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CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

MEMORANDUM Agenda Item No. 11(A)(4)

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

DATE: November 17, 2009

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

SUBJECT: Resolution directing County Mayor to include projected debt service schedules in legislation requesting approval for issuance of bonds and/or notes or entering into loans; and formalizing policy with respect to debt refundings

Resolution No. R-1313-09

The accompanying resolution was prepared and placed on the agenda at the request of Prime Sponsor Commissioner Carlos A. Gimenez.

R. A. Cuevas, Jr.
County Attorney

RAC/cp

RESO\2078

MEMORANDUM

(Revised)

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

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

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Please note any items checked.

_____ **"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**

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

_____ **No committee review**

_____ **Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous_____) to approve**

_____ **Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required**

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Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 11(A)(4)
11-17-09

RESOLUTION NO. **R-1313-09**

RESOLUTION DIRECTING COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO INCLUDE PROJECTED DEBT SERVICE SCHEDULES IN LEGISLATION REQUESTING APPROVAL FOR ISSUANCE OF BONDS AND/OR NOTES OR ENTERING INTO LOANS; AND FORMALIZING POLICY WITH RESPECT TO DEBT REFUNDINGS

WHEREAS, it is the desire of this Board that one or more projected debt service schedules which reflect the debt structure being proposed by the Mayor or the Mayor's designee be presented to this Board with legislation authorizing the issuance of bonds and/or notes or the entering into one or more loans; and

WHEREAS, the County follows an informal policy regarding the refunding of outstanding debt obligations and this Board now wishes to formalize that policy,

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

Section 1. The County Mayor or the County Mayor's designee is directed to present one or more projected debt service schedules that reflect the debt structure being proposed i.e. current interest bonds, capital appreciation bonds, variable rate bonds or loans, with legislation that authorizes the issuance of bonds and/or notes or the entering into loans and approves the details of such obligations or delegates to the County Mayor or County Mayor's designee, the authority to approve the details. The projected debt service schedule or schedules shall include: (a) interest rates provided by the County's Financial Advisor that are based on current market rates; (b) the annual payments of interest and principal; (c) the total annual debt service payments on any outstanding bonds, notes or loan that have a prior or equal lien on the revenues pledged; and (d) projected debt service coverage on the combined debt service on the proposed bonds, notes or loan and any corresponding outstanding bonds, notes or loan.

Section 2. The County Mayor or the County Mayor's designee shall present, with the legislation authorizing the issuance of refunding debt obligations, a report that provides an economic analysis of the present value savings or present value loss that shall result from the refunding and the reasons why the County should proceed. The economic analysis shall include a comparison of the debt service on the debt obligations to be refunded with the estimated debt service, the estimated cost of issuance on the proposed refunding debt obligations and the estimated final maturity of each to determine the anticipated present value savings or present value loss. The County Mayor or the County Mayor's designee shall only issue, or enter into, (subject to the exception below) a refunding debt obligation when the present value savings is five percent (5%) or more and the final maturity of the proposed refunding obligations is no longer than the maturity of the debt obligations to be refunded. If the present value savings is less than five percent (5%) or will result in a present value loss and/or the maturity is greater than the maturity on the debt obligations to be refunded, the County Mayor or the County Mayor's designee may issue or enter into refunding debt obligations but only after a finding by this Board that a compelling public policy objective would be achieved by the refunding such as eliminating restrictive bond covenants or providing additional financial flexibility. The Board's findings may be based on the report presented with the legislation described in this paragraph and/or any other information that it may deem relevant.

The caption of every resolution presented to the Board for the approval of any refunding debt obligations shall include: (i) the estimated net present value savings or net present value loss; (ii) the estimated cost of issuance; and (iii) estimated final maturity on the proposed refunding debt obligations. The most current estimates set forth in (i)-(iii) in the preceding sentence shall be presented to the Board at the time the related resolution is considered by this Board.

The Prime Sponsor of the foregoing resolution is Commissioner Carlos A. Gimenez. It was offered by Commissioner **Sally A. Heyman**, who moved its adoption. The motion was seconded by Commissioner **Rebeca Sosa** and upon being put to a vote, the vote was as follows:

Dennis C. Moss, Chairman **aye**
Jose "Pepe" Diaz, Vice-Chairman **aye**

Bruno A. Barreiro	**absent**	Audrey M. Edmonson	**aye**
Carlos A. Gimenez	**aye**	Sally A. Heyman	**aye**
Barbara J. Jordan	**aye**	Joe A. Martinez	**absent**
Dorrin D. Rolle	**absent**	Natacha Seijas	**absent**
Katy Sorenson	**aye**	Rebeca Sosa	**aye**
Sen. Javier D. Souto	**absent**		

