the event any Series 2005 Bonds are called for redemption, the Paying Agent shall give notice in the name of the County, of the redemption of such Series 2005 Bonds, which notice shall (i) specify the Series 2005 Bonds, including Series designations, to be redeemed, the CUSIP numbers, certificate numbers, the date of issue, interest rate, maturity date of the Series 2005 Bonds to be redeemed, the redemption date, the date of notice, the redemption price and the place or places where amounts due upon such redemption will be payable (which shall be the designated principal corporate trust office of the Paying Agent or of its agent) and, if less than all of the Series 2005 Bonds are to be redeemed, the numbers of the Series 2005 Bonds and the portion of Series 2005 Bonds so to be redeemed and (ii) state that on the redemption date, the Series 2005 Bonds to be redeemed shall cease to bear interest.

Notice of Redemption. Notice of redemption shall be given by the Paying Agent in the name of the County by mailing a copy of the redemption notice to Cede & Co., as nominee of DTC, as registered owner of the Series 2005 Bonds, or if DTC is no longer the registered owner of the Series 2005 Bonds, then to the then registered owners of the Series 2005 Bonds at least 30 days prior to the date fixed for redemption, by first class mail and postage prepaid at their addresses appearing on the bond registration books of the County maintained by the Registrar, and if applicable, to the securities depository.

A second notice of redemption shall be given (within 60 days after the redemption date) in the manner required above, to the registered Holders of redeemed Series 2005 Bonds which have not been presented for payment within 30 days after the redemption date. However, failure to give such notice shall not affect the validity of the redemption of the Series 2005 Bonds.

Failure of the registered owners of any Series 2005 Bonds which are to be redeemed to receive any such notice (or any defect therein) shall not affect the validity of the proceedings for the redemption of Series 2005 Bonds for which proper notice has been given.

*Effect of Calling for Redemption.* On the date so designated for redemption, notice having been mailed as provided in the Master Ordinance, the Series 2005 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2005 Bonds on such date, and moneys for payment of the redemption price being held in separate accounts by the Paying Agent in trust for the registered owners of the Series 2005 Bonds to be redeemed, interest on the Series 2005 Bonds so called for redemption shall cease to accrue, such Series 2005 Bonds shall not be deemed to be Outstanding for purposes of the Bond Ordinance, and shall cease to be entitled to any lien, benefit or security under the Bond Ordinance, and the registered owners of such Series 2005 Bonds shall have no rights in respect of the Series 2005 Bonds except to receive payment of the redemption of the Series 2005 Bonds.

Whenever any Series 2005 Bonds shall be delivered to the Paying Agent for cancellation, upon payment of the principal amount of the Series 2005 Bonds, or for replacement, transfer or exchange, such Series 2005 Bonds shall be canceled and destroyed by the Paying Agent, and counterparts of the certificate of destruction evidencing any such destruction shall be furnished to the County.

*Conditional Notice of Redemption.* In the case of an optional redemption of any Series 2005 Bond, the notice of redemption may state that (1) it is conditioned upon the deposit of moneys in the Redemption Account or with an escrow agent under an escrow deposit agreement, in amounts necessary to effect the redemption, no later than the redemption date or (2) the County retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this subsection. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the County delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Series 2005 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the County to make such funds available shall constitute an Event of Default. The County shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2005 Bonds called for redemption and not so paid remain Outstanding under the Bond Ordinance.

### **Book-Entry Only System**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2005 Bonds, payment of interest and principal on the Series 2005 Bonds to Participants or Beneficial Owners of the Series 2005 Bonds, confirmation and transfer of beneficial ownership interest in the Series 2005 Bonds and other related transactions by and between DTC, the Participants and the Beneficial Owners of the Series 2005 Bonds is based solely on information furnished by DTC on its website for inclusion in this Remarketing Memorandum. Accordingly, neither the County, the Department, nor the Underwriters can make any representations concerning these matters.

DTC will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of each Series of the Series 2005 Bonds, each in the aggregate principal

amount of such maturity of such Series of the Series 2005 Bonds, as set forth on the inside cover page of this Remarketing Memorandum, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in the Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the

Series 2005 Bonds, such as defaults, and proposed amendments to the Bond Ordinance. For example, Beneficial Owners of Series 2005 Bonds may wish to ascertain that the nominee holding the Series 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2005 Bonds will be made to Cede & Co., or to such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the County or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates representing the Series 2005 Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates representing the Series 2005 Bonds will be printed and delivered.

The information under this heading concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY, THE DEPARTMENT, THE UNDERWRITERS, THE PAYING AGENT NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2005 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE SERIES 2005 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE BOND ORDINANCE OR ANY CONSENT GIVEN OR ACTION TAKEN BY DTC AS BONDHOLDER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF SUCH BONDS, AS NOMINEE OF DTC, THE BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL CERTIFICATES REPRESENTING THEIR INTERESTS IN THE BONDS, AND REFERENCES HEREIN TO BONDHOLDERS OR

REGISTERED HOLDERS OF SUCH BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF SUCH BONDS.

### **Discontinuance of Book-Entry Only System**

In the event the County determines that it is in the best interest of the Beneficial Owners to obtain Series 2005 Bond certificates, the County may notify DTC and the Registrar, whereupon DTC will notify the Participants, of the availability through DTC of Series 2005 Bond certificates. In such event, the County shall prepare and execute and the Registrar shall authenticate, transfer and exchange Series 2005 Bond certificates as requested by DTC in appropriate amounts within the guidelines set forth in the Bond Ordinance. DTC may determine to discontinue providing its services with respect to the Series 2005 Bonds at any time by giving written notice to the County and the Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the County and the Registrar shall be obligated to deliver Series 2005 Bond certificates as described in this Remarketing Memorandum. In the event Series 2005 Bond certificates are issued, the provisions of the Bond Ordinance shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the County and the Registrar to do so, the County will direct the Registrar to cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2005 Bonds to any DTC Participant having such Series 2005 Bonds credited to its DTC account; or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2005 Bonds.

## **SECURITY FOR THE SERIES 2005 BONDS**

### **Pledged Revenues**

The payment of principal of and interest on the Series 2005 Bonds is secured by a pledge of and lien on the Net Operating Revenues of the Utility (the "Pledged Revenues"). For a description of the application and use of the Pledged Revenues, see "Flow of Funds" below. The Series 2005 Bonds are on parity as to source and security for payment with the Outstanding Bonds, any future Additional Bonds and with certain Hedge Obligations as hereinafter described in this Remarketing Memorandum.

The term "Net Operating Revenues" is defined in the Master Ordinance as Operating Revenues reduced by Operating Expenses. The term "Operating Revenues" is defined in the Master Ordinance as all operating income or earnings received or accrued by the County from the ownership, operation or use of the Utility, or any part of the Utility, including, but not limited to user charges for the provision of water service and sewer service, meter installation fees, and the like, delinquent charges and investment earnings, but shall exclude any income from the investment of the Construction Fund, proceeds from insurance (except business interruption insurance), condemnation or the disposition of property not in the ordinary course of business, Capital Facilities Charges, grants and proceeds from the sale of any obligations of the County (exclusive of short-term obligations for Utility working capital) and payments on special assessments for water and sewer improvements.

The term "Operating Expenses" is defined in the Master Ordinance as all current expenses, paid or accrued, and any Operating Expense reserve described in Section 503 of the Master Ordinance, for the operation, maintenance and ordinary current repairs of the Utility and its components, as calculated in accordance with generally accepted accounting principles for municipal utilities ("GAAP"), including, without limitation, insurance premiums (or comparable payments under a self-insurance or risk management program), labor, cost of materials and supplies used for current operation, charges for the accumulation of appropriate reserves for current expenses not annually recurrent but which are such as

may reasonably be expected to be incurred in accordance with GAAP and Credit Facility Charges, administrative expenses and professional fees and expenses, before depreciation, amortization and interest expense determined in accordance with GAAP, provided, however, there will not be taken into account:

- (a) any gain or loss resulting from either the extinguishment or refinancing of indebtedness;
- (b) loss from the sale, exchange or other disposition of capital assets not made in the ordinary course of business; and
- (c) any capital expenditures for renewal, replacement, expansion or acquisition of capital assets of the Utility (including any deposit to reserves therefor).

The term "Capital Facilities Charges" is defined in the Master Ordinance as all payments received by the County or the Department which are related to acquiring, constructing, expanding or equipping capacity and facilities of the Utility, for the purpose of reserving capacity in either the Water System or the Sewer System, connecting to either System, or paying or reimbursing any capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of either System or any expansion thereof, including connection charges and impact fees relative to the Utility, but shall not include (i) amounts received for the acceptance, treatment or disposal of sewage, (ii) amounts received from the sale of water, (iii) meter installation fees and (iv) other revenues constituting Operating Revenues.

The Master Ordinance would permit the County to acquire a water and/or sewer system and specifically designate such system to be a "Separate System" for purposes of the Master Ordinance. Any Separate System so designated would not constitute a part of the Utility, and revenues generated by such Separate System would not constitute Operating Revenues subject to the lien of the Master Ordinance and costs allocable thereto would not be taken into account for purposes of determining Operating Expenses and Net Operating Revenues. There are currently no Separate Systems.

### **Flow of Funds**

Section 502 of the Master Ordinance creates the following funds and accounts (all of which are to be held by the County) for the security of the Outstanding Bonds, the Series 2005 Bonds, and Additional Bonds:

- (a) the Revenue Fund;
- (b) the Debt Service Fund, and therein a Bond Service Account, a Redemption Account and a Reserve Account;
- (c) the Renewal and Replacement Fund;
- (d) the Plant Expansion Fund;
- (e) the Rate Stabilization Fund; and
- (f) the General Reserve Fund.

In addition, the Series 2005 Resolution creates the "Series 2005 Bond Service Subaccount" and the "Series 2005 Redemption Subaccount" in the Debt Service Fund and the "Series 2005 Bonds Cost of Issuance Account" for the security of the Series 2005 Bonds.

Section 503 of the Master Ordinance requires that the County deposit all Operating Revenues of the Utility in the Revenue Fund as received, and that all moneys in the Revenue Fund be applied in the order of priority described below:

(1) The County must make withdrawals from the Revenue Fund in amounts necessary to pay Operating Expenses and to establish an Operating Expense reserve in an amount determined by the County (which may not exceed 1/6<sup>th</sup> of the budgeted Operating Expenses for the then-current Fiscal Year).

(2) Subject only to the payments and set asides described in (1) above, the remaining moneys in the Revenue Fund are required to be applied on or before the 20<sup>th</sup> day of each month in the following order:

(i) to the credit of the Bond Service Account, an amount equal to one-sixth (1/6<sup>th</sup>) of the amount of the interest payable on the Bonds of each Series on the interest payment date next succeeding (less any amount received as capitalized or accrued interest from the proceeds of any Bonds which is available for such interest payment) and an amount equal to one-twelfth (1/12<sup>th</sup>) of the next maturing installment of principal (or Accreted Value, as applicable) on all Serial Bonds then outstanding; provided, however, that:

(a) in each month intervening between the date of delivery of a Series of Bonds, and the next succeeding interest payment date and the next succeeding principal payment date, respectively, the amount specified in this subparagraph (i) above shall be that amount which when multiplied by the number of deposits to the credit of the Bond Service Account required to be made during such respective periods will equal the amounts required (in addition to any amounts received as accrued interest or capitalized interest from the proceeds of such Bonds) for such next succeeding interest payment and next maturing installment of principal, respectively; and

(b) the amount specified in this subparagraph (i) above shall be reduced to take into account Hedge Receipts to be received on or before the succeeding interest payment date and shall be increased to provide for the payment of any Hedge Obligations to be paid on or before the succeeding interest payment date; and

(c) with respect to any Bonds (or any Hedge Agreement) bearing interest at a Variable Rate and/or payable other than semiannually, the amount specified in this subparagraph (i) for the payment of interest (or Hedge Obligation) shall be that amount necessary to provide substantially equal monthly payments for the payment of such interest (or Hedge Obligation) on the payment dates therefor; and

(ii) to the credit of the Redemption Account, an amount equal to one-twelfth (1/12<sup>th</sup>) of the principal amount (or Accreted Value, as applicable) of Term Bonds of each Series then Outstanding required to be retired in satisfaction of the Amortization Requirements for such Bond Year, plus the redemption premiums, if any, which would

be payable in such Bond Year if such Term Bonds were to be redeemed prior to their respective maturities from moneys held for the credit for the Debt Service Fund; and

(iii) to the credit of the Reserve Account, the Reserve Account deposit requirement established by the Master Ordinance for such month; provided, however, no deposit shall be required in any month in which the amount on deposit in the Reserve Account is at least equal to the Reserve Account Requirement. If a Reserve Account Credit Facility is utilized and the Provider thereof is required to advance any sums to meet Principal and Interest Requirements or other sums required to be funded from the Reserve Account, the County shall reimburse the Provider within 12 months from the date the County receives written notice of such advance by the Provider; and

(iv) to the payment of principal (including amortization installment, if any) of, and premiums and interest on, and other required payments with respect to Subordinate Obligations; and

(v) to the credit of the Renewal and Replacement Fund, an amount equal to one-twelfth (1/12<sup>th</sup>) of the amount, if any, recommended by the Consultant pursuant to the provisions of Section 607 of the Master Ordinance, to be deposited to the credit of said fund during such Fiscal Year; and

(vi) in the discretion of the County, to the credit of the Rate Stabilization Fund in such sums as are determined by the County; and

(vii) to the credit of the General Reserve Fund, the balance, if any, remaining thereafter.

If an amount deposited in any month to the credit of any of the Accounts or Funds shall be less than the amount required to be deposited under the provisions of the Master Ordinance, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each month thereafter until such time as all deficiencies have been made up.

Pursuant to subparagraph (i) above, Hedge Obligations are payable on parity as to source and security with Bonds issued and Outstanding under the Bond Ordinance. The term "Hedge Obligations" is defined in the Master Ordinance as net payments required to be made by the County under a Hedge Agreement from time to time as a result of fluctuation in hedged interest rates or in the value of any index of payment and under certain conditions set forth in the Master Ordinance, termination charges with respect to a Hedge Agreement. A "Hedge Agreement" includes, but is not limited to, an interest rate swap agreement meeting the criteria set forth in the Master Ordinance and entered into by the County as a hedging device with respect to its obligation to pay debt service on the Bonds. See "INTEREST RATE SWAP AGREEMENTS" for a description of Hedge Agreements currently in effect that have been entered into by the County. As discussed therein, termination payments that may be payable by the County under such Hedge Agreements are subordinate to the Outstanding Bonds and are not Hedge Obligations payable on parity with the Series 2005 Bonds. No assurances can be provided that termination payments on Hedge Agreements entered into in the future would not be treated as Hedge Obligations.

