

Memorandum



Date: June 15, 2010

Supplement to
Agenda Item No. 14A22

To: Honorable Chairman Dennis C. Moss
and Members, Board of County Commissioners

From: George M. Burges
County Manager

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Subject: Supplemental Information Regarding Item 14A22: Agreement Amongst Miami-Dade County, The Public Health Trust of Miami-Dade County and the University of Miami for Prepayment of Lease Agreement Rents and Other Obligations

This report has been prepared to clarify information related to the agreement on today's agenda between the Public Health Trust and the University of Miami for prepayment of lease agreement rents and other obligations.

The Jackson Health System (JHS) owes the University of Miami (UM) amounts due under the Annual Operating Agreement (AOA) between JHA and UM. As of May 31, 2010, this balance is approximately \$61,000,000. The parties have agreed that as of September 30, 2010, the amount owed by JHS to UM is expected to increase to approximately \$76,000,000. Both parties agree that this amount needs to be reduced to improve both institutions' balance sheet presentation and so that UM will not be required to reserve this receivable on its financial statements.

To reduce this receivable UM and Jackson have agreed to offset the net present value of the payments to be received under a lease plus amounts owed to Jackson for capital improvements made by Jackson to add a chilled water loop on property leased by UM. By discounting the future lease payments at 5.5% (based on the estimated cost of capital using a BBB bond rating on a 30-year issue) and also offsetting the balance owed by UM to JHS for the chilled water loop, the result is a credit (reduction) of the amount due from JHS to UM by \$15,270,891. After this credit, the balance due from JHS to UM would be \$60,729,104.

This remaining balance will be reduced by offsetting future amounts due to JHS from UM under the AOA in future years, without applying an interest rate. The maximum offset per year is limited to \$18,000,000 per year, which is the estimated amount due Jackson each year under the current AOA. The offset will be applied up to and until the remaining balance of \$60,729,104 has been fully reduced, which should take a little over three years.

As stated above, this transaction is beneficial both to the Public Health Trust financially because it serves to reduce a payable affecting the projected cash balance for the current fiscal year, but also to UM by eliminating a receivable that would have required reservation in that institutions financial reports.

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Assistant County Manager