The Chairperson thereupon declared the resolution duly passed and adopted this 17th day of November, 2009. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

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

HARVEY RUVIN, CLERK

By: **DIANE COLLINS**
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

Gerald T. Heffernan

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

Legislative Notes

Agenda Item:	**11A4**
File Number:	**092665**
Committee(s) of Reference:	**BCC**
Date of Analysis:	**October 9, 2009**
Type of Item:	**Directive to Include Debt Service Schedules in Legislation; Establishing A Written Policy for Refunding Debt**
Sponsor:	**Commissioner Carlos A. Gimenez**

Summary

This proposed resolution directs the County Mayor to: (1) include 1 or more projected debt service schedules in legislation which authorizes the issuance of bonds or execution of loans, and (2) to incorporate a formal policy which governs refunding outstanding debt obligations and requires certain financial disclosures related to refunded bonds as prescribed by the Board of County Commissioners (BCC) in the proposed resolution.

Specifics

The proposed resolution specifically directs the Mayor to present with any and all legislation, which authorizes the issuance of bonds or the execution of loans, the following information:

- the interest rates calculated at current prevailing market rates,
- the estimated annual debt service schedule listing interest and principal payments,
- the annual debt service on outstanding debt obligations that have a prior lien on the revenues pledged, and the projected debt service on the combined debt services reflecting the prior existing lien and the new lien.

The Mayor is also directed to adopt the following policy which will govern the terms and conditions for refunding longterm debt:

- Debt issued for purposes of refunding capital projects shall only be issued if the present value savings to be achieved (during periods of lowered interest rates) are 5% or more of the original issue, and the final maturity date is no longer than the maturity of the debt obligation to be refunded;

- If the present value savings is less than 5% and the maturity is greater than the maturity on the debt obligation to be refunded, the savings requirement may be waived, but only after the BCC finds that a compelling financial policy objective would be achieved, such as eliminating restrictive bond covenants or providing additional financial flexibility.

- All refunding debt legislation shall include an economic analysis report which sets forth:
    - the present value savings or present value losses that may result from refunding,
    - a comparison of the annual debt service on the refunded debt obligations versus the estimated existing debt service,
    - the cost of issuing a refunding debt obligation, and
    - the estimated final maturity to determine savings or losses.

- Every legislative caption regarding refunding debt obligations shall include:
    - net present value savings or net present value losses,
    - the cost of issuance, and
    - final maturity date.

Background and Relevant Legislation

In prior legislative sessions in which bonds, notes, loans and other debt obligation instruments were before the BCC for consideration, several Commissioners expressed reservations about authorizing their issuance in light of the reporting and accounting practices of the Administration that did not provide timely or materially pertinent information on the County's longterm debt, raising the question of whether the County could support current projects well into the future.

Under current financial reporting practices, reporting standards have not required the disclosure of amortization schedules listing interest and principal payments, deferred payments, debt market conditions, yields, net savings or losses or costs of refunding, maturity dates, and other particulars on debt structure. Under the proposed resolution, the BCC will have the ability to better assess the overall financial performance and financial conditions of longterm obligations, and address certain financial assumptions.

Policy Change and Implication

If approved, this directive requires the implementation of additional prescribed policies governing all forms of debt obligations. Therefore, the directive constitutes new policy, in part. Presently, Finance Department staff does provide the BCC the true interest cost (i.e. the actual interest costs compounded semi-annually) and the "delegation parameters" of the interest costs (i.e., the highest variable rate) as one of the financial components for calculating the estimated average annual debt service payment. Also, in some instances, Finance staff has provided the full debt service schedule spanning the term of the debt through the maturity date. However, if approved, the proposed resolution requires full disclosure by the Administration of the periodic payments necessary to pay the interest and principal over the term of the debt, and other financial details which will enable the BCC to track longterm financial commitments of budgeted projects.

In addition, if the directive is approved, the Administration would also be required to establish debt levels or debt limits by adhering to new parameters governing the refinancing of outstanding debt; in addition to fully disclosing, in an economic analysis report, the details of savings, losses, cost of issuance

and maturity dates of refinanced debt portfolios in general. Under current practices, there are no expenditure ceiling criteria or requirements for disseminating financial projections, rates, charges and overall financing plans to the BCC before issuance.

Budgetary Impact
Implementation of the proposed resolution may require the County to incur minimal additional costs as to staff man-hours. Generally, implementation may minimize net cost of debt issuance or maximize resources available for long term capital needs.

Prepared by: Lauren Young-Allen