## **Limited Obligation**

**THE SERIES 2005 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE COUNTY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE PLEDGED REVENUES. THE SERIES 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS, LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH, CREDIT OR POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE NOR THE COUNTY SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATED TO LEVY ANY AD VALOREM TAXES ON ANY PROPERTY TO PAY PRINCIPAL OF, OR INTEREST ON, THE SERIES 2005 BONDS OR OTHER RELATED COSTS, OR TO PAY THE SAME FROM ANY OTHER FUNDS OF THE COUNTY EXCEPT FROM THE PLEDGED REVENUES. THE ACCEPTANCE OF THE SERIES 2005 BONDS BY THE REGISTERED OWNERS FROM TIME TO TIME OF THE SERIES 2005 BONDS WILL BE DEEMED AN AGREEMENT BETWEEN THE COUNTY AND SUCH REGISTERED OWNERS THAT THE SERIES 2005 BONDS AND THE INDEBTEDNESS EVIDENCED BY THE SERIES 2005 BONDS WILL NOT CONSTITUTE A LIEN UPON THE UTILITY, ANY PART OF THE UTILITY, OR ANY OTHER PROPERTY OF THE COUNTY, BUT WILL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES.**

## **Rate Covenant**

The County has covenanted in Section 602 of the Master Ordinance to fix, charge and collect rates and charges for the use of the services and facilities furnished by the Utility and, from time to time and as often as it shall be necessary, to adjust such rates and charges by increasing or decreasing the same or any selected categories of such rates and charges so as to provide Net Operating Revenues in each Fiscal Year equal to (a) one hundred ten percent (110%) of the Principal and Interest Requirements on any bonds issued under the provisions of the Master Ordinance (collectively, the "Bonds") and then Outstanding, for such Fiscal Year, plus (b) one hundred percent (100%) of the required deposits into the Reserve Account (less any portion of such deposits to be deposited from proceeds of Bonds) together with any Reserve Account Credit Facility costs payable in such Fiscal Year.

The term "Principal and Interest Requirements" is defined in the Master Ordinance as the respective amounts which are required in each Fiscal Year to pay (a) principal and interest on all Bonds then Outstanding and (b) the Amortization Requirements, if any for all Term Bonds then Outstanding for such Fiscal Year; provided, however: (i) the amount of such Principal and Interest Requirements for any Fiscal Year may be reduced by the amount of any capitalized interest to be used to pay interest in such Fiscal Year and by the anticipated earnings on money in the applicable Bond Service Account, and such earnings will be deposited to the credit of the applicable Bond Service Account; and (ii) the Principal and Interest Requirements for any Bonds bearing interest at a Variable Rate shall be determined as provided in the Definition of "Variable Rate" in the Master Ordinance. "Maximum Principal Interest Requirements" means, as of any particular date of calculation, the greatest amount of Principal and Interest Requirements for the then current or any future Fiscal Year.

The Master Ordinance defines "Reserve Account Credit Facility" as a surety bond, a policy of insurance, a letter of credit or other financial product obtained by the County with respect to any Bonds, from an entity meeting the criteria set forth in the Master Ordinance, which provides for payment of Principal and Interest on such Bonds in amounts not greater than the Reserve Account Requirement for such Bonds in the event of an insufficiency of available moneys to pay when due principal of, premium, if any, and interest on such Bonds.

In case the County has made deposits of Net Operating Revenues to or withdrawals from the Rate Stabilization Fund during such Fiscal Year, Net Operating Revenues shall be adjusted by subtracting the amount of any such deposits and by adding the amount of any such withdrawal.

### **Municipal Bond Insurance**

The payment of principal of and interest on the Series 2005 Bonds is insured by a municipal bond insurance policy (the "Policy") previously issued by Financial Security Assurance Inc. (the "Bond Insurer") as described in this Remarketing Memorandum. For a discussion of the terms and provisions of the Policy, including the limitations of the Policy, see "MUNICIPAL BOND INSURANCE."

### **Reserve Account**

The Master Ordinance provides for the creation of a Reserve Account and provides, except as described below, upon the issuance of each Series of Bonds, the County shall deposit or provide for the deposit to the Reserve Account, an amount, which together with amounts on deposit therein, shall equal the Reserve Account Requirement; provided, however, the County may fund up to fifty percent (50%) of the Reserve Account Requirement applicable to a Series of Bonds over 36 months if it will not cause any rating then assigned the Outstanding Bonds to be withdrawn or reduced. The "Reserve Account Requirement" is defined in the Master Ordinance as the Maximum Principal and Interest Requirements in the then-current or any subsequent Fiscal Year on all Outstanding Bonds or such lesser amount which is the greatest allowable under the Internal Revenue Code of 1986, as amended (the "Code").

As of \_\_\_\_\_, 2008, the amount on deposit in the Reserve Account was \$\_\_\_\_\_, in fulfillment of the Reserve Account Requirement for all Bonds then Outstanding, including the Series 2005 Bonds. [Update]

Moneys held for the credit of the Reserve Account shall first be used for the purpose of paying the interest on and the principal of the Bonds whenever and to the extent that the available moneys held for such purpose for the credit of the Bond Service Account and the General Reserve Fund shall be insufficient for such purpose, and thereafter for the purpose of making deposits to the credit of the Redemption Account of the Debt Service Fund pursuant to the requirements of the Master Ordinance whenever and to the extent that withdrawals from the Revenue Fund and the amount on deposit in the General Reserve Fund are insufficient for such purposes, and shall next be used to pay Payment Obligations with respect to the applicable Reserve Account Credit Facility, if any. Amounts withdrawn from the Reserve Account for the purpose of payment of debt service on any Bonds shall be replenished by substantially equal monthly deposits into the Reserve Account over a period not to exceed 60 months. If at any time the moneys held for the credit of any subaccount in the Reserve Account shall exceed the Reserve Account Requirement for those Bonds that are secured by such subaccounts, such excess shall be withdrawn by the Finance Director and deposited to the credit of the Revenue Fund.

The County may, in the future, create subaccounts in the Reserve Account for any Series of Additional Bonds. In such event, moneys in such subaccount shall be held specifically for the benefit of the respective Series of Additional Bonds for which such subaccounts were created. In this regard, the remaining amounts on deposit would be available for payment of debt service of all Bonds, including such Series of Additional Bonds for which a separate subaccount has been created.

### **Additional Bonds**

Upon satisfying certain conditions contained in Section 208 of the Master Ordinance, the County may issue additional bonds (the "Additional Bonds") and other obligations that are payable on parity with

the Series 2005 Bonds and the Outstanding Bonds. Additional Bonds may be issued (a) for the purpose of paying all or any part of the cost of constructing or acquiring any Improvements to the Utility, (b) to refund any obligations of the County which financed or refinanced any Improvements, or (c) to finance termination payments relating to Hedge Agreements.

Except in the case of Refunding Bonds and Completion Bonds as described in “Refunding Bonds” and “Completion Bonds” below, the County, after satisfaction of all other conditions in the Master Ordinance, may issue Additional Bonds (which, for purposes of meeting these conditions, are deemed to be Additional Bonds) if there has been filed a certificate of the Finance Director (i) setting forth the amount of the Net Operating Revenues for any four consecutive quarters (the “Computation Period”) in the six preceding quarters, subject to certain adjustments permitted under the Master Ordinance (ii) setting forth the respective amounts of the Principal and Interest Requirements for each Fiscal Year thereafter including the Additional Bonds to be issued, (iii) certifying that the Net Operating Revenues, as adjusted in accordance with Section 208(c) of the Master Ordinance, for the Computation Period shall have equaled at least the sum of one hundred ten percent (110%) of the Maximum Principal and Interest Requirements on all Bonds to be Outstanding as of the date of such issuance, plus one hundred percent (100%) of all required deposits to the Reserve Account during the Computation Period and (iv) certifying that the Net Operating Revenues (as adjusted in accordance with Section 208(c) of the Master Ordinance) remaining after deduction of Maximum Principal and Interest Requirements on all Bonds shall be at least equal to one hundred percent (100%) of all debt service and reserve requirements on all Subordinate Obligations.

In addition to the certificate of the Finance Director described above, there shall be filed with the Finance Director a certificate signed by a Consultant meeting the criteria set forth in the Master Ordinance setting forth (x) the estimated date on which the Improvements being financed or refinanced with the Additional Bonds will be placed in operation, (y) the Consultant’s estimate of the Net Operating Revenues for each of the three Fiscal Years following the Fiscal Year in which the Improvements will be placed in operation as estimated in item (x) of said certificate, taking into account the rates and charges in effect on the date of delivery of such Additional Bonds and any revised rates and charges that shall become effective prior to or during such Fiscal Year, and (z) that after taking into account (x) and (y) above, the Net Operating Revenues (as adjusted in accordance with Section 208(c) of the Master Ordinance) will satisfy the ratio set forth in (iii) of the preceding paragraph, and that the adjusted Net Operating Revenues remaining after deduction of the Maximum Principal and Interest Requirements on all Bonds shall be at least equal to one hundred percent (100%) of all debt service and reserve requirements on Subordinate Obligations.

### **Refunding Bonds**

The Master Ordinance provides for the issuance of “Refunding Bonds” for the purpose of providing funds for paying principal of, redemption premium and interest on all or any part of the outstanding Bonds at maturity or prior redemption date. Refunding Bonds so issued will be secured and payable from Pledged Revenues on a parity with all Bonds issued and Outstanding under the Master Ordinance. The coverage tests applicable to Additional Bonds (see “Additional Bonds” above) do not apply to Refunding Bonds provided that the Finance Director certifies that the Principal and Interest Requirements for each Fiscal Year thereafter (except for years subsequent to the final maturity of all the Outstanding Bonds) on account of all Bonds to be Outstanding after issuance of such Refunding Bonds and the payment and redemption of the Bonds to be paid and redeemed shall not exceed the Principal and Interest Requirements for each such Fiscal Year on account of all Bonds Outstanding immediately prior to the issuance of such Refunding Bonds. However, Refunding Bonds may also be issued in accordance with the requirements for Additional Bonds – see “Additional Bonds” herein.

## **Completion Bonds**

“Completion Bonds” may be issued under the Master Ordinance for the purpose of providing funds for paying the cost of completion of any Project for which one or more Series of Bonds have theretofore been issued, in a principal amount not greater than ten percent (10%) of the estimated cost of such Project. Completion Bonds so issued will be secured and payable from Pledged Revenues on parity with all Bonds issued under the Master Ordinance. The coverage tests applicable to Additional Bonds (and described above) are not applicable to Completion Bonds.

See APPENDIX C – “THE BOND ORDINANCE” for a more complete discussion on the issuance of Additional Bonds, Refunding Bonds and Completion Bonds.

## **Defeasance**

The Master Ordinance provides that in the event Bonds are defeased in the manner described in the Master Ordinance, the lien on the Pledged Revenues in favor of the applicable defeased Bonds shall be released. See APPENDIX C– “THE BOND ORDINANCE.”

## **Additional Covenants of the County**

The County has covenanted in the Master Ordinance that it will neither furnish free service nor provide service otherwise than in accordance with the established rate schedule for the Utility. The County has also agreed to certain restrictions on the sale or disposal of assets comprising the Utility. The County has covenanted to cause the Department to adopt an annual operating budget which may be amended from time to time, to operate the Utility in an efficient and economic manner, to maintain the Utility in good repair, and to timely pay all principal and interest payments, when due, on the Bonds, and that it will diligently enforce and collect payment of all fees and charges for the use of the Utility.

The County has further covenanted to maintain a practical insurance program for the Utility, to maintain separate records and accounts for the Utility, to keep accurate accounts of revenues, costs and expenditures, to issue annual audited financial reports of the Utility, to require, to the extent permitted by law, all lands, buildings and structures within the service area of the Utility fronting or abutting on the distribution lines to connect with and/or use the Utility, and to retain qualified Consultants and Accountants as required by the Master Ordinance. See APPENDIX C– “THE BOND ORDINANCE.”

## **Other Obligations**

The County has incurred certain obligations, which are secured by a subordinate pledge of and lien on the Pledged Revenues. See “SUBORDINATE OBLIGATIONS.” In addition, the County’s obligation to pay a termination payment, if any, upon the termination of the swaps described in “INTEREST RATE SWAP AGREEMENTS,” is subordinate to the pledge and lien on the Pledged Revenues which secures the Outstanding Bonds. The County may also issue additional Subordinate Obligations payable subordinate to the Outstanding Bonds pursuant to the Master Ordinance.

## **Remedies**

Upon an Event of Default as described in Section 701 of the Master Ordinance, the Series 2005 Bonds will not be subject to acceleration. Rather, a trustee or Bondholder acting for the Holders of all Bonds may by suit, action, mandamus or other judicial proceedings, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under and to the extent permitted by the laws of the State of Florida, or granted and contained in the Master Ordinance, and may enforce and

compel the performance of all duties required in the Master Ordinance or by any applicable statutes to be performed by the County or by any officer thereof. However, nothing in the Master Ordinance shall be construed to grant to any Bondholder any lien of any property of or within the corporate boundaries of the County, and no Bondholder shall have any right to affect, disturb or prejudice the security of the Master Ordinance. See “ENFORCEABILITY OF REMEDIES.”

As long as the Policy remains in full force and effect and the Bond Insurer is not in default under the Policy or insolvent, the Bond Insurer shall have the power and authority to give any consents and exercise all rights or remedies, which the Bondholders for the Series 2005 Bonds would otherwise have the power and authority to give, make or exercise under the Master Ordinance.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2005 Bonds, the Bond Insurer or “Financial Security” issued its Policy for the Series 2005 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2005 Bonds when due as set forth in the form of the Policy included as an exhibit to this Remarketing Memorandum.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Financial Security Assurance Inc.**

The Bond Insurer is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“Holdings”). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or the Bond Insurer is liable for the obligations of the Bond Insurer.

At June 30, 2008, the Bond Insurer’s consolidated policyholders’ surplus and contingency reserves were approximately \$2,474,294,855 and its total net unearned premium reserve was approximately \$2,618,981,067 in accordance with statutory accounting principles. At June 30, 2008, the Bond Insurer’s consolidated shareholder’s equity was approximately \$2,742,778,534 and its total net unearned premium reserve was approximately \$2,065,001,822 in accordance with generally accepted accounting principles.

Portions of the following documents filed by Holdings with the Securities and Exchange Commission (“SEC”) that relate to Financial Security are incorporated by reference into this Remarketing Memorandum and shall be deemed to be a part hereof:

- (i) Annual Report of Holdings on Form 10-K for the year ended December 31, 2007, and
- (ii) Quarterly Report of Holdings on Form 10-Q for the quarter ended March 31, 2008, and
- (iii) Quarterly Report of Holdings on Form 10-Q for the quarter ended June 30, 2008, and
- (iv) Current Report of Holdings on Form 8-K filed on August 6, 2008.

All information relating to the Insurer included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Remarketing Memorandum and before the termination of the offering of the Series 2005 Bonds shall be deemed incorporated by reference into this Remarketing Memorandum and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov> or at Holding's website at <http://www.fsa.com> or will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding FSA included herein under the captions "MUNICIPAL BOND INSURANCE - Financial Security Assurance Inc." and "- Recent Events Regarding FSA's Ratings" or included in a document incorporated by reference herein (collectively, the "Financial Security Information") shall be modified or superseded to the extent that any subsequently included Financial Security Information (either directly or through incorporation by reference) modifies or supersedes such previously included Financial Security Information. Any Financial Security Information so modified or superseded shall not constitute a part of this Remarketing Memorandum, except as so modified or superseded.

The Bond Insurance Policy does not protect investors against changes in market value of the Series 2005 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The Bond Insurer makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds. The Bond Insurer makes no representation regarding the Remarketing Memorandum, nor has it participated in the preparation thereof, except that the Bond Insurer has provided to the County the information presented under this caption for inclusion in the Remarketing Memorandum.

### **Recent Events Regarding FSA's Ratings**

On October 8, 2008, Standard & Poor's Ratings Services placed Financial Security's "AAA" financial strength rating on Credit Watch with negative implications.

On October 9, 2008, Fitch Ratings placed Financial Security's "AAA" insurer financial strength rating on Rating Watch Negative.

On July 21, 2008, Moody's Investors Service, Inc. placed Financial Security's "Aaa" insurance financial strength ratings on review for possible downgrade.

These ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by those rating agencies. See "RATINGS."

### **SUBORDINATE OBLIGATIONS**

The County has incurred the obligations described below which are secured by a subordinate pledge of and lien on Pledged Revenues ("Subordinate Obligations").

#### **State Revolving Fund Loan Program**

Under the State Revolving Fund Loan Program, the Department has received various loan commitments in the aggregate amount of \$175,808,280 for the construction of wastewater treatment

BLE

facilities. Draws against loan commitments totaled \$172,090,678 as of September 30, 2007. The Department has also received loan commitments in the aggregate amount of \$45,299,098 for drinking water construction projects. Draws against drinking water loan commitments totaled \$43,995,400 as of September 30, 2007.

Default in payment of principal and interest on any of the loans or future loans described above could cause an acceleration of the entire amount of such loans.

### **INTEREST RATE SWAP AGREEMENTS**

The County has entered into interest rate swap agreements with respect to the Series 1994 Bonds, the Series 1999A Bonds, the Series 2005 Bonds and the Series 2007 Bonds and may enter into additional interest rate swap agreements or other synthetic financial instruments in the future for the purpose of managing the interest cost of its Utility debt. Upon the Conversion, the County will terminate the interest rate swap associated with the Series 2005 Bonds. Interest rate swaps and other synthetic financial instruments involve risks that could result in an economic loss to the County. The County's obligations, to make net payments as a result of fluctuation in hedged interest rates or fluctuation in the value of any index of payment (i.e., Hedge Obligations) are payable from Pledged Revenues on a parity with the Bonds. Any termination payments or hedge charges on the County's current interest rate swap agreements that may be payable by the County are payable from Pledged Revenues on a subordinate basis to the Bonds; however, on any future interest rate swap agreements that the County may enter into, the termination payments may be considered as Hedge Obligations and payable from Pledged Revenues on a parity with the Bonds if on or before the date of entering into the related agreement, the County has obtained written evidence from each Rating Agency that such agreement will not, in and of itself, result in the withdrawal or reduction of the ratings then applicable to the Bonds; and provided further that the County may elect to finance such termination payments through the issuance of Additional Bonds under Section 208 of the Master Ordinance. See "SECURITY FOR THE SERIES 2005 BONDS – Flow of Funds" and "- Additional Bonds."

**WATER AND SEWER DEPARTMENT  
SWAP PORTFOLIO**

Associated Series of Bonds	Notional Amount as of Sept. 30, 2008	Counterparty	Counterparty Ratings as of June 20, 2008 (Moody's, S&P, Fitch)	Start Date	Termination Date	Counterparty Payment	County Payment
Series 1999A	205,070,000	RFPC Capital Services, LLC <sup>(1)</sup> – Guarantor – BNY	Guarantor – Aaa, AA-, AA-	03/06/2006	10/01/2029	Variable – (i) from July 5, 2007 to, but excluding January 1, 2009 (a) if the difference obtained by subtracting USD-LIBOR-BBA from the product of 90.15% multiplied by USD-ISDA-Swap Rate is greater than 0.40% USD-LIBOR-BBA, plus 1.980%, or (b) if the product of 90.15% multiplied by USD-ISDA-Swap Rate is less than USD-LIBOR-BBA, then USD-LIBOR-BBA, plus 1.580%, otherwise, (c) USD-ISDA-Swap Rate multiplied by 90.15%, plus 1.580%; and (ii) from January 1, 2009 and thereafter, USD-ISDA-Swap Rate multiplied by 90.15%, plus 1.580%	Variable – USDA-SIFMA Municipal Swap Rate Index divided by 0.604
Series 2007	200,000,000	RFPC, LLC <sup>(1)</sup> – Guarantor – AMBAC	Guarantor – Aa3, AA, AA	07/18/2002	10/01/2026	Variable – USDA-SIFMA Municipal Swap Index	Variable – USDA-SIFMA Municipal Swap Index + (USDA-SIFMA Municipal Swap Index/0.604) - (USD-LIBOR-BBA + 1.455%)

<sup>(1)</sup> A subsidiary of Rice Financial Products Co., New York, New York.

The County has used swaps as a debt management tool. As of September 30, 2007, the County has recognized \$86.9 million of debt service savings from interest rate swaps. The County intends to maintain the above swap portfolio through the final maturity of the related Bonds and the termination value of the swap portfolio as of May 30, 2008 was a negative \$41.9 million. **[Update]** The County budgets for Hedge Obligations that pertain to fixed rate payments and for Hedge Receipts.

For further discussion of outstanding interest rate swap transactions, please see APPENDIX B–“AUDITED FINANCIAL REPORT OF THE MIAMI-DADE WATER AND SEWER DEPARTMENT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007.”

**DEBT SERVICE REQUIREMENTS ON THE SERIES 2005 BONDS, OUTSTANDING BONDS AND SUBORDINATE OBLIGATIONS**

[Insert table]

**THE DEPARTMENT**

**History**

On October 3, 1972, the electorate of the County approved the formation of a new County-wide water and sewer agency by expanding the then-existing Department of Water and Sewer of the City of Miami (the “City”). Subsequently, the Board established the Miami-Dade Water and Sewer Authority (the “Authority”) which began operating on April 1, 1973. On March 13, 1975, the City, the County and the Authority agreed to the transfer of all water and sewer properties, facilities and funds of the Department of Water and Sewer of the City to the Authority with the condition that certain property donated by the City would be returned to the City in the future if such property was not needed for water or sewer utility purposes.

On October 4, 1983, the Board enacted Ordinance No. 83-92, which abolished the Authority effective November 1, 1983 and established the Miami-Dade Water and Sewer Authority Department as a department within the Miami-Dade County government. On October 19, 1993, the Department changed its name to the Miami-Dade Water and Sewer Department.

**Organization and Administration**

The Department is responsible for the everyday operation and maintenance of the Utility. The Utility is administered by the Board under the supervision of the County Manager. John W. Renfrow, P.E., has been the Director of the Department (the “Director”) since January 2006.

The Department is divided into two major groups, each under the supervision of a Deputy Director, with eight Assistant Directors, each responsible for a number of specific divisions.

**Management**

The following are brief resumes of the Director, Deputy Director, the seven Assistant Directors and the Resident Engineer:

*John Renfrow, P.E., Director*, was appointed Director of the Department in January 2006. He has responsibility for the overall direction and management of the Department.

Mr. Renfrow is a Professional Engineer and a Certified Hazardous Materials Manager. An active member of many committees and organizations that make important decisions regarding the County’s

water and environmental health, he received his Bachelor of Science in Civil Engineering from the University of Miami in 1971. He began his career with the County in 1977, as an Engineer with the Department of Environmental Resources Management (“DERM”). Prior to being named Director, Mr. Renfrow had been serving as the Director of DERM since 1988. Under his direction, DERM grew into a nationally respected local environmental regulator and educator.

*Joseph A. Ruiz, Jr., Deputy Director – Operations*, was appointed to this newly created position in 2006. Prior to his appointment as Deputy Director, Mr. Ruiz served as Assistant County Manager since June 2004.

Mr. Ruiz received his Bachelor’s degree in Economics and History from the University of Miami in 1970. He has more than 30 years of management experience in both the public and private sectors. He has served in a variety of progressively responsible positions with the County, including Chief of the Administrative Division of the former Department of Traffic and Transportation, Chief of Motor Vehicle Safety Inspection, Assistant Director of the Public Works Department and Deputy Director of the Department of Solid Waste Management. In the private sector, he most recently served as Region Vice President of Waste management de Puerto Rico and Division Vice President for Waste Management of Florida, Inc.

*L. Douglas Yoder, PhD., Deputy Director – Regulatory Compliance and Capital Improvements*, was appointed to this newly created position in 2006. He is responsible for regulatory compliance and capital improvements.

Dr. Yoder graduated from Cornell University in 1969 with an undergraduate degree in government. He began his public service career with the County in 1971 working in the County Manager’s Office. He earned master’s and doctoral degrees in public administration from Nova Southeastern University, returning to full time employment with the County as a program manager with DERM in 1977. He was promoted to Assistant Director in 1981 and held that position until his transfer to the Department in February 2006.

*Diane A. Camacho, C.P.A., Assistant Director – Finance*, was appointed to this position June 2006. Prior to her appointment, Ms. Camacho served as Assistant Director, Finance and Administration for the Miami-Dade Seaport Department since 1998.

Ms. Camacho received a Bachelors of Business Administration with an emphasis in Accounting from Florida International University in 1979. She became a Florida Certified Public Accountant in June, 1980 and spent two years with Arthur Young and Company as an auditor. She was hired by the County in 1982 and spent two years at the Aviation Department and the following seven years at the Department where she reached the position of Assistant Director, Finance. She also spent five years with the Solid Waste department and later seven years at the Seaport Department (Port of Miami) as Assistant Director, Finance and Administration before returning to the Department in 2006. During her 25 years with the County, Ms. Camacho has managed as many as 500 employees, participated in various financing activities, including derivatives, and guided various systems development projects for financial accounting activities.

## WATER AND SEWER SYSTEM

### General

The Utility is divided into the Water System and the Sewer System. The Department administers each system on a unified basis for purposes of billing but separates the two for rates, capital improvements and accounting.

### Service Area

The Utility currently provides water and wastewater treatment to substantially all of the County either directly to retail customers or indirectly through wholesale contracts between the Department and various municipalities. The County is the largest county in the Southeastern United States with a land area of 2,209 square miles. In 2007, the population of the County was estimated by the County's Planning and Zoning Department at 2,468,000. See APPENDIX A- "GENERAL INFORMATION REGARDING MIAMI-DADE COUNTY, FLORIDA."

The Department's long-term objective of expansion to Countywide operation has been achieved by the acquisition of all privately-owned utilities in the County. Since 1973, the Department has acquired twenty-five (25) independent systems.

The Department supplies treated water on a wholesale basis to 15 municipally-owned water utilities in the County and to approximately 417,000 retail water customers. The only municipalities in the County which operate water treatment facilities for customers located primarily within their municipal boundaries are the City of Homestead, Florida City and North Miami. The City of North Miami Beach operates a water treatment facility that serves approximately two-thirds of its customers who do not live in its municipal boundaries. The Department also provides wastewater transmission treatment and disposal service on a wholesale basis to 12 municipally-owned wastewater utilities and Homestead Air Force Base, and to approximately 334,000 retail sewer customers as of September 30, 2006. The City of Homestead is the only municipality in the County that owns and operates its own wastewater treatment plant. See "WATER AND SEWER SYSTEM - Sewer System" below.

### Water System

General. The principal components of the Water System include 14 wellfields, with a total of 90 active permitted wells in the Biscayne Aquifer and five installed aquifer storage and recovery wells in the Floridan Aquifer, three major water treatment plants, five smaller water treatment plants, two lime recalcining plants, and an extensive transmission and distribution system composed of storage reservoirs, pump stations and an interconnected network of transmission and distribution mains.

Sources. The Department draws its raw water primarily from the surficial Biscayne Aquifer, a non-artesian (or near surface) aquifer which underlies an area of about 3,200 square miles in Miami-Dade, Broward and Palm Beach counties. The Upper Floridan Aquifer, which underlies most of the State and ranges from a subsurface depth of 200 feet to 1,700 feet, is also an artesian water source. However, because water from the Upper Floridan Aquifer has a higher content of salt, its water is much more expensive to process. Therefore, the Upper Floridan Aquifer is a less desirable water source.

In 2004, the Department applied to the South Florida Water Management District (the "District") for a 20-year consumptive use permit. The District evaluated the application and, in January 2006, notified the Department that it could use the surficial Biscayne Aquifer as a source of supply only for current demands but, not for future growth. Thus, water for growth has to come from alternative sources.

In May 2006, the County and the District entered into an Interim Consumptive Use Authorization and Agreement for a period of 18 months to authorize an allocation and to allow time for the Department to develop an alternative water supply plan. The Department has developed the plan and submitted it to the District for evaluation. The plan includes the use of the Biscayne Aquifer to meet current demands and also for future growth, but provides that additional amounts will be offset by providing ground water replenishment with highly treated reclaimed water. The Department is also proposing the use of the Floridan Aquifer to blend with water from the Biscayne Aquifer and also as a source of water to be treated with reverse osmosis. On November 15, 2007, the District issued a consolidated 20-year Water Use Permit, which sets limits on the use of the Biscayne Aquifer and the Floridan Aquifer. In addition, the permit includes a schedule for the construction of the alternative water supply projects needed to meet demands.

*Collection and Production.* The Department collects its raw water from 14 existing wellfields which use the Biscayne Aquifer as the source water supply. In order to process and prepare raw water for consumption, the Department operates three major water treatment plants, five smaller water treatment plants, two lime recalcining plants and an extensive transmission and distribution system composed of storage reservoirs, pump stations and a network of transmission and distribution water mains. The five smaller treatment plants, which have a combined treatment capacity of 12.0 mgd, serve the extreme southern part of the County.

*Water Treatment Plants.* The following chart reflects the allocations, rated capacities and actual flows for the County's water treatment plants.

<u>Component</u>	<u>Hialeah/Preston</u>	<u>Orr</u>	<u>South Dade Water System<sup>(1)</sup></u>
Plant Rated Capacity	225.0 mgd <sup>(2)</sup>	248.0 mgd <sup>(3)</sup>	12.0 mgd
Actual Flows <sup>(4)</sup>			
Average Daily	149.8 mgd	165.9 mgd	6.6 mgd
Peak Day	178.2 mgd	181.5 mgd	10.8 mgd

<sup>(1)</sup> Represents five smaller water treatment plants in southern Miami-Dade County.

<sup>(2)</sup> Hialeah Plant permit capacity is 60 mgd and Preston Plant is 165 mgd for a total of 225 mgd.

<sup>(3)</sup> Treatment facility capacity is 248 mgd but the permit is currently limited to 217.47 mgd, with use of the aquifer storage and recovery wells.

<sup>(4)</sup> For the 12 months ending December 2007.

Source: The Department

The Board has approved a Joint Participation Agreement between the County and the City of Hialeah ("Hialeah") to jointly fund a reverse osmosis water treatment plant (the "Plant") at a cost of approximately \$160 million, which will produce a maximum of 17.5 mgd when completed. The County and Hialeah will share equally in the construction, operations and maintenance costs (the "Plant Costs") and will benefit equally from the water produced. The Plant Costs are not anticipated to have a material adverse impact on the rates, revenues and operations of the Department. The Plant is a project included in the multi-year capital improvement plan.

*Transmission.* High service pumping facilities located at each of the three major water treatment plants and a low pressure system deliver water directly to the Department's four high service pump stations. From there, the water is distributed through 7,300 miles of water mains, ranging in size from 2 to 72 inches in diameter, to the ultimate users.

Water Conservation. The service area is subject to wide fluctuations in rainfall, not only in total annual amount, but also month-to-month. An extended dry period usually results in substantial water usage for residential irrigation and corresponding peak demands on the Utility. In response, the Department encourages water conservation through certain water use restrictions, rates and other methods. The conservation program includes:

- Leak detection and repair;
- Recycling the water used to backwash filters at treatment plants;
- Reduction of transmission main pressure during periods of critical water shortage;
- Brochures and public information mailed with bills giving advice on water conservation;
- Using wastewater treatment plant effluent at the wastewater treatment plants for process water, cleanup and landscape irrigation;
- Cooperation with Florida International University (“FIU”) to use treated effluent from the North District Plant for landscape irrigation at nearby FIU Bay Vista Campus;
- Enforcement of an ordinance that required “Xeriscape” landscaping which favors use of plants and ground cover that require less irrigation for residential and commercial facilities;
- Aquifer storage and recovery;
- Low flow shower head exchange program;
- Toilet and high efficiency washer rebate;
- Green lodging; and
- Water Education for Teachers (WET) in the County.

Water Quality. The Safe Drinking Water Act (the “Water Act”) and the related drinking water standards in the Florida Administrative Code have established quality standards designed to reduce the allowable concentration of a variety of substances. The Water Act also requires local water utilities to issue “consumer confidence reports” describing the source and quality of the water they provide. The Department’s “Water Quality Report” provides the required information.

Regulations promulgated in December 1998 pursuant to the Water Act established maximum contaminant levels for two groups of water disinfection byproducts (“DBPs”): (i) total trihalomethanes and (ii) haloacetic acids. Utilities were required to comply by January 2004 with the standards established and the Department has adopted these standards. Based on treatment existing in 1998, the John E. Preston Water Treatment Plant was the Department’s only plant that could not comply with the proposed standards. Pilot studies conducted by the Department regarding this issue demonstrated that enhanced softening was the most effective method for treating water to meet the new standards under Stage 1 of the DBP rules. The Department modified the treatment in order to comply with the regulations.

The Department is in compliance with regulations of the U.S. Environmental Protection Agency (the “EPA”) intended to control the leaching of lead and copper from household plumbing into the water supply. A comprehensive sampling and testing program has been completed. All distribution systems were found to be satisfactory under the new regulations. Tri-annual follow-up sampling and testing for lead and copper is ongoing. To further improve the stability of the water, the Department has developed

and is implementing a program which is designed to reduce lead and copper levels at the customer's tap. Bi-weekly monitoring for water quality parameters that validate optimized treatment is ongoing in accordance with regulations.

See "REGULATORY MATTERS" for a detailed description of certain regulatory matters with respect to the Water System.

## **Sewer System**

General. The Department's Sewer System consists of collection sewers, manholes, lift stations, force mains, interceptors, pump stations and three regional wastewater treatment plants: the North District Wastewater Treatment Plant at Interama (the "North District Plant"), the Central District Wastewater Treatment Plant at Virginia Key (the "Central District Plant") and the South District Wastewater Treatment Plant at Blackpoint (the "South District Plant").

Collection. There has been steady growth in the wastewater service provided by the Department due to an increase in total population in the County, the acquisition of small utilities and the extension of sewers to areas served by septic tank systems. The amount of wastewater treated annually, however, may vary significantly depending upon the amount of annual rainfall.

Wastewater is brought to the Department's treatment facilities through local collection facilities which include gravity sewers, manholes, lift stations and force mains. The Department has divided the County into three districts in which wastewater is collected and transmitted to a wastewater treatment plant located in each of the three districts. The districts are interconnected to allow for limited redirection of flows.

The maintenance and improvement of the Utility's 1,006 sewage pump stations is one of the requirements of the terms of the Second and Final Partial Consent Decree (as defined under "REGULATORY MATTERS"). The Department's program to upgrade its sewage pump stations is continuing. A typical station upgrade includes improvements to the electric service, controls and alarm systems, the replacement of motors, the addition of pumps or a complete replacement pump station.

Groundwater, stormwater or other water not requiring treatment introduced into the Sewer System overloads pump stations and treatment plants. The cost of pumping and providing treatment for this excess water is substantial. Consequently, the Department has established an Infiltration/Inflow Reduction Program to conduct Sewer System evaluations and to rehabilitate the system by repairing pipes where feasible, replacing pipes damaged beyond repair, installing leakproof manhole covers and repairing manholes. Many of the program activities will be perpetually required to maintain the Sewer System's integrity and to continually reduce infiltration and inflow amounts. The Department has re-focused the program on service laterals which exhibit "leakage" during storms. The Department is currently conducting a Comprehensive Lateral Pilot Program to determine the feasibility and cost-effectiveness of repairing service laterals for the reduction of wet weather inflow and rain-induced infiltration.

The Department has an on-going program of inspection and correction to address the corrosive effects of hydrogen sulfide (a by-product of raw sewage) on its concrete force mains. The Department periodically inspects mains and implements corrective action with respect to any affected main.

Wastewater Treatment Plants. The Department operates three regional wastewater treatment plants located in various sections of the County as described above. The three plants have a combined installed treatment capacity of 375.5 mgd of wastewater and are currently permitted at 368 mgd. The

following table summarizes the treatment permit parameters and the actual flows of each of the County's wastewater treatment plants.

	North District	Central District	South District	Total
<u>Installed Treatment Capacity</u>	120.0	143.0	112.5	375.5
<u>Permit Parameters</u>				
Average Daily Flow, mgd	112.5	143.0	112.5	368
Effluent CBOD <sub>5</sub> , mg/L <sup>(1)</sup>	30/20 <sup>(3)</sup>	30	20	-
Effluent Suspended Solids, mg/L	30/20 <sup>(3)</sup>	30	20	-
<u>Actual Flows 12-Month Average for Fiscal Year 2007</u>				
Average Daily Flow, mgd <sup>(2)</sup>	89.9	110.9	92.1	292.9
Effluent CBOD <sub>5</sub> , mg/L <sup>(2)</sup>	10.0	7.7	4.4	-
Effluent Suspended Solids, mg/L <sup>(2)</sup>	15.5	7.9	8.5	-

(1) "CBOD<sub>5</sub>" means Chemical Biological Oxygen Demand; "mg/L" means milligrams per liter.

(2) These levels are below those allowed by permit

(3) 30mg/L in secondary effluent going to the outfall; 20mg/L in effluent going to the wells.

Source: The Department

*Disposal of Sludge and Treated Wastewater.* The disposal of the by-products of the treatment process (sludge and effluent or treated wastewater) is an important part of the Department's plans to improve and expand its Sewer System. Steps taken by the Department in accordance with this plan are discussed in the following paragraphs.

Sludge is stabilized in anaerobic digesters at the Central District and South District Plants. After stabilization, sludge is dewatered in centrifuges to form a cake, a material that is dry enough to be loaded and hauled in a dump truck. Stabilized sludge cake can be disposed of in Class I Solid Waste Landfills. The stabilized cake can also be used as an agricultural soil supplement because it meets the requirements for Class B material, but only with State approved permits which require a substantial amount of documentation, monitoring and record keeping. After dewatering, the sludge cake can be further dried on paved drying beds and then composted to produce Class AA residuals, which can be sold as a soil supplement with relatively few restrictions. At the South District Plant, sludge cake is further dried on paved beds and a portion is composted to Class AA standards and sold as a soil supplement. The Department has discontinued the use of the sludge drying beds and composting facilities at the Central District Plant in order to reduce odors, which had caused complaints at a neighboring residential community. To this end, the Department has negotiated agreements to dispose of sludge cake; in accordance with these agreements, the sludge cake is disposed of by hauling and placing it in landfills or utilized as Class B agricultural soil supplement. The Department is developing a twenty year biosolids master plan.

Disposal of treated wastewater at the North District Plant, which currently has a permitted treatment capacity of 112.5 mgd, is accomplished by discharge into the Atlantic Ocean. The installed treatment capacity at the North District Plant was expanded to 120 mgd pursuant to the Settlement Agreements with the FDEP and the plant is currently conducting operational testing for two of the four deep injection wells prior to FDEP operational approval for all four wells. The Central District Plant also disposes of effluent by discharge into the Atlantic Ocean. The most recent environmental studies

conducted by the EPA and examinations by the State and the Department conducted in 1994 have shown “no irreparable harm” and “no unreasonable degradation” to the environment as a result of the discharge of effluent from the North District Plant and the Central District Plant into the Atlantic Ocean.

The South District Plant disposes of its effluent through deep injection wells to the Lower Floridan Aquifer at a depth below 2,400 feet. The South District Plant has a permitted treatment capacity of 112.5 mgd and actual treatment capacity of 112.5 mgd. During the past 10 years, the Department constructed five additional deep-injection wells as part of its 112 mgd plant expansion project, but only one of these wells had received an operational permit. On April 29, 2004, the Department entered into a Consent Order (the “Order”) with the FDEP to address the operation of the injection wells. The Order approved operational testing of the remaining four injection wells, and required the upgrade of the treatment process, *see* “REGULATORY MATTERS” for a more detailed description of the Order. With five additional wells operational, the actual treatment capacity at the South District Plant is sufficient to handle the average day effluent disposal requirements of the South District Plant.

The Department continues to explore different ways to reuse effluent. The practicality of reuse is affected by the cost of the added treatment, the cost of transmission and distribution systems, the possibility of contaminating the drinking water system through inadvertent cross connections, public attitudes about using treated wastewater and the quality of the water available for reuse. The Department has constructed a 5.5 mgd filtering system. The Department has also constructed a transmission main to provide 95,000 gallons per day of treated effluent from the North District Plant to Florida International University’s (“FIU”) Bay Vista Campus for use in land irrigation (the “FIU Project”). Finally, in order to meet the requirements of the in-kind reuse projects required by the Settlement Agreements and the EPA Second and Final Partial Consent Decree (which requires the expenditure of \$5,855,000 in public access reuse), the Department has constructed and is using a public access project to provide irrigation water at two wastewater treatment plants and potable water replacement for processes at the three wastewater treatment plants. In April 2007, the Department completed an updated Reuse Feasibility Study. *See* “REGULATORY MATTERS – Sewer System Settlement Agreements and Consent Decrees” herein.

### **Environmental Quality Management**

The public’s concern for environmental quality is reflected in many of the Department’s activities, from meeting the effluent discharge quality limits and the changing water quality standards to providing facilities that are unobtrusive and have minimum adverse impact on the environment. Federal, state and local regulations regarding preservation of wetlands impact nearly all land development activities in South Florida, including those of the Department and private developers. The necessity of protecting wetlands has required revisions to Department construction plans in the past, and will continue to do so with such requirements possibly increasing the cost of future Department projects. If a project is essential for the welfare of the community, and damage to valuable ecologic systems is unavoidable, the permits may be issued with provisions for mitigating the losses by constructing or upgrading wetlands, planting mangroves or some similar program at a different location.

Since few sites remain for future plant locations which are not wetlands or near existing residential neighborhoods, it is anticipated that future water and sewage treatment plant expansions will require special design features such as multistory construction to minimize land requirements, special architectural and acoustical treatments, and odor control systems to make them unobtrusive.

### **Elimination of the Use of Ocean Outfalls**

On June 30, 2008, the Florida Governor signed a bill into law that prohibits the construction of new ocean outfalls. The new law, which became effective July 1, 2008, requires the Department to (i)

submit a plan by 2013 for compliance with the advanced wastewater treatment and management requirements related to the use of nutrient removal and high level disinfection technology; (ii) meet the provisions of the advance wastewater treatment and management requirements by December 31, 2018, either by (a) provision of advanced wastewater treatment to all ocean outfall flows, or (b) reducing the volume of wastewater effluent disposed through ocean outfall flows between December 31, 2008 and December 31, 2025 so that the reduction in nutrients discharged would be the same as with advanced wastewater treatment, or (c) use of a combination of advanced wastewater treatment and diversion of ocean outfall flows to meet the nutrient reduction level required on December 31, 2018. By December 31, 2025, a fully functioning reclaimed water system must be installed using a minimum of 60% of the ocean outfall flows for irrigation, groundwater replenishment, industrial cooling or other acceptable forms of reclaimed water.

The Department's plans to meet the advance wastewater treatment and management requirements includes revising its Wastewater Facilities Master Plan to incorporate such requirements and, in doing so, analyzing and evaluating the existing budgeted projects in light of the new requirements. While the cost of eliminating the two large ocean outfalls that the Department currently uses (North District and Central District) is estimated at roughly \$2 to \$3 billion, it is clear that some planned projects currently budgeted will be affected by the new regulations and the impact or potential capital savings will not be available until such time as the revisions to the Wastewater Facilities Master Plan are well underway.

## **Regulations**

Other than the matters described in "REGULATORY MATTERS" the Department is in compliance with all other material federal, state and local rules and regulations.

## **Everglades Remedial Program**

The federal Water Resources Development Act of 2000 approved the Comprehensive Everglades Restoration Plan ("CERP"), which was developed by a multi-agency study team led by the U.S. Army Corps of Engineers. The CERP provides a framework and guide to restore, protect and preserve the water resources of central and southern Florida, including the Everglades. The CERP includes more than 60 projects, will take more than 30 years to construct, and will cost an estimated \$10.9 billion. The CERP projects that will be the responsibility of the Department are the South and West Miami-Dade Reuse Projects, which are currently scheduled for Band 4 (2020-2025). The Wastewater Reuse Technology ("WRT"), which is scheduled for Band 3 (2015-2020) has been initiated by the Department as part of the Interim Consumptive Use Authorization and Agreement with the District. The purpose of the WRT is to determine whether advanced wastewater reuse can meet the restoration requirements of the Project in a cost effective manner.

The WRT and the full scale South Miami-Dade Reuse projects are part of the Department's proposed water reclamation projects and they have been included in the capital plan.

## **Security**

Security at the Department's facilities has remained high since the September 11, 2001 attacks, and in 2002 the Board enacted an ordinance addressing long-term security at the Department's facilities, including wellfields and treatment plants. The ordinance specifically authorized the Department's Director to take any actions deemed necessary in an emergency, to secure the Department's facilities. The Director has already determined that a need exists to maintain increased security at the Department's facilities. Another important component of the ordinance is the issuance of new identification cards for all Department employees, contractors and visitors.

The Department has implemented a number of proactive measures to enhance the security of its water facilities as well as its response capabilities. Ten staff members have been licensed in the Risk Assessment Methodology Method for Water (RAM-W) for conducting vulnerability assessments. The vulnerability assessment of the water system was completed in March 2003 and submitted to the EPA as mandated. The Department has prepared its Emergency Response Plan (ERP) in accordance with the EPA regulations. This was submitted to the EPA prior to September 30, 2003. In accordance with federal requirements, the Department continues to assess, identify and implement feasible opportunities to minimize the vulnerability of the Department's facilities. This program is anticipated to cost in excess of \$4 million when fully implemented. All major water plants are completed.

The EPA has not yet mandated performing vulnerability assessments of wastewater systems. When this has been mandated, the Department will perform a vulnerability assessment of its sewer system, which will encompass an assessment of its wastewater treatment facilities, the collection system, and the pumping and transmission system. However, the Department is addressing strengthening security at all facilities until the assessment is complete.

The Department has hired a manager and supervisor that are dedicated to security at the Department's facilities. A program of security checks for contractors, including background checks through Miami-Dade Police Department, has been implemented. Additionally, staff working in sensitive plant areas are subject to federal background checks.

### **Insurance**

The Department is insured against loss to facilities through a blanket property insurance program covering real and personal property, including boiler and machinery. Scheduled properties include various wastewater treatment plants, regional water treatment plants, pump stations, water storage facilities, maintenance facilities, ocean outfalls, headquarters building, and leased properties. The current schedule of values is approximately \$1.7 billion.

The current program has a limit of \$200 million with a deductible of \$100,000,000 for most perils. The program has a 5% named windstorm deductible with a \$250,000 minimum and \$30,000,000 maximum at each location. Terrorism coverage is provided for both certified and non-certified acts.

The Department is covered under the County's self insurance program administered by the Risk Management Division of the General Services Department in accordance with Section 768.28, Florida Statutes as amended. F.S. §768.28 provides that tort claims against municipal governments are limited to \$100,000 per claim and \$200,000 in aggregate for any event or occurrence without a specific act of the Florida Legislature. This limitation applies to most of the liability claims that arise against the County or any local government in Florida, although certain liability claims such as claims under civil rights statutes, are not subject to these limitations.

## **WATER AND SEWER CUSTOMERS AND REVENUES**

### **Accounts**

The Department receives revenues for the sale of its water and sewer services from retail as well as wholesale customers.

The numbers of retail customers for the past five years are as follows:

**Active Retail Customers  
For Fiscal Year Ended September 30**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Water	391,227	398,318	406,059	412,121	416,620
Sewer	309,480	316,257	323,615	329,615	334,426
Percent ratio sewer customers to water customers	79.1%	79.4%	79.7%	79.9%	80.3%

Source: The Department

The current wholesale customers of the Utility are:

<u>Water</u>	<u>Sewer</u>
Bal Harbour	Coral Gables
Bay Harbor Islands	Florida City
Hialeah	Hialeah
Hialeah Gardens	Hialeah Gardens
Indian Creek Village	Homestead
Medley	Homestead Air Force Base
Miami Beach	Medley
Miami Springs	Miami Beach
North Miami	Miami Springs
North Miami Beach	North Miami
North Bay Village	North Miami Beach
Opa-Locka	Opa-Locka
Surfside	West Miami
Virginia Gardens	
West Miami	

Source: The Department

The ten largest customers for the Utility for Fiscal Year ended September 30, 2007 were:

**Water System**

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of Utility Gross Revenues</u>
City of Miami Beach	\$8,724	4.6%
City of Hialeah	8,009	4.2
City of North Miami Beach	2,847	1.5
Miami-Dade County Aviation Department	2,500	1.3
City of North Miami	2,009	1.1
City of Opa-Locka	1,041	0.5
Florida Power & Light Company	945	0.5
City of Miami Springs	846	0.4
Hialeah Gardens	773	0.4
Bal Harbour	582	0.3

Source: The Department

## Sewer System

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of Utility Gross Revenues</u>
City of Miami Beach	\$15,029	6.32%
City of Hialeah	13,378	5.6
City of North Miami	6,583	2.8
City of Opa-Locka	2,395	1.0
City of Miami Springs	2,236	0.9
Homestead	2,127	0.9
City of Coral Gables	2,105	0.9
Miami-Dade County Aviation Department	1,576	0.7
City of North Miami Beach	1,409	0.6
Hialeah Gardens	1,069	0.4

Source: The Department

### Rates

Effective October 1, 2007, the Department's retail rates were increased by 4.8% consistent with the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for "All Urban Consumers Water & Sewage Maintenance – U.S. Cities Average." The Board approved use of a "maintenance index" annually to provide additional revenues to recover increases in the Utility system's requirements. This water and sewer maintenance index cannot exceed U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for "All Urban Consumers Water & Sewage Maintenance – U.S. Cities Average." Wholesale rates remained unchanged.

Retail rates for Fiscal Year 2009 are being projected to increase by 5.2% based on the maintenance index and wholesale customers are projected to receive a 33% water rate increase and a 2.7% decrease in sewer rates, along with elimination of the current "smoothing mechanism" and initiation of an annual true-up of prior year wholesale rates.

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**RETAIL CUSTOMERS**

**WATER:**

**Effective  
October 1, 2007**

Meter Charge:

Meter Size

5/8"	\$ 3.20
1"	8.61
1.5"	13.43
2"	28.73
3"	61.32
4"	95.77
6"	153.23
8"	268.16
10"	574.63
12"	1,085.41
14"	2,043.13
16"	3,830.87

**Monthly**

**Monthly Charge**

Flow Rate All Usage:

*Usage per 100 cubic feet (ccf):*

0 to 5 ccf	\$0.3740
6 to 10 ccf	1.5708
11 to 17 ccf	2.0720
18 ccf and over	2.9845

*Usage per 1,000 gallons:*

0 to 3,750 gallons	\$0.50
3,751 to 7,500 gallons	2.10
7,501 to 12,750 gallons	2.77
12,751 gallons and over	3.99

NOTE: 100 cubic feet (ccf) equals 748 gallons

Multi-Family Dwellings (MFD) – based on individual units for retail water

Source: The Department

**RETAIL CUSTOMERS**

**WATER:**

	Effective October 1, 2007
	<u>2</u>
Meter Charge:	3
<b>Meter Size</b>	<b>Quarterly Charge</b>
	4
5/8"	\$9.60
1"	\$25.83
1.5"	\$40.29
2"	\$86.19
3"	\$183.96
4"	\$287.31
6"	\$459.69
8"	\$804.48
10"	\$1,723.89
12"	\$3,256.23
14"	\$6,129.39
16"	\$11,492.61

<b>Quarterly</b>	<b>Quarterly Charge</b>
------------------	-------------------------

Flow Rate All Usage:

*Usage per 100 cubic feet (ccf):*

0 to 15 ccf	\$0.3740
16 to 30 ccf	\$1.5708
31 to 51 ccf	\$2.0720
52 ccf and over	\$2.9845

*Usage per 1,000 gallons:*

0 to 11,220 gallons	\$0.50
11,221 to 22,400 gallons	\$2.10
22,441 to 38,148 gallons	\$2.77
38,149 gallons and over	\$3.99

NOTE: 100 cubic feet (ccf) equals 748 gallons

Multi-Family Dwellings (MFD) – based on individual units for retail water

Source: The Department

**MIAMI-DADE WATER AND SEWER DEPARTMENT  
SCHEDULE OF RATES**

**RETAIL CUSTOMERS**

**WASTEWATER DISPOSAL:**

<b>Monthly</b>	Effective October 1, 2007
	<b>Monthly Charge</b>
Base Facility Charge	\$3.25
Flow Rate All Usage:	
	<i>Usage per 100 cubic feet (ccf):</i>
0 to 5 ccf	\$1.3838
6 to 17 ccf	\$3.0818
18 ccf and over	\$3.7326
	<i>Usage per 1,000 gallons:</i>
0 to 3,740 gallons	\$1.85
3,741 to 12,716 gallons	\$4.12
12,717 gallons and over	\$4.99
 <b>Quarterly</b>	 <b>Quarterly Charge</b>
Base Facility Charge	\$9.75
Flow Rate All Usage:	
	<i>Usage per 100 cubic feet (ccf):</i>
0 to 15 ccf	\$1.3838
16 to 51 ccf	\$3.0818
52 ccf and over	\$3.7326
	<i>Usage per 1,000 gallons:</i>
0 to 11,220 gallons	\$1.85
11,221 to 38,148 gallons	\$4.12
38,149 gallons and over	\$4.99

NOTE: 100 cubic feet (ccf) equals 748 gallons

Multi-Family Dwellings (MFD) – based on individual units for retail wastewater

Source: The Department

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**MIAMI-DADE WATER AND SEWER DEPARTMENT  
SCHEDULE OF RATES**

**WHOLESALE CUSTOMERS**

**WATER CUSTOMERS:**

Effective  
October 1, 2007

**WATER CUSTOMERS:**

Hialeah and Miami Springs

*Flow rate per 1,000 gallons* \$0.9733

All Other Wholesale Customers

*Flow rate per 1,000 gallons* \$1.100

**WASTEWATER CUSTOMERS:**

Rates for Wet Season (May 1 to October 31 Annually)

*Flow rate per 1,000 gallons* \$1.9500

Rates for Dry Season (November 1 to April 30 Annually)

*Flow rate per 1,000 gallons* \$1.5200

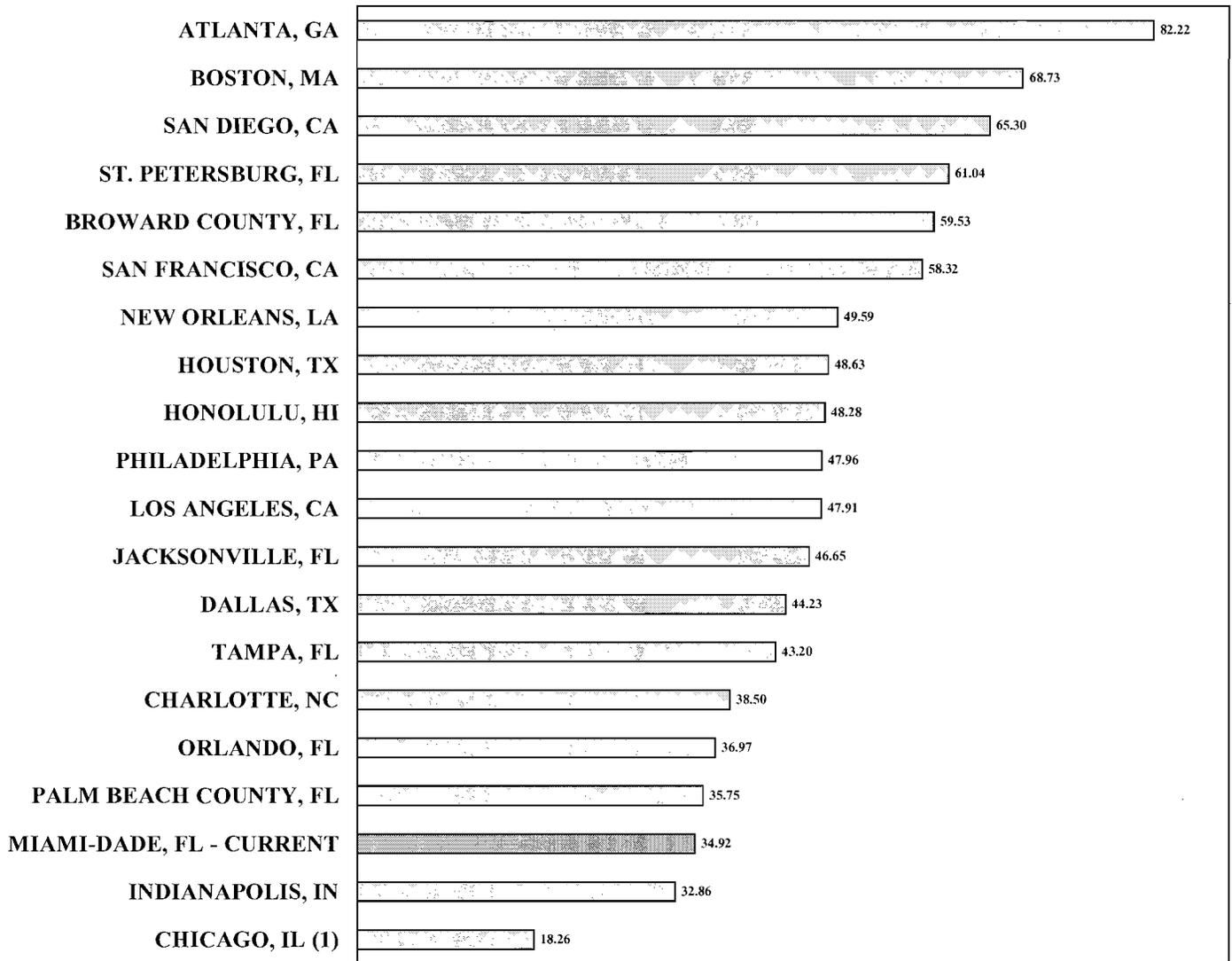
NOTE: 100 cubic feet (ccf) equals 748 gallons

Source: The Department

**Rate Comparison**

The combined water and sewer bills of the Department are generally lower than those of comparable water and sewer utilities in other parts of the U.S. as shown in the following table:

**COMBINED WATER AND SEWER BILLS  
FLORIDA MUNICIPALITIES AND MAJOR U.S. CITIES  
FOR THE AVERAGE RESIDENTIAL CUSTOMER\*  
EFFECTIVE OCTOBER 1, 2007<sup>(1)</sup>**



DOLLARS PER MONTH

\* Average residential customer using 7,500 gallons per month. Historically, 7,500 gallons per month has been used for comparison purposes; however, current analysis indicates that the average residential customer uses 6,750 gallons per month.

<sup>(1)</sup> Per Raftelis Rate Survey, Chicago's water rates effective 1/1/2002.

Source: The Department

## **Billing and Collection**

The Department is responsible for all billing and collections. Of its approximately 417,000 customers, 402,000 are billed quarterly and 15,000 are billed monthly. Whether a customer is billed monthly or quarterly depends upon consumption. Once a customer's average monthly usage, established over a one-year period, exceeds 100,000 gallons, then the customer is billed monthly. All system-produced bills are normally mailed 2 to 3 days after meter readings are obtained. The past due date on all bills is 21 days after the billing date. A 10% late charge is assessed on any portion of the water and/or sewer charge, which remains unpaid after the past due date and a delinquent bill is mailed. Forty-two days after billed, unpaid accounts with a balance greater than \$100 are included on a potential disconnect list. Accounts from this list are processed for disconnection of service. If an account remains unpaid 10 days after service has been discontinued, the customer is sent a final bill. A special assessment lien is filed against any owner-occupied real property, which has received services and has charges that are more than 60 days past due and unpaid. The Department may proceed against lessees to collect delinquent water and sewer charges. In the event a variance or discrepancy in a customer's usage is discovered, the Department will investigate to determine the cause. Supplemented bills will be sent to the customer with adjustments and such bills are subject to the same deadlines and penalties as regularly prepared bills. The Department issues adjusted and corrected bills for various reasons such as leaks, misreadings, coding errors, administrative rulings, backbillings and stopped or inaccurate meters.

Annually, the Department analyzes and records a bad debt reserve for accounts that may be written off. Additionally, the Department performs an annual write-off of retail accounts if the balance due is under \$500 and the final bill is more than two years old. The Department writes off accounts where the balance due is \$500 or more, is more than two years old, has been referred to a collection agency for at least one year and the Department determines that the amount is uncollectible. The write-off is for accounting purposes only. The Department continues to legally pursue payment from the delinquent customer.

## **Efficiency Program**

In January 1998, the Mayor established the "Efficiency and Competition Commission" in an effort to provide the citizenry with the best in government services at prices competitive with the private sector. Building on this impetus, in March 1998, the Department initiated "POWER," a Partnership Optimizing WAsD's (the Department's) Efficiency and Reengineering. The POWER program was implemented as a collaborative agreement with AFSCME Local 121 and the Government Supervisors Association of Florida.

Since the inception of the POWER program, the Department has documented efficiency savings of more than \$28.8 Million (as of September 30, 2007), and provided gainsharing to employees as incentives for continuous improvements. The POWER program accomplishments include: efficiency savings; improvements to customer service; and complying with federal and state regulations. The POWER program has been such a success that the National Association of Counties selected the program for an Achievement Award “in recognition of an innovative program which contributes to and enhances county government in the United States.” In addition, the Department received the prestigious “Gold Award for Competitiveness Achievement” and the “Platinum Award for Sustained Competitiveness” from the Association of Metropolitan Water Agencies.

## **FINANCIAL OPERATIONS**

Utility Revenues, Operation and Maintenance Expenses, as well as certain assumptions and opinions pertaining to such financial data are described in the Audited Financial Report of the Miami-Dade Water and Sewer Department for Fiscal Year Ended September 30, 2007. See APPENDIX B – AUDITED FINANCIAL REPORT OF THE MIAMI-DADE WATER AND SEWER DEPARTMENT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007.”

### **Historical Results of Operations and Debt Service Coverage**

The following table summarizes audited historical operating results for the Utility for fiscal years ended September 30, 2003 through 2007. The historical results have been prepared based on information provided in the Department’s audited financial statements for those years. The table also reflects the historical debt service coverage based on historical Pledged Revenues and debt service requirements.

**HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE**  
**(\$ in thousands)**  
**(Fiscal Year Ended September 30)**

	2003	2004	2005	2006	2007
<i>OPERATING REVENUES:</i>					
Retail	\$273,710	\$295,176	\$297,374	\$341,555	\$330,475
Wholesale	69,565	71,501	75,013	78,310	75,690
Other	18,827	18,896	19,573	20,450	22,455
Total operating revenues	\$362,102	\$385,573	\$391,960	\$440,315	\$428,620
<i>OPERATING AND MAINTENANCE EXPENSES:</i>					
Source of supply	\$ 5,248	\$ 5,110	\$ 5,710	\$ 5,381	\$ 6,710
Collection system	13,193	14,534	15,582	18,111	19,965
Pumping	25,785	26,095	27,800	33,605	34,647
Treatment	86,991	89,511	105,427	118,524	121,931
Transmission and distribution	21,086	21,452	21,900	23,081	25,747
Customer accounting and service	19,915	22,505	22,704	22,974	27,599
General and administrative	46,173	53,706	59,256	71,210	74,028
Total operating and maintenance expenses	\$218,391	\$232,913	\$258,379	\$292,886	\$310,627
Operating income before depreciation	<u>\$143,711</u>	<u>\$152,660</u>	<u>\$133,581</u>	<u>\$147,429</u>	<u>\$117,993</u>
<i>PRIMARY DEBT SERVICE COVERAGE:</i>					
Net Operating Revenues	\$143,711	\$152,660	\$133,581	\$147,429	\$117,993
Investment Earnings <sup>(1)</sup>	18,923	3,489	13,781	19,324	32,170
Net Transfers from (to) Rate Stabilization Fund	48,941	23,136	11,238	-	-
Net revenues available for debt service	\$211,575	\$179,285	\$158,600	\$166,753	\$150,163
Debt service requirements <sup>(2)</sup>	115,629	114,196	104,123	110,848	113,291
Actual coverage	1.83x	1.57x	1.52x	1.50x	1.33x
Required coverage	1.10x	1.10x	1.10x	1.10x	1.10x
<i>SUBORDINATED DEBT SERVICE COVERAGE:</i>					
Net revenues available for debt service	\$211,575	\$179,285	\$158,600	\$166,753	\$150,163
Less: Maximum principal and interest <sup>(3)</sup>	115,629	115,272	115,032	121,933	124,620
Adjusted net revenues	\$95,946	\$64,013	\$43,568	\$44,820	\$25,543
Debt service and reserve requirements <sup>(4)</sup>	15,348	14,053	15,205	15,328	11,563
Actual coverage	6.25x	4.56x	2.87x	2.92x	2.21x
Required coverage	1.00x	1.00x	1.00x	1.00x	1.00x
<i>STATE REVOLVING FUND LOANS DEBT SERVICE COVERAGE:</i>					
Net revenues available for debt service	\$211,575	\$179,285	\$158,600	\$166,753	\$150,163
Less: revenue required for primary debt service coverage <sup>(5)</sup>	127,192	125,615	114,536	121,933	124,620
Adjusted net revenues	\$84,383	\$53,670	\$44,064	\$44,820	\$25,543
Debt service requirements <sup>(6)</sup>	14,870	13,966	15,205	15,328	11,563
Actual coverage	5.67x	3.84x	2.90x	2.92x	2.21x
Required coverage	1.15x	1.15x	1.15x	1.15x	1.15x

(1) Excludes interest income from Construction Fund.

(2) Represents debt service requirements on outstanding Bonds for such fiscal year.

(3) Maximum principal and interest requirements on the Bonds for such fiscal year.

(4) Represents debt service and reserve requirements on subordinate obligations.

(5) Represents 110% of primary debt service requirements.

(6) Represents debt service requirements on outstanding State Revolving Fund Loans for such fiscal year.

Source: Water and Sewer Department's Comprehensive Annual Financial Report For The Fiscal Year Ended September 30, 2007.

## **Management's Discussion**

During the Fiscal Year 2006 budget process, the Department addressed the issue of revenue sufficiency with the Board, which included the need for reasonable annual rate increase to address the operating and maintenance cost increases that occur as a normal part of business each year. For Fiscal Year 2006, the Board approved a rate increase of 7.72% for the average 6,750 gallon retail customer and the Board acknowledged the need for some type of annual increase based upon a "maintenance index." For the Fiscal Year 2007, the Board approved a rate increase for the average retail customer, effective January 1, 2007, of 4.5% based on the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for "All Urban Consumers Water and Sewage Maintenance – U.S. Cities Average." For the Fiscal Year 2008 budget, the Department requested and received an increase of 4.8% based on the same maintenance index. Revenues over the past five years have increased 18% from \$362 million to over \$428 million.

Operating Expenses have also increased over the last five years, rising by 42.2% from \$218 million to over \$310 million with the largest increases coming in the functional areas of pumping, treatment and general and administrative. The primary drivers of these increases include fuel costs, electricity, personnel costs, insurance, technology and security. Contributing to the operational side costs are increasingly stringent regulations regarding water treatment processes.

The Department maintains both a General Reserve Fund and a Rate Stabilization Fund to provide for contingencies and to mitigate rate increases. As of the end of Fiscal Year 2007, the Department's General Reserve Fund and Rate Stabilization Fund totaled over \$65 million.

### **MULTI-YEAR CAPITAL IMPROVEMENT PLAN**

The Department has for many years used a formal capital program and budgeting process. Under this process, capital programs are projected forward over a 6-year period and beyond and a detailed budget is adopted for the first year of each multi-year. Both program and budget commitments are reviewed each year and modified as necessary.

Set forth on the following page is a summary of the Department's funding sources for its Multi-Year Capital Improvement Plan ("MYCIP") for Fiscal Years 2008 through 2017. The funding of the MYCIP includes proceeds of the Outstanding Bonds, Additional Bonds and Subordinate Obligations, as well as certain annual revenue sources of the Department. These MYCIP capital expenditures consist of the design, construction and construction management expenses associated with capital improvements related to the expansion of the wastewater treatment and collection facilities, the expansion and improvements to the water treatment plants and facilities including the pumping stations, water main rehabilitation, and other similar projects. The capital improvement projects are necessary to: (i) provide additional capacity to serve additional customers; (ii) meet the requirements of the regulatory actions imposed by the FDEP and the EPA; (iii) provide back up reserve capacity in the water and wastewater transmission systems; (iv) comply with level service requirements contained in the Comprehensive Development Master Plan; and (v) improve operating efficiencies of the Utility.

The Department's MYCIP provides that the Department intends to finance such plan with additional bond issues as needed to minimize the impact on rates in any individual year.

The Department's projects in the MYCIP for Fiscal Years 2008 through 2014 have been found to be consistent with the improvements identified in the Water and Wastewater Facilities Master Plans, the Consent Decrees and the Interim Peak Flow Management Plan

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**Miami-Dade Water and Sewer Department**  
**2008 - 2014 MULTI-YEAR CAPITAL IMPROVEMENT PLAN**  
(\$ in Thousands)

	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	Future*	Total
<b>Wastewater</b>									
Existing Bond Proceeds	\$ 30,577	\$ 7,447	\$ 1,891	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,915
Assumed Additional Bonds	0	0	156,067	339,273	338,265	301,680	142,374	1,170,014	2,447,673
Plant Expansion	12,543	37,601	99,194	45,208	13,419	13,438	385	0	221,788
Renewal and Replacement Fund	36,033	57,775	43,241	31,956	37,556	40,970	45,732	50,000	343,263
Special Construction Fund	150	450	709	709	709	709	1,125	1,125	5,686
Bond Construction Contributions	0	0	0	1,500	1,500	0	0	0	3,000
General Obligation Bond	2,267	1,701	6,367	4,596	1,490	3,363	70,853	0	90,637
HLD - Special Construction Fund	15,463	39,339	20,899	4,230	0	0	0	0	79,931
Wastewater Construction Fund	906	0	0	0	0	0	0	0	906
<b>Wastewater Total</b>	<b>\$ 97,939</b>	<b>\$ 144,313</b>	<b>\$ 328,368</b>	<b>\$ 427,472</b>	<b>\$ 392,939</b>	<b>\$ 360,160</b>	<b>\$ 260,469</b>	<b>\$ 1,221,139</b>	<b>\$ 3,232,799</b>
<b>Water</b>									
Existing Bond Proceeds	\$ 19,917	\$ 22,623	\$ 4,785	\$ 498	\$ 333	\$ 0	\$ 0	\$ 0	\$ 48,156
Assumed Additional Bonds	0	0	28,074	145,620	115,353	86,286	89,855	76,470	541,658
Plant Expansion	2,465	17,184	41,277	20,096	2,600	1,476	0	0	85,098
Renewal and Replacement Fund	23,501	42,225	28,786	40,657	45,374	41,000	45,000	32,552	299,095
Fire Hydrant	7,455	4,659	4,119	2,757	2,757	2,757	2,757	2,755	30,016
Special Construction Fund	316	350	964	407	407	407	407	407	3,665
Bond Construction Contributions	275	0	880	0	0	0	0	0	1,155
General Obligation Bond	20,851	6,678	11,531	6,536	3,298	3,701	55,632	0	108,227
Water Construction Fund	812	5,048	20,294	5,935	0	0	0	0	32,089
Rock Miming Mitigation Fees	3,000	2,000	5,000	9,000	9,000	0	0	0	28,000
<b>Water Total</b>	<b>\$ 78,593</b>	<b>\$ 100,767</b>	<b>\$ 145,710</b>	<b>\$ 231,506</b>	<b>\$ 179,122</b>	<b>\$ 135,627</b>	<b>\$ 193,651</b>	<b>\$ 112,184</b>	<b>\$ 1,177,160</b>
<b>Total MYCIP 2007-2016</b>									
<b>Total Expenditures:</b>	<b>\$ 176,532</b>	<b>\$ 245,080</b>	<b>\$ 474,078</b>	<b>\$ 658,978</b>	<b>\$ 572,061</b>	<b>\$ 495,787</b>	<b>\$ 454,120</b>	<b>\$ 1,333,323</b>	<b>\$ 4,409,959</b>

\* Future is defined as Fiscal Years 2015 through 2017.

Source: The Department



## REGULATORY MATTERS

### Water System

#### Ground Water Under Direct Influence of Surface Water.

On January 5, 2006, the EPA published the Final Long Term Enhanced Surface Water Rule (the "Surface Water Rule"), which does not apply to the Department because the Department does not use surface water and the groundwater used by the Department has not been determined to be under the direct influence of surface water. However, the Northwest Wellfield is located in an area designated by the Florida Legislature as the Miami-Dade County Lake Belt Area. In order to maximize the efficient recovery of limestone in such area, the Florida Legislature has approved a plan that will allow rock mining in the vicinity of the Northwest Wellfield. As excavations get closer to the Northwest Wellfield, there is an increased risk of the wells coming under the influence of surface water, which would result in the Surface Water Rule applying to such wells.

In January 2006, the Florida Legislature recognized the risk to the Northwest Wellfield and imposed a "water treatment plant upgrade fee" equal to \$0.15 per ton of limerock and sand sold within the Miami-Dade County Lake Belt Area. The fee became effective January 1, 2007 and will remain in effect until the total proceeds collected reach the actual amount necessary to design and construct the necessary water treatment plant upgrades. Such amount is to be determined in an open, public solicitation. The water treatment plant upgrade will consist of upgrading the filtration and disinfection processes to meet the requirements of the Surface Water Rule. The Department is in the process of hiring a consultant to design the necessary upgrades to the water treatment plant.

#### Stage 1 and Stage 2 DBP Rules.

The Disinfectants and Disinfection Byproducts Rule (the "DBPR") regulates disinfection byproducts ("DBPs"), which are formed when chlorine reacts with naturally occurring organic constituents in drinking water. The Stage 1 DBPR was promulgated by the EPA in December 1998, and became effective in January 2004.

The Department determined that the John E. Preston Water Treatment Plant is the only plant requiring modifications in order to consistently produce a system-wide water supply that complies with the Stage 1 DBPR. The Department identified the required process upgrades (high pH ferric enhanced softening) and has completed construction of the upgrades.

Construction of the plant modifications to comply with the Stage 1 DBPR began in December 2000 with an original target completion date of December 1, 2002. The Department utilized the available remedies allowed by the contract to ensure that the contractor expedited completion of the work; however, construction was delayed past the expedited completion date.

Recognizing that delays in construction would extend completion of the work beyond the effective date of the Stage 1 DBPR, the Department developed alternate measures to achieve regulatory compliance. The Department successfully implemented an alternate pretreatment approach at the John E. Preston Water Treatment Plant prior to January 2004, the effective date of the Stage 1 DPBR.

On January 4, 2006, the EPA published the final Stage 2 DBPR to provide increased protection from the potential health risks associated with DBPs. The Stage 2 compliance schedule is based on population served. The Stage 2 DBPR builds on the Stage 1 DBPR and includes the following additional requirements:

- Initial distribution system evaluations (“IDSE”) to identify compliance monitoring locations with the high disinfection DBPs. The purpose of the IDSE is to determine locations of high total trihalomethanes and haloacetic acids. The results are used on conjunction with the Stage 1 DBPR compliance monitoring to identify and select Stage 2 DBPR compliance monitoring locations.
- Compliance is based on Locational Running Annual Averages, which averages the sample analytical results for water samples taken at a particular monitoring location during the previous calendar quarters.
- Requirements are specified for consecutive systems, which will apply to the Department’s wholesale customers.

The Department has submitted a Standard Monitoring Plan (“SMP”) for the main system, in accordance with the IDSE requirements. The EPA approved the SMP for the main system on March 14, 2007. The SMP for the South Dade System was submitted August 27, 2007 and the Department is awaiting approval from the EPA.

*Aquifer Storage and Recovery Permit Violation.*

On March 15, 2002, the FDEP issued a Notice of Non-compliance to the Department alleging that at the time of an underground injection control inspection, the ASR system at the Southwest Wellfield was in recharge mode of operation without FDEP approval. In accordance with the construction permit, the Department was required to obtain a written authorization prior to operating the wells. The Department was operating the ASR wells to troubleshoot the injection equipment. Following the inspection, the Department provided data to FDEP demonstrating that the water that was injected into the ASR system met primary drinking water standards as required by the permit operational testing conditions. On June 20, 2006, the Board approved a Consent Order with FDEP imposing civil penalties in the amount of \$247,100 and \$35,000 for costs and expenses incurred by FDEP. The Board also approved the option of implementing an in-kind project in the amount of \$370,650 in lieu of making a full cash payment for the civil penalties. On May 7, 2007, FDEP gave conditional approval for the in-kind project proposed by the Department, pending submittal of a more detailed account the project budget projections. The Department submitted the additional information and FEDP issued a letter on August 10, 2007 approving the in-kind project. The Department is in compliance with the conditions of the Consent Order.

**Sewer System**

*South District Wastewater Treatment Plant Consent Orders.*

In July 1994, the Department detected the presence of ammonia and total Kjeldahl nitrogen (“TKN”) in monitoring wells at the South District Plant. The presence of those chemicals could indicate movement of effluent from the injection zone due to lack of geologic confinement, or it could be the result of injection well or monitoring well failure or other factors. Ammonia and TKN can be attributed to sewage effluent or other causes. Nevertheless, the presence of the chemicals detected by the Department does not create a health or environmental risk.

Subsequent to the Department’s detection of ammonia and TKN in monitoring wells at the plant, the EPA and the FDEP threatened to commence enforcement action by alleging that the County was in violation of federal and state law and regulations regarding underground treated sewage injection wells. The EPA also threatened enforcement action because of discharges by the Department to on-site

emergency disposal ponds, although the EPA and the FDEP previously approved emergency use of the ponds and the EPA funded their construction. Consequently, it was determined to be in the best interests of the Department, the EPA and the FDEP to attempt to negotiate consent orders and to avoid litigation. On October 21, 1997, the Board approved the Administrative Order on Consent (the "AOC"), the FDEP draft Consent Order (the "CO") and the thirteen (13) draft operation permits associated with the CO.

The AOC became effective on December 26, 1997. The AOC provided that the EPA will withhold enforcement action provided that the County conducts various studies and tests to attempt to identify what, if any, problems exist in regard to integrity of the injection and monitoring wells and geologic confinement of the injection zone. Discharges to the on-site emergency disposal ponds are restricted. The Department is in compliance with the AOC.

On April 16, 2002, the EPA notified the County that it was terminating the AOC effective August 1, 2002 based on the EPA's unilateral determination that the purpose of the decree was fulfilled. The EPA further directed the County to negotiate a new Consent Order with FDEP to address the continued use of the injection wells.

Following extensive negotiations and mediation, on March 5, 2003, the Department and the FDEP reached an agreement on a new Consent Order, which was approved by the Board on July 22, 2003. The Order became effective on April 29, 2004 and allows an increase in the treatment plant capacity from 97 million gallons per day ("mgd") to 112.5 mgd and the use of the four existing wells.

The Order requires the County to treat sewage effluent to meet the FDEP High Level Disinfection ("HLD") criteria prior to injection. The FDEP-approved HLD treatment process consists of filtration and chlorination. On the effective date of the Order, the County commenced the process of procuring, permitting, designing, funding and constructing a HLD treatment upgrade for 112.5 mgd with a peaking factor of 2. The upgrade is to be completed in approximately five years. However, concurrent with this process, the County conducted two pilot projects to test the High Rate Disinfection ("HRD") and Ultraviolet Disinfection ("UV") processes, which are more cost effective, to demonstrate the equivalency of these processes to HLD. If the tests had revealed that either HRD or UV was equivalent to HLD, the County would have been allowed to implement that process and stop the design of the HLD system. However, following receipt of the results of the two pilot tests, FDEP concluded that HRD and UV were not equivalent to HLD. Therefore, the Department has proceeded with designing the HLD projects with an annual average daily flow capacity of 112.5 mgd and a peak flow capacity of 285 mgd. The current estimated costs for these projects is \$600 million.

The Order requires that for the future scheduled 18.75 mgd capacity expansion of the facility, reuse be implemented as the effluent disposal method. In addition, the Order requires that the County be the local sponsor for the South Miami-Dade Wastewater Reuse Project as described in the July 1999 Comprehensive Everglades Restoration Plan ("CERP"). Under this CERP project, 131 mgd of wastewater is currently slated for reuse. These requirements will cover all reuse commitments from this facility. See "Everglades Remedial Program" herein.

In addition to the Consent Order requirements, on December 6, 2005, the EPA promulgated revisions to the Federal Underground Injection Control ("UIC") Requirements for Class I Municipal Disposal Wells in Florida. The UIC rule provides a regulatory alternative for the operators of Class I municipal disposal wells in specific areas of Florida that have caused or may cause movement of fluid into underground sources of drinking water. The new UIC rule will allow the South District Wastewater Treatment Plant to continue operation of the wells provided that the facility meets HLD treatment requirements by December 22, 2010.

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The Department will not be able to meet the construction completion deadlines required by the Consent Order and the UIC rule. The Department has raised concerns regarding the complexity of the construction activities and the Department's inability to meet the required construction deadline with both the EPA and FDEP. The Department continues to work with these agencies to address compliance.

South District Wastewater Treatment Plant Administrative Order.

On March 8, 2007, FDEP issued an operating permit for the South District Wastewater Treatment Plant along with an Administrative Order to establish a compliance schedule for submittal of an updated Reuse Feasibility Study; design and construction of the HLD facilities and septage/grease receiving facilities; conduct studies for odor control; and develop a protocol to obtain proportionate composite sampling for the injection wells. The Department is in compliance with the Administrative Order.

Sewer System Settlement Agreements and Consent Decrees.

*Systemwide Settlement Agreement.* In 1993, the County and the FDEP entered into a settlement agreement (the "Systemwide Settlement Agreement"), which requires the County to: (1) make improvements to the Central District Plant to reduce odors; (2) make improvements to its wastewater treatment plants so as to increase capacity according to a schedule set forth in the Systemwide Settlement Agreement; (3) improve its collection and transmission system according to a schedule set forth in the Systemwide Settlement Agreement; (4) conduct studies regarding inflow/infiltration/exfiltration rehabilitation and pump station capacity according to a schedule set forth in the Systemwide Settlement Agreement; (5) implement procedures for taking corrective action with respect to spills, and (6) make certain short-term capacity improvements. Pursuant to the Systemwide Settlement Agreement, the County agree to a schedule of stipulated penalties of \$10,000 per day per violation for failure to comply with certain specific requirements of the Systemwide Settlement Agreement. The Systemwide Settlement Agreement assesses separate penalties if effluent discharge from the Department's wastewater treatment plants fails to meet certain criteria established by state law. At the present time, the Department remains in compliance with the Systemwide Settlement Agreement.

*First Partial Consent Decree.* In 1993, the County executed a First Partial Consent Decree (the "First Partial Consent Decree") with the U.S. to resolve an EPA action, which included allegations involving the use of a 72-inch force main (the "Original Cross-Bay Line") that traverses Biscayne Bay from downtown Miami to the Central District Plant on Virginia Key the Original Cross-Bay Line and the unpermitted discharge of untreated wastewater from the Department's Sewer System. The First Partial Consent Decree was approved by the District Court on January 13, 1994. Under the terms of the First Partial Consent Decree, the County was required to (i) construct a new force main (the "New Cross-Bay Line") to replace the Original Cross-Bay Line, (ii) cease the flow of untreated wastewater through the Original Cross-Bay Line no later than thirty (30) days after completion of the New Cross-Bay Line and (iii) construct a new force main from the 9th Street Pump Station to the 4th Street Pump Station. The County completed construction of the two new force mains and stopped using the Original Cross-Bay Line to carry untreated wastewater, all within the deadlines established under the First Partial Consent Decree.

The First Partial Consent Decree, which remains in effect, also requires that prior to any new sewer service connection, the County must certify that adequate transmission and treatment capacity exists at the time the treatment plant receives the new flow. Where capacity does not exist, the County will be required to either provide adequate capacity or restrict connections. At the present time, the County remains in compliance with the First Partial Consent Decree.

*Second and Final Partial Consent Decree.* In 1995, the County executed a Second and Final Partial Consent Decree (the "Second and Final Consent Decree") with respect to the Sewer System. Under the terms of the Second and Final Partial Consent Decree, the County is required to: (1) implement an infiltration and inflow inspection and rehabilitation program to reduce infiltration/inflow within the County's Sewer System; (2) minimize unauthorized storm water sewer connections; (3) implement a program to inspect and rehabilitate the County's sewage pump stations; (4) institute a remote monitoring system for the County's pump stations; (5) implement interim and long-term sewage collection system operating plans; (6) modify the County's maintenance program; (7) create an inventory of critical spare parts; (8) install and maintain a computerized collection and transmission system model; (9) develop and implement a treatment plant optimization program; (10) undertake a pump station upgrade and collection system improvement program (Peak Flow Management Plan); and (11) notify the EPA within twenty-four hours of any unauthorized discharge of wastewater into any surface water body. Pursuant to the Second and Final Partial Consent Decree, the Board enacted an ordinance requiring the County's wholesale sewer customers to implement collection and transmission remedial programs similar to those agreed to by the County in the Second and Final Partial Consent Decree. The scope of all improvements required to meet the terms of the Consent Decree is still being developed.

The Second and Final Partial Consent Decree stipulates civil penalties which will be imposed for each day that the County fails to meet the milestone dates set forth therein. The penalties range from \$500 per day per violation to \$15,000 per day per violation. The County is also required to undertake supplemental environmental projects in the amount of at least \$5,000,000 for water conservation and wastewater reuse. A civil penalty must also be paid by the County to the U.S. in the total amount of \$2,000,000 for violations as alleged by the U.S. in the complaint filed in this matter.

At the present time, the County has complied with certain terms of the Second and Final Partial Consent Decree and it is anticipated that the County will satisfy all of the Second and Final Consent Decree. The Department is in the process of completing a comprehensive lateral investigation program ("CLIP") to evaluate reducing infiltration and inflow in service laterals. The CLIP was submitted to the EPA in February 2007. The results obtained were used to develop the final Peak Flow Management Plan, which was completed in accordance with the Second and Final Partial Consent Decree. The Department will be submitting the Peak Flow Management Study Results and Remedial Action Plans on May 8, 2008 as required by the Second and Final Partial Consent.

*Sewer System Overflow Violations.*

In 2001, the State of Florida enacted the Environmental Litigation Reform Act ("ELRA"), which allowed FDEP to address environmental cases with penalties of less than \$10,000 through administrative proceedings. ELRA also established a mechanism for mediation at no cost to respondents. In July 2003, FDEP began implementation of ELRA in 2003. In July 2003, FDEP issued the first proposed settlement to the Department addressing sewage overflows that occurred in December 2002 for which FDEP had issued warning letters. On July 19, 2006, the Department entered into a settlement with FDEP for a total of twenty-one (21) overflow events occurring between December 2002 and January 2004, assessing civil penalties in the amount of \$150,300, plus \$15,030 to reimburse FDEP costs, for a total of \$165,330 in penalties. On February 9, 2007, the Department entered into two additional settlements with FDEP for a total of seven (7) overflow events occurring between May 2006 and October 2006, assessing civil penalties in the amount of \$17,000, plus \$1,000 to reimburse FDEP costs, for a total of \$18,000 in penalties.

The Department has entered into the following executed settlements with FDEP: (i) Consent Order File Number OGC 07-1185, dated August 15, 2007, with respect to five (5) overflow events occurring between November 1, 2006 and April 10, 2007, assessing civil penalties in the amount of

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\$9,500, plus \$500 to reimburse FDEP administrative costs, for a total of \$10,000; (ii) Consent Order File Number OGC 07-1186, dated October 24, 2007, with respect to an overflow event occurring on April 3, 2007, assessing civil penalties in the amount of \$7,000, plus \$500 to reimburse FDEP administrative costs, for a total of \$7,500 in penalties; and (iii) Consent Order File Number OGC 08-0047, dated March 11, 2008, with respect to six (6) unauthorized discharges of sewage residuals occurring between May 10, 2007 and November 9, 2007 at the Central District Wastewater Treatment Plant on Virginia Key, assessing civil penalties in the amount of \$9,500, plus \$500 to reimburse FDEP administrative costs, for a total of \$10,000 in penalties..

### **LITIGATION**

The County is a defendant from time to time in various lawsuits. No litigation questioning the corporate existence of the County or the right of its officials to their respective offices, or questioning or affecting the validity of the Series 2005 Bonds or the Bond Ordinance is pending. Furthermore, to the knowledge of the Office of the County Attorney, no litigation that would materially or adversely affect the ability of the County to consummate its obligations under the Bond Ordinance, including its payment obligations thereunder, is threatened.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Holders of the Series 2005 Bonds upon an Event of Default under the Master Ordinance are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for under the Bond Ordinance may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2005 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2005 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable remedies and proceedings generally.

### **TAX MATTERS**

In the opinion of Bond Counsel, under existing law, the Series 2005 Bonds are exempt from all present Florida intangible personal property taxes. In addition, in the opinion of Bond Counsel, under existing law, interest on the Series 2005 Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2005 Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2005 Bonds to the United States Treasury; restrictions on the investment of such proceeds and other amounts; and restrictions on the ownership and use of any facilities financed with the proceeds of the Series 2005 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the County subsequent to the issuance of the Series 2005 Bonds to maintain the exclusion of interest on the Series 2005 Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Series 2005 Bonds in the gross income of the owners thereof for federal income tax purposes, retroactive to the date of issuance of the Series 2005 Bonds. The County has covenanted in the Resolution to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Series 2005 Bonds in order that interest thereon

be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the County complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Series 2005 Bonds.

*Alternative Minimum Tax.* An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on taxpayers other than corporations. Interest on the Series 2005 Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Series 2005 Bonds will therefore not be included in the alternative minimum taxable income of taxpayers other than corporations. Interest on the Series 2005 Bonds received by a corporate Bondholder will, however, be included in such a Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (1) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the owner's adjusted basis (as increased by the amount of original issue discount which has accrued and has been treated as tax-exempt interest in the owner's hands), will be treated as a gain from the sale or exchange of such Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Bonds should consult their own tax advisor with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.

Reference is made to the form of opinion of Bond Counsel attached hereto as APPENDIX C for the complete text thereof.

*Other Tax Consequences.* Prospective purchasers of the Series 2005 Bonds should be aware that ownership of the Series 2005 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2005 Bonds. Prospective purchasers of the Series 2005 Bonds should also be aware that ownership of the Series 2005 Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Series 2005 Bonds. Further, Bond Counsel has expressed no opinion regarding the state tax consequences that may arise with respect to the Series 2005 Bonds other than the opinion described above

relating to present Florida intangible personal property taxes. Prospective purchasers of the Series 2005 Bonds should consult their tax advisors as to the collateral federal income tax and state tax consequences to them of owning the Series 2005 Bonds.

### **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATION**

Florida law requires the County to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). Florida law further provides, however, that if the County in good faith believes that such disclosure would not be considered material by a reasonable investor, such disclosures may be omitted. The County is not and has not been in default as to principal and interest on bonds or other debt obligations, which it has issued as the principal obligor.

There are several special purpose governmental authorities in the County that serve as conduit issuers of private activity bonds for such purposes as housing, industrial development, and health care. Defaults have occurred in connection with some of those private activity bonds; however, such defaults affect only such defaulted issues and will have no effect on the Series 2005 Bonds. The County had no obligation to pay such bonds and the conduit issuers had only a limited obligation to pay such bonds from the payments made by the underlying obligors with respect to such issues. Defaults relating to conduit issues are not material with regard to the Series 2005 Bonds.

### **CONTINUING DISCLOSURE**

The County has covenanted in the Series 2008 Resolution, in accordance with the provisions of, and to the degree necessary to comply with, the secondary disclosure requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC"), to provide or cause to be provided for the benefit of the Beneficial Owners of the Series 2005 Bonds to each nationally recognized municipal securities information repository ("NRMSIR"), and to the appropriate State Information Depository ("SID"), if any, designated by the State of Florida, the information set forth in the Series 2008 Resolution (the "Annual Information"), commencing with the Fiscal Year ending September 30, 2009.

The County has reserved the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that the County has agreed that any modification will be done in a manner consistent with the Rule.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch") have assigned long term ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 2005 Bonds. Such ratings were assigned upon the issuance of the Series 2005 Bonds and will remain in effect upon the remarketing of the Series 2005 Bonds. These ratings reflect the existence of the Bond Insurance Policy, issued by FSA, insuring payment when due of the principal and interest on the Series 2005 Bonds. The Series 2005 Bonds have been assigned underlying long-term ratings of "A1," "A+," and "A+" by Moody's, S&P and Fitch, respectively, without regard to the Bond Insurance Policy. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Group, 25 Broadway, New York, New York 10004; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials

furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies concerned, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2005 Bonds.

### **INDEPENDENT ACCOUNTANTS**

The financial statements of the Department for the Fiscal Year ended September 30, 2007, attached as APPENDIX B were audited by Rachlin, LLP independent certified public accountants.

### **FINANCIAL ADVISOR**

Public Resources Advisory Group, St. Petersburg, Florida (the "Financial Advisor") has served as financial advisor to the County and the Department with respect to the conversion of the Series 2005 Bonds. The Financial Advisor assisted in the preparation of this Remarketing Memorandum and in other matters relating to the planning, structuring and issuance of the Series 2005 Bonds.

### **REMARKETING**

RBC Capital Markets Corporation (the "Remarketing Agent"), has agreed pursuant to the Bond Purchase Agreement between the County and the Remarketing Agent with respect to the Series 2005 Bonds, subject to certain conditions, to purchase the Series 2005 Bonds from the County at the initial public offering prices set forth on the cover of this Remarketing Memorandum less an Remarketing Agent' discount of \$ \_\_\_\_\_, or \_\_\_\_%. The initial public offering price set forth on the cover of this Remarketing Memorandum may be changed by the Remarketing Agent and the Series 2005 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2005 Bonds into investment trusts) and others at prices lower than such public offering prices. The Remarketing Agent reserve the right to over allot or effect transactions that stabilize or maintain the market prices of the Series 2005 Bonds at levels above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

### **LEGAL MATTERS**

Certain legal matters incident to the validity of the Series 2005 Bonds, including their legality and enforceability and the exclusion of interest on the Series 2005 Bonds from gross income for federal income tax purposes, are subject to the approval of Squire, Sanders & Dempsey L.L.P., Cincinnati, Ohio, and KnoxSeaton, Miami, Florida ("Bond Counsel"), whose opinions, the proposed form of which is attached as APPENDIX D, will be delivered with the Series 2005 Bonds. Certain legal matters will be passed upon for the County by the Office of the Miami-Dade County Attorney and by Hunton & Williams LLP, Miami, Florida and Law Offices Thomas H. Williams, Jr., P.L., Miami, Florida, ("Disclosure Counsel"), whose opinions, substantially in the form attached as APPENDIX E, will be delivered with the Series 2005 Bonds. GrayRobinson, P.A., Miami, Florida, is acting as counsel to the Remarketing Agent solely for the purposes of preparing the bond purchase agreement, any agreements among the Remarketing Agent and rendering an opinion that the Series 2005 Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Series 2005 Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; they have not been asked to and are not passing on the accuracy or completeness of this Remarketing Memorandum.

The proposed text of the separate legal opinion of Bond Counsel and Disclosure Counsel is set forth as APPENDIX D and E, respectively, to this Remarketing Memorandum. The actual legal opinions

to be delivered may vary from the text of APPENDIX D and E, if necessary, to reflect facts and law on the date of delivery of the Series 2005 Bonds. The opinions will speak only as of their date and subsequent distribution of it by recirculation of this Remarketing Memorandum or otherwise shall not create any implication that subsequent to the date of the opinions, Bond Counsel has affirmed its opinion or Disclosure Counsel has reviewed or expressed any opinion concerning any of the matters referenced in this Remarketing Memorandum.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2005 Bonds and the tax-exempt status of interest thereon, as described under "TAX MATTERS," and will make no statement regarding the accuracy or completeness of this Remarketing Memorandum.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law, that may thereafter occur or become effective.

The legal opinions to be delivered concurrently with the delivery of the Series 2005 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **CERTIFICATE CONCERNING THE REMARKETING MEMORANDUM**

Concurrently with the delivery of the Series 2005 Bonds, the County will furnish its certificate, executed by the County's Finance Director and the Department's Director to the effect that, to the best of their knowledge, this Remarketing Memorandum, as of its date and as of the date of delivery of the Series 2005 Bonds, does not contain any untrue statement of a material fact and does not omit any material fact which should be included therein for the purpose for which the Remarketing Memorandum is to be used, or which is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

#### **MISCELLANEOUS**

This Remarketing Memorandum is dated as of the date set forth on the cover page and the information contained in this Remarketing Memorandum is subject to change. This Remarketing Memorandum, together with other documents described in this Remarketing Memorandum will be available upon request prior to the issuance and sale of the Series 2005 Bonds through the Office of the Finance Director, 111 N.W. First Street, Suite 2550, Miami, Florida 33128 at (305) 375-5147. Following the issuance and sale of the Series 2005 Bonds, this Remarketing Memorandum and the other documents described in this Remarketing Memorandum may be obtained upon request following payment of reproduction costs and postage through the Office of the Finance Director.

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the Series 2005 Bonds. Statements contained in this Remarketing Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Remarketing Memorandum, are intended solely as such and are not to be construed as representations of facts. The references, excerpts and summaries of all documents referred to in this Remarketing Memorandum do not purport to be complete statements of the provisions of such documents, and reference is directed to all such

documents for full and complete statements of all matters relating to the Series 2005 Bonds, the security for the payment of the Series 2005 Bonds and the rights and obligations of the Holders of the Series 2005 Bonds.

The information set forth in this Remarketing Memorandum has been obtained from the County and other sources, which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the County, and is not to be construed as a representation of the County or the Remarketing Agent. The information and expressions of opinion in this Remarketing Memorandum are subject to change without notice and neither the delivery of this Remarketing Memorandum nor any sale made shall under any circumstances create any implication that there has been no change in the matters referred to in this Remarketing Memorandum since its date.

Any statement made in this Remarketing Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, is set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The delivery and the distribution of this Remarketing Memorandum to the Remarketing Agent by the Finance Department is conclusive proof of the approval of this Remarketing Memorandum by the Board.

**APPENDIX A**

**GENERAL INFORMATION REGARDING MIAMI-DADE COUNTY, FLORIDA**

**APPENDIX B**

**AUDITED FINANCIAL REPORT OF THE MIAMI-DADE  
WATER AND SEWER DEPARTMENT FOR  
FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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**APPENDIX C**  
**THE BOND ORDINANCE**

**APPENDIX D**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**APPENDIX E**

**PROPOSED FORM OF OPINION OF DISCLOSURE COUNSEL**

**APPENDIX F**

**SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY**