Clerk of the Board
Date and Time Recorder Stamp

OFFICE OF THE MAYOR
MIAMI-DADE COUNTY, FLORIDA

VETO AND VETO MESSAGE

To: Honorable Chairwoman Rebeca Sosa and
Members of the Board of County Commissioners
Miami-Dade County, Florida

From: Carlos A. Gimenez, Mayor
Miami-Dade County, Florida

Pursuant to the authority vested in me under the provisions of Section 2.02.D of the Miami-Dade County Home Rule Charter, I hereby veto:

The motion by Commissioner Barbara Jordan approved by the Board of County Commissioners at the Special Meeting held on January 16, 2014 that resolved the impasse issue (Special Items 1- 11) with the American Federation of State, County and Municipal Employees (AFSCME) Local 121; AFSCME Local 199; Police Benevolent Association (PBA) – Supervisory; PBA – Rank & File; Government Supervisors Association of Florida (GSAF) Supervisory; GSAF – Professionals; Transport Workers Union (TWU) Local 291; AFSCME Local 1363; Service Employees International Union (SEIU) Local 1991 – Attending Physicians; SEIU Local 1991 – Professionals; and SEIU Local 1991 – Registered Nurses, respectively, by eliminating the five percent contribution of base wages by bargaining unit employees to the County's cost of healthcare and instead be funded by 1) such proportional amount exceeding the 60 days safe harbor established by the State Office of Insurance Regulation; and 2) to the extent necessary, from such proportional amount remaining in the Self Insurance Fund.

VETO MESSAGE

On Thursday, January 16, 2014, the Board of County Commissioners (Board) approved a motion by Commissioner Barbara Jordan which eliminated the current 5% contribution of base wages that bargaining unit employees covered by the American Federation of State, County and Municipal Employees, General Employees (AFSCME) Local 199, AFSCME Local 121, Police Benevolent Association (PBA) Rank & File, PBA Supervisory, Government Supervisors Association of Florida (GSAF) Supervisory, GSAF Professionals, and Transport Workers Union (TWU) Local 291 (collectively, "Unions"), respectively, pay towards the County's cost of healthcare. Instead, the cost would be funded by 1) such proportional amount exceeding the 60 days safe harbor established by the State Office of Insurance Regulation; and 2) to the extent necessary, from such proportional amount remaining in the Self Insurance Fund. That motion also included AFSCME Local 1363; Service Employees International Union (SEIU) Local 1991 – Attending Physicians; SEIU Local 1991 – Professionals; and SEIU Local 1991 – Registered Nurses from the Public Health Trust / Jackson Health System.

By rejecting the Administration's original recommendation that employees continue contributing 5% of their base salary towards the County's total cost of healthcare, this Board action provides for approximately $56 million in pay raises, $27 million of which are in tax-supported funds, and finances this action by raiding and depleting the County's Self-Insurance Fund, in turn jeopardizing the County's ability to maintain our self-insurance program, which has been financially beneficial. In fact, as reported in 2008, in the first year of the conversion to fully self-funded, the County saved close to $58 million, which was utilized to reduce employee and dependent premiums. By resetting the base at a lower level from which healthcare cost grows, the County's savings since 2007 have been significant. More importantly, the Board's action has put the approved budget out of balance.

In my December 14, 2013 veto message, I outlined that our Self-Insurance Fund was estimated to be approximately $8 million above the 60-day safe harbor amount, $3.2 million of which was attributable to the General Fund. I also noted that even with this surplus, our projections are that we would fall below the 60-day safe harbor threshold. Subsequently, we received a copy of the "Self-Funded Health Plan Filing for Miami-Dade County Government Plan Year 10/1/12-9/30/13" sent by the County's consultant Healthcare Analytics, Gallagher Benefit Services to the Office of Insurance Regulation on our behalf, per State Statute, dated December 31, 2013 (Attachment 1). On handwritten page 8, Part 1, line 10 shows that our surplus coming into the current year (FY 2013-14) is $81,080,673. Line 8 shows that our loss for the current year is projected to be $25,712,550. That leaves the projected surplus at the end of the year at $55,368,123, which is approximately 11% below the 60-day safe harbor threshold of $61.5 million referred to on handwritten page 3.

I want to be clear that raiding our Self-Insurance Fund to pay for employee raises is financially irresponsible. As I put on the record at the January 16th Special Meeting, we cannot utilize the General Fund portion without also crediting our proprietary funds, as the proprietary funds would essentially be subsidizing the group healthcare cost of General Fund employees. This would violate bond covenants and federal guidelines. Plus, depleting this fund would only provide a one-time source of revenue, while eliminating the 5% contribution creates a recurring expense. The FY 2014-2015 budget, which will be before the Board in six months, would need to not only replenish the Self-Insurance Fund, but also identify funding to replace the employees' 5% contribution. Using the Self-Insurance Fund would "fix" the problem created by the Board's action only to create an even bigger problem for next year. This is not good governance.

I would also remind the Board of my memorandum dated September 16, 2013 that per a letter received on September 9, 2013 from Kevin McCarty, Commissioner of the Office of Insurance Regulation (OIR), Florida Administrative Code establishes a minimum surplus standard of 60 days of anticipated claims; that should a self-funded plan not meet the 60-day surplus requirement and the Office of Insurance Regulation determines that reserves are not in accordance with sound actuarial principles, the plan may have its approval withdrawn by the Office; and without approval from the Office of Insurance Regulation, a self-funded health plan may not operate in Florida.

As stated in my memo, while not statutorily required, we believe that the 60-day safe harbor is expected by OIR, as evidenced by the re-filing by the Palm Beach County School District when they did not have the 60-day surplus. However, unlike the Palm Beach County School District, neither Deputy Mayor/Finance Director Edward Marquez, nor I are willing to certify that ample reserves exist elsewhere in the County to make up any shortfalls in the Self-Insurance Fund. On the contrary, I have consistently stated that we need to build up our reserves in the General Fund (Attachment 2).

While Commissioner Jordan may cast aspersions on the timing of the responses from the OIR Commissioner as "convenient," I am appreciative of their prompt responses to our inquiries about the 60-day safe harbor threshold and the use of a letter of credit. Their guidance is invaluable as they are the State agency which approves self-insurance plans. The Commissioner's decision to instead rely on Union "experts" is, in my opinion, misguided. The County, and our employees, their dependents and retirees, would face a grave situation if OIR's approval to be self-insured were withdrawn. That would necessitate the need to procure, on an emergency basis, a comparable fully insured health plan, which would undoubtedly increase our costs.

Additionally, as I wrote in my December 16th veto message and it bears repeating, using cash reserves for recurring expenses will be viewed negatively by the credit rating agencies. In fact, Moody's downgraded our credit outlook from "stable" to "negative," as they believe our credit is under pressure. If our general obligation debt is downgraded just one notch, from "AA-" to "A+," we conservatively estimate that our taxpayers would be forced to pay about $148 million of additional interest cost for the $1.9 billion of Building Better Communities and $830 million of PHT/Jackson Memorial Hospital general obligation bonds that will be issued over the next 10 years. Given these bonds mature up to 30 years, the additional interest costs will be borne by us, our children and our grandchildren. That is not acceptable to me, especially when it isn't necessary.

My commitment to the Board to roll up our sleeves and, working with our Union partners, find responsible and realistic solutions to the impasse items remains steadfast. As outlined in my January 15, 2014 memorandum, my Administration has presented to the Unions three proposals: 1) a one-time bonus of $1,500 for employees making less than $40,000 and $1,000 for employees earning more than $40,000, but less than $50,000; 2) a 3.5% pay plan reduction in lieu of the 5% healthcare contribution; and 3) a reduction of the healthcare contribution from 5% to 1.65% for those employees earning less than $52,000. Two of the proposals would have provided relief to lower-paid employees in keeping with my Administration's and this Board's desire. The third proposal would have been budget neutral and resulted in employees seeing an increase in their paychecks (Attachment 3).

Unfortunately, the two Unions that did agree to sit and meet with us did not accept these concepts, and the other Unions were unwilling to meet and/or sent written notice rejecting the base pay reduction. It is disappointing that the Unions did not present any counterproposals, but chose instead to focus their energy to declare their "unity and collective solidarity" in seeking the elimination of the 5% contribution.

I remain hopeful that the Unions will come to the negotiating table. We stand ready to meet at any time at any location. Again, my Administration has shown a willingness to propose alternatives. There is nothing disingenuous about what we have proposed. What is disingenuous is an unwillingness to offer any counterproposals, or to even meet. Nevertheless, we have paid close attention to the comments by Commissioners, in particular Commissioners Sally Heyman and Jean Monestime, and believe we can find room for compromise. While compromise will not be without consequences, I remain committed to continuing to prioritize public safety, and direct service functions and personnel.

In the meanwhile, my Administration continues to work through our financial challenges, especially as it relates to the unforeseen impact of the FY 2012-2013 Value Adjustment Board property tax refunds and the budgetary gaps that result in our tax-supported funds. As I reported to the Board on January 21, 2014 in the FY 2013-2014 First Quarter Budget Update, we have identified the necessary $24 million to offset the losses and keep our budget in balance (Attachment 4). As a result, we will be, among other things, eliminating 48 vacant positions; not filling other vacant positions unless they are critical to public safety or cost more to keep vacant due to backfilling or result in reduced revenue collection; delaying contractual purchases; re-capturing the $2.5 million in reserve for Head Start because as a result of the lower costs due to full delegation we were able to serve almost 400 more children. Unfortunately, we have also become aware that we will likely confront a similar VAB challenge this year. It is worth noting that the County is not alone in this predicament; municipalities and the School Board have also been negatively impacted.

Let me be clear that these actions are required to keep our <u>current</u> budget in balance and do not take into account the budgetary gaps that will be created should the employees' 5% healthcare contribution be eliminated. To reiterate, that would create a new countywide budgetary gap of approximately $56 million for the remainder of Fiscal Year 2013-2014.

Public Health Trust

On January 23, 2014, Jackson Health System President and CEO Carlos Migoya sent a letter stating that tentative labor agreements had been reached with AFSCME 1363; SEIU Local 1991 – Attending Residents; SEIU Local 1991 – Professionals; and SEIU Local 1991 – Registered Nurses (Attachment 5).

As stated in his letter, Mr. Migoya reports that Jackson Health System (JHS) earned a surplus of nearly $45 million last fiscal year and that will be utilized to fund their agreement. The letter points out that the agreement will eliminate the 5% group health contribution in phases that will cost JHS $10.8 million in the current fiscal year and $24 million next fiscal year. However, I am stunned that JHS agreed to concessions beyond the issue of the 5% employee contribution and included a one-time bonus for eligible employees at an additional cost of $17 million.

Just a few weeks ago we were advised by Mr. Migoya that because of an unexpected surge in unfunded patients, JHS reported a net loss for December and had approximately 28 days of cash on hand. In his letter to me, dated December 11, 2013, 28 days of cash on hand is "far short of the 175-day benchmark for peer institutions" (Attachment 6). It appears that JHS is not yet out of the woods, which may have a negative spill-over effect on the County. To this point, Moody's Investor Services credit report on the County dated November 25, 2013 states, "The hospital, which continually faces competitive issues, is additionally facing federal and state funding uncertainties associated with new healthcare reform measures. Florida did not expand Medicaid in the last legislative session, which would have aided Jackson's financial performance. Additional financial support to the health system from the County could further weaken the County's overall financial condition and weigh heavily on its credit strength" (Attachment 7).

Last November, Miami-Dade voters approved by almost a 2/3 margin a general obligation bond program to fund an $830 million modernization and capital program to ensure a sustainable future for our public hospital because JHS is unable to support a debt program with their own revenues. This means that the taxpayers of Miami-Dade County will bear this expense for the next 30 years. It is unfathomable that given this long term financial commitment by the taxpayers, that JHS would use surplus monies to give bonuses, instead of continuing to build their cash on hand, or invest in much needed infrastructure and capital.

While not supportive of the agreement reached, I was pleased to hear that unions representing JHS employees and JHS management were able to come together at the bargaining table and negotiate. I remain hopeful that the County's Unions will follow their colleagues' example and agree to meet with my Administration and bargain in good faith. I want to reiterate my earlier statement that we stand ready to meet at any time, at any location.

CLOSING

My Administration remains committed to our guiding principles of transparency, efficiency, and fiscal responsibility. Our residents expect, and deserve, a government that balances their needs with what they can afford to pay. To achieve this, we must be structurally sound and fiscally sustainable. Accomplishing this requires the cooperation and efforts of all of us – the Administration, the Board of County Commissioners, the Unions, and most importantly, our employees. I know that we all want to get back on track and move forward. None of us can do it alone, we must come together and work together. I stand ready to do just that. Anytime. Anyplace.

Attachment 1

Healthcare Analytics

A Division of Gallagher Benefit Services, Inc.

December 31, 2013

CLERK OF THE BOARD
2014 JAN 24 PM 4:26
CLERK, CIRCUIT & COUNTY CT.
MIAMI-DADE COUNTY, FLA.
#1

Mr. Benjamin Ben
Florida Department of Financial Services
Office of Insurance Regulation Life & Health Forms & Rates
200 East Gaines St.
Tallahassee, FL 32399-0328

Re: Self-Funded Health Plan Filing for Miami-Dade County Government
Plan Year 10/1/12 – 9/30/13

Dear Mr. Ben:

At the request of the County Government of Miami-Dade County (the County), Gallagher Benefit Services, has prepared the required filing under Florida Statute 112.08.

We have attached the required forms OIR-B2-570, OIR-B2-572, OIR-B2-573, and OIR-B2-574, as well the required actuarial memorandum, and a copy of the worksheet used to estimate the IBNR as of 9/30/2013.

Please do not hesitate to contact me directly if you have any questions regarding this filing.

Sincerely,

Glen R. Volk, FSA, MAAA
Consulting Actuary

cc: Dan Cullen, Miami-Dade County Government
Blanca Padron, Miami-Dade County Government
Lester Sola, Miami-Dade County Government

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Actuarial Memorandum
Miami-Dade County Health Plan for Fiscal Year Ending September 30, 2013

Scope

The Miami-Dade County Government ("the County") provides health insurance to its employees through a self-funded health plan administered by AvMed. Florida Statute 112.08 requires self-funded plans sponsored by local governments to submit an annual filing to the Florida Office of Insurance Regulation ("OIR") documenting plan experience and financial position. The filing must include an actuarial memorandum signed by a certified actuary that opines on the actuarial soundness of the plan. This memorandum is intended to comply with that requirement.

I have performed the calculations for the County's self-funded health plan and supervised and reviewed the preparation of the attached reports. In my calculations, I have relied on information provided by the County's Benefits department and on data provided by the plan's administrator. I have not audited this data but I have performed tests to assess the data's consistency with prior years and overall reasonableness, and I believe the data is sufficient for the purposes of this analysis.

Background

AvMed has acted as the County's plan administrator since January 1, 2008. The County offers two HMO benefit options and one POS option for active and pre-Medicare retirees. Medicare retirees can select from a high option plan with or without pharmacy coverage, and a low option plan.

The employee's of the Jackson Memorial Health System Public Health Trust (PHT employees) are also covered under the County's self-funded plan. They have the same plan offerings, as well as one additional plan that has benefits that match the High Option HMO but have a more limited network. Projections for future years assume the PHT employees remain covered under the County plan.

Credibility

The County's self-funded plan currently covers approximately 60,000 employees, retirees, and dependents. While there are many ways to measure credibility, any reasonable approach will reach 100% credibility at a much lower membership threshold than the County's 60,000 members. Given the size and stability of the County's population, I believe that the County's experience is 100% credible.

Development of Claim Reserves

Incurred medical claims for fiscal year 2013 were developed by adding paid claims to the change in the claim reserve. The closing claim reserve was estimated using the Development method. Because the completion factor for September 2013 claims is so low, incurred claims for that month were estimated using the Completion method.

For pharmacy claims, the lag data suggested that pharmacy claim payment was virtually immediate. Based on our experience, employers plan are typically charged for pharmacy claims every other week, suggesting that the paid date on the lag reports is really the adjudicated date rather than the date the employer plan funds the claims. Consequently, we recommend that in cases where the lag data shows almost no reserve, the employer should hold an equivalent of 2 weeks of claims. We have taken this approach for the County.

Finally, we added a 5% margin to both the medical and pharmacy reserves as a margin against adverse deviation.

Development of Premium Equivalents

The County renews the plan on a calendar year basis, so the filing reflects fiscal year premiums that are a blend of two calendar years. We developed premium equivalent rates for calendar 2014 using the plan's experience and the negotiated administrative fee renewal for 2013. The rate development also includes a provision for fees payable under the Patient Protection and Affordable Care Act "(PPACA").

Other Income and Expenses

As noted in prior filings, there are items that flow through the health fund that are not related to the self insured plan. These include premiums and funding allocations for fully insured ancillary products such as dental, vision, and life insurance as well as contributions made by the County to the separate plan covering firefighters. The net of the activity in these accounts was a net loss to the plan of $762,000. This is a much smaller loss than we saw in prior years and this continues the recent pattern that reflects steps that the County has taken to reduce the impact of these accounts on the fund balance. We have assumed no further losses in the future based on the County's 2013/14 budget.

We assumed that the investment income allocated to the fund will remain flat based on the County's 2013/14 budget.

Medical Trend

For the three year forecast, we assumed an annual combined medical and pharmacy trend of 8.0%, with the exception of the 2014/15 plan year for which we assumed 8.5%. The higher trend in the 2nd year reflects the benefit changes related to out of pocket maximums that will be necessary to remain compliant with the PPACA requirements. These trends are based on our experience with other clients in this area, the County's own history, and published survey results. The County's actual medical and pharmacy trends have averaged below 8% over the 3 years ending September 30, 2013, even after adjusting for the benefit changes implemented effective January 1, 2013.

Surplus

The fiscal year 2013 results were better than expected. In the prior year filing, we had projected a loss of $18 million of the 2012/13 year, but the actual loss was $8.9 million. This caused the accumulated surplus to fall to $81.1 million. We project a loss of $25.7 million for fiscal year 2014 based on the budgeted funding and projected expenses. If actual medical trend continues to run lower than our assumed 8%, the losses will be smaller. The forecast assumes a 15% premium increase for 2014/15 to bring the plan back to breakeven, but it is more likely that the County will implement some combination of premium and plan design action depending on the plan experience during the current year.

The plan's incurred claims for fiscal year 2013 totaled $369 million. At that annual pace, two months of claims is $61.5 million, so the County continues to exceed the OIR's 60-day safe harbor threshold.

Based on the accumulated surplus as of September 30, 2013 and the funding rates and budgeted revenue in place for calendar year 2014, I believe the County has adequate assets and sources of funds to meet the plan's benefit obligations under any foreseeable circumstances, and it is my opinion that the County's self-funded health plan is actuarially sound.

Reliance

I relied upon financial reporting, enrollment, and premium information provided by Miami-Dade County and on claim lag information provided by AvMed in preparing this analysis. In my opinion, the data provided was adequate for the purposes of this analysis.

I believe that the procedures and methods used in the exhibits to report past results and project future results are reasonable and have been calculated using sound actuarial principles. The projections are based on assumptions that I believe are reasonable in aggregate, but future experience is likely to vary from these assumptions, and the differences may be material.

Actuarial Memorandum
Miami-Dade County Health Plan for Fiscal Year Ending September 30, 2013

Qualifications

I, Glen R. Volk, am a Member of the American Academy of Actuaries. I meet the Academy qualification standards for rendering this statement of actuarial opinion. I am not aware of any relationship between myself or other members of my firm and the County that could create a conflict of interest that would impair, or appear to impair, my objectivity.

Glen R. Volk, FSA, MAAA
Area Vice President & Consulting Actuary

December 31, 2013
Date

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OFFICE OF INSURANCE REGULATION
Bureau of Life & Health Forms and Rates

ANNUAL REPORT OF SELF-FUNDED HEALTH BENEFIT PLANS

FISCAL YEAR REPORT COVERING OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2013

1. PREMIUM INCOME		$375,493,185
2. OTHER INCOME (IF AMOUNT IS GREATER THAN 10% OF ITEM 1, ATTACH DETAILED EXPLANATION.)		($762,629)
3. INVESTMENT INCOME (IF AMOUNT IS GREATER THAT 10% OF ITEM 1, ATTACH DETAILED EXPLANATION.)		$446,187
4. TOTAL INCOME (SUM OF ITEMS 1,2, & 3.)		$375,176,742
5. CLAIMS PAID	$376,397,526	
6. CLAIM RESERVES – END OF CURRENT YEAR (ATTACH DETAILED EXPLANATION OF HOW RESERVES WERE CALCULATED.)	$33,808,000	
7. CLAIMS RESERVES – END OF PRIOR YEAR (MUST MATCH WITH PRIOR REPORT OR ATTACH DETAILED EXPLANATION.)	$41,206,000	
8. TOTAL INCURRED CLAIMS (GROSS) (SUM OF ITEMS 5 & 6, LESS ITEM 7.)		$368,999,526
9. REINSURANCE RECOVERABLE		$0
10. TOTAL INCURRED CLAIMS (NET OF REINSURANCE) (ITEM 8 LESS ITEM 9)		$368,999,526
11. STOP LOSS INSURANCE PREMIUMS		$0
12. EXPENSES		
A. SALARIES		
B CONSULTING FEES		
1. TPA/INSURANCE COMPANY CONSULTING FEES	$15,031,220	
2. OTHER CONSULTING FEES		
TOTAL CONSULTING FEES		$15,031,220
C. OFFICE EXPENSES		
D. OTHER *(IF GREATER THAN 10% OF THE TOTAL OF A, B, AND C DETAIL THE COSTS.)*		$0
E. TOTAL EXPENSES (SUM OF ITEMS A, B, C, & D.)		$15,031,220
13. TOTAL DISBURSEMENTS (SUM OF ITEMS 10, 11, 12E.)		$384,030,746
14. OPERATING GAIN OR LOSS (ITEM 4 LESS ITEM 13.)		($8,854,004)

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Miami Dade County
Summary of Reserves as of September, 30, 2013

	MDC			JHS			Total		
	Medical	Pharmacy	Total	Medical	Pharmacy	Total	Medical	Pharmacy	Total
Reserves Before Margin as of 9/30/2013	**$23,129,950**	**$2,021,108**	**$25,151,058**	**$6,449,007**	**$598,030**	**$7,047,037**	**$29,578,957**	**$2,619,137**	**$32,198,095**
Margin 5%	$1,156,497	$101,055	$1,257,552	$322,450	$29,901	$352,351	$1,478,947	$130,956	$1,609,903
Reserves After Margin as of 9/30/2013	**$24,286,447**	**$2,122,163**	**$26,408,610**	**$6,771,457**	**$627,931**	**$7,399,388**	**$31,057,904**	**$2,750,093**	**$33,807,998**
Average Monthly Paid Claims	$20,640,789	$4,042,215	$24,683,005	$5,422,858	$1,196,060	$6,618,918	$26,063,647	$5,238,275	$31,301,922
Reserve Expressed as Months of Claims	1.18	0.52	1.07	1.25	0.52	1.12	1.19	0.52	1.08

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Miami-Dade County Government

IBNR Analysis

Based on JHS Medical Claims Paid Through September 30, 2013

Incurral Month	Exposure Unit	Paid to Date Claims by Incurral Date	Completion Factor	Incurred Claims	Outstanding Claim Reserve	Outstanding Claim Reserve	Monthly Paid Claims	Paid to Date Claims Per Unit	Incurred Claims Per Unit	Rolling Twelve Months Incurred Claims Per Unit	Rolling Six Months Incurred Claims Per Unit	Rolling Three Months Incurred Claims Per Unit
	(MEMBERS)		12 Months Averaging		(Before Margin)	(Margin Applied)		PMPM	PMPM	PMPM	PMPM	PMPM
Oct-11	84	$17,336	1.0000	$17,336	$0	$0	$40,398	$206.38	$206.38	$380.49	$224.86	$504.42
Nov-11	82	$25,396	1.0000	$25,396	$0	$0	$33,486	$309.71	$309.71	$375.25	$255.67	$367.02
Dec-11	83	$12,048	1.0000	$12,048	$0	$0	$14,472	$145.16	$145.16	$255.21	$248.64	$220.00
Jan-12	15,224	$5,438,305	1.0000	$5,438,305	$0	$0	$1,196,945	$357.22	$357.22	$352.04	$355.00	$355.82
Feb-12	15,178	$6,239,716	1.0000	$6,239,716	$0	$0	$3,806,203	$411.10	$411.10	$379.73	$383.34	$383.47
Mar-12	15,064	$5,396,508	1.0000	$5,396,508	$0	$0	$4,810,856	$358.24	$358.24	$372.94	$374.70	$375.55
Apr-12	14,953	$6,212,141	0.9998	$6,213,313	$1,172	$1,289	$6,046,525	$415.44	$415.52	$383.69	$385.01	$394.94
May-12	14,344	$6,584,039	0.9999	$6,584,521	$483	$531	$6,127,262	$459.01	$459.04	$398.33	$399.28	$410.14
Jun-12	14,189	$5,908,969	1.0000	$5,908,969	$0	$0	$5,455,396	$416.45	$416.45	$401.40	$402.25	$430.18
Jul-12	14,092	$5,340,718	0.9998	$5,341,790	$1,072	$1,179	$7,063,219	$378.99	$379.07	$398.58	$406.34	$418.42
Aug-12	13,999	$5,957,774	0.9998	$5,958,998	$1,224	$1,346	$5,419,313	$425.59	$425.67	$402.01	$408.65	$407.04
Sep-12	13,952	$4,845,360	0.9993	$4,848,959	$3,599	$3,958	$5,951,030	$347.29	$347.55	$396.10	$407.54	$384.12
Oct-12	13,873	$5,794,790	0.9957	$5,819,726	$24,936	$27,430	$6,369,231	$417.70	$419.50	$398.45	$408.09	$397.56
Nov-12	13,836	$5,966,987	0.9932	$6,007,731	$40,744	$44,819	$5,228,912	$431.27	$434.21	$401.61	$403.69	$400.29
Dec-12	13,914	$5,180,982	0.9926	$5,219,396	$38,415	$42,256	$5,648,096	$372.36	$375.12	$399.60	$396.78	$409.55
Jan-13	13,710	$5,891,702	0.9903	$5,949,192	$57,490	$63,239	$4,709,021	$429.74	$433.93	$406.12	$405.89	$414.29
Feb-13	13,700	$5,109,475	0.9882	$5,170,649	$61,174	$67,292	$5,534,652	$372.95	$377.42	$403.36	$397.85	$395.39
Mar-13	13,670	$5,390,952	0.9827	$5,485,584	$94,633	$104,096	$4,844,915	$394.36	$401.29	$407.23	$406.91	$404.22
Apr-13	13,641	$5,767,288	0.9749	$5,915,695	$148,407	$163,248	$6,797,499	$422.79	$433.67	$408.65	$409.21	$404.08
May-13	13,622	$4,739,574	0.9619	$4,927,431	$187,858	$206,643	$5,215,224	$347.94	$361.73	$400.45	$397.14	$398.91
Jun-13	13,622	$4,698,072	0.9451	$4,970,953	$272,881	$300,169	$5,230,474	$344.89	$364.92	$396.16	$395.53	$386.79
Jul-13	13,643	$4,962,368	0.9151	$5,422,571	$460,203	$506,223	$5,645,000	$363.73	$397.46	$397.72	$389.42	$374.71
Aug-13	13,645	$4,554,550	0.8075	$5,640,503	$1,085,953	$1,194,548	$4,886,883	$333.79	$413.38	$396.65	$395.42	$391.93
Sep-13	13,687	$1,691,230	0.2988	$5,659,995	$3,968,765	$4,365,642	$5,692,669	$123.56	$413.53	$402.21	$397.47	$408.13
Oct-10 to Sep-11	31,131	$11,993,606	100.00%	$11,993,606	$0	$0	$11,952,207	$385.26	$385.26			
Oct-11 to Sep-12	131,244	$51,978,910	99.99%	$51,985,860	$7,549	$8,304	$45,965,405	$396.04	$396.10			
Oct-12 to Sep-13	164,563	$59,747,970	90.27%	$66,189,428	$6,441,458	$7,085,604	$65,802,576	$363.07	$402.21			
Oct-10 to Sep-13	326,938	$123,719,887	95.05%	$130,168,895	$6,449,007	$7,093,908	$123,719,887	$378.42	$398.15			

12 Months Incurred Claims PMPM - 9/1/2012 to 8/31/2013	$396.65
Midpoint of Experience Period	3/1/2013
Midpoint of Rating Period	9/15/2013
Months to Trend	6.5
Assumed Annual Trend	8.00%
Underwriting Adjustment	1.00
PEPM Trended Claims for September 2013	$413.53

Base Claim Reserve @ 9/30/2013	$6,449,007
6-Month Average Monthly Paid Claims	$5,422,858
Reserve Expressed as Months of Claims	1.19

6-Month Average Pharmacy Claims	$1,196,060
Recommended Reseve in # of Months of Claims	0.50
Recommended Pharmacy Reserve Before Margin	$598,030

Total Reserve Before Margin	$7,047,037
Recommended Margin	5.0%

OFFICE OF INSURANCE REGULATION
Bureau of Life & Health Forms and Rates

OPERATING PROJECTIONS FOR SELF-FUNDED HEALTH BENEFIT PLANS

PLAN FISCAL YEAR REPORT COVERING October 1, 2012 THROUGH September 30, 2013

PART 1	CURRENT YEAR (2013/14)	YEAR 1 (2014/15)	YEAR 2 (2015/16)
1. NUMBER OF EMPLOYEES	34,559	34,559	34,559
2. PREMIUM INCOME	$398,864,252	$458,693,890	$504,563,279
3. OTHER INCOME (INCLUDES INVESTMENT INCOME)	$160,000	$160,000	$160,000
4. TOTAL INCOME (SUM OF ITEMS 2 AND 3)	$399,024,252	$458,853,890	$504,723,279
5. TOTAL INCURRED CLAIMS* (NET OF REINSURANCE)	$405,883,014	$440,382,572	$475,612,017
6. TOTAL EXPENSES	$18,853,788	$19,333,288	$18,705,085
7. TOTAL DISBURSEMENTS (SUM OF ITEMS 5 AND 6)	$424,736,802	$459,715,861	$494,317,102
8. TOTAL GAIN OR LOSS (ITEM 4 LESS ITEM 7)	($25,712,550)	($861,971)	$10,406,177
9. CHANGE IN SURPLUS DUE TO OTHER FACTORS (CONTRIBUTION, WITHDRAWAL)	$0	$0	$0
10. SURPLUS BEGINNING OF YEAR	$81,080,673	$55,368,123	$54,506,152
11. SURPLUS END OF YEAR (SUM OF ITEMS 8, 9, AND 10)	$55,368,123	$54,506,152	$64,912,329

PART 2-ASSUMPTIONS	CURRENT YEAR (ACTUAL)	YEAR 1	YEAR 2
1. PERCENT PREMIUM INCREASE	0.0%	15.0%	10.0%
2. TREND (MEDICAL AND EXPENSE)	8.0%/4.8%	8.5%/3.0%	8.0%/3.0%
3. PREMIUM CONTRIBUTION-SINGLE/FAMILY (Average for all plans)			
EMPLOYEE	$10/$518	$12/$596	$13/$655
LOCAL GOVERNMENTAL UNIT	$814/$956	$937/$1,099	$1030/$1,209
4. STOP LOSS MINIMUM ATTACHMENT POINT	N/A	N/A	N/A

* INCLUDES PREMIUMS FOR STOP LOSS INSURANCE.

OIR-B2-573
Rev. 12/03

OFFICE OF INSURANCE REGULATION
Bureau of Life & Health Forms and Rates

GENERAL INFORMATION ON SELF-FUNDED HEALTH BENEFIT PLANS

PLAN FISCAL YEAR	10/1/12 – 9/30/13
PLAN NAME	Miami-Dade County Government AvMed Health Plans
INDIVIDUAL CONTACT	Lester Sola, Director – Internal Services Division
ADDRESS	111 N.W. 1st Street, Ste 2130, Miami, FL 33128
FAX NUMBER	
PHONE NUMBER	305-375-2363
E-MAIL ADDRESS	solal@miamidade.gov
ADMINISTRATOR	AvMed, Inc., dba AvMed Health Plans (FEIN 59-2742907)
INDIVIDUAL CONTACT	Leda Silver
ADDRESS	9400 S. Dadeland Blvd., Suite 409, Miami, FL 33156
FAX NUMBER	305-671-6103
PHONE NUMBER	305-671-4749
E-MAIL ADDRESS	leda.silver@avmed.org
ACTUARIAL FIRM	Healthcare Analytics, a division of Gallagher Benefit Services
ACTUARY	Glen R. Volk
ADDRESS	2255 Glades Rd, Ste 200E, Boca Raton, FL 33431
FAX NUMBER	561-998-6731
PHONE NUMBER	561-998-6755
E-MAIL ADDRESS	glen_volk@ajg.com

GENERAL INFORMATION AND SURPLUS STATEMENT
FOR SELF-FUNDED HEALTH BENEFIT PLANS

GENERAL INFORMATION

	BENEFIT (A)	BENEFIT (B)	BENEFIT (C)
1. TYPE OF BENEFIT	MEDICAL		
2. NUMBER OF COVERED EMPLOYEES	34,724		
SINGLE (EMPLOYEE ONLY)	21,637		
FAMILY (EMPLOYEE AND DEPENDENTS)	13,087		
3. CLAIMS INCURRED	$368,999,526		
4. ANNUAL CLAIM COST PER EMPLOYEE (ITEM 3 / ITEM 2)	$10,627		

SURPLUS STATEMENT

(THIS SCHEDULE TRACES THE DEVELOPMENT OF SURPLUS IN THE PLAN FROM THE PRIOR YEAR TO THE END OF THE CURRENT YEAR.)

1. SURPLUS FROM PRIOR YEAR (IF A DEFICIT, SHOW AS NEGATIVE SURPLUS)	$90,139,592
2. CHANGE IN SURPLUS FROM FUND OPERATIONS (GAIN OR LOSS FOR YEAR)	($8,854,004)
3. CHANGE IN SURPLUS DUE TO OTHER FACTORS * (CONTRIBUTION, WITHDRAWAL)	($204,915)
4. OVERALL CHANGE IN SURPLUS, PRESENT YEAR	($9,058,919)
5. SURPLUS, END OF CURRENT YEAR (SUM OF ITEM 1AND ITEM 4)	$81,080,673

THE SURPLUS FROM THE END OF THE PRIOR YEAR SHOULD AGREE WITH THE STARTING SURPLUS FOR THE CURRENT YEAR. IF THEY DO NOT COINCIDE, PLEASE PROVIDE AN EXPLANATION.

** Adjustment reflects accounting changes made subsequent to filing being submitted. County audit is not finalized until the first calendar quarter, after this filing is submitted.*

NOTE: IF LINE 5 IS NEGATIVE, THE PLAN IS NOT IN GOOD STANDING WITH THE FLORIDA OFFICE OF INSURANCE REGULATION. THIS DEFICIT MUST BE REMOVED BY AN INFUSION OF AN AMOUNT AT LEAST EQUAL TO THE DEFICIT. IF THE DEFICIT IS TO BE LIQUIDATED OVER A PERIOD OF TIME, PLEASE PROVIDE THE DETAILS OF THIS PROGRAM FOR CONSIDERATION, ALONG WITH A SUPPORTING ACTUARIAL OPINION. IF THE PLAN'S SURPLUS IS LESS THAN SIXTY DAYS OF ANTICIPATED CLAIMS, OTHER QUESTIONS MAY BE ASKED OF THE PLAN AS THE OFFICE SEES FIT.

Attachment 2

Memorandum

MIAMI-DADE COUNTY

Date: September 16, 2013

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: County Attorney's Memorandum Regarding Self-Insured Health Insurance Plan 60-Day Reserves Requirement

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County Attorney Robert A. Cuevas issued a memorandum today in response to an inquiry by Commissioner Dennis A. Moss stating that there does not exist a definitive statutory requirement that governmental self-insured health plans maintain a 60-day surplus (see attached).

My Administration understands this and has previously reported to the Board of County Commissioners (Board) that there is no statutory requirement that a 60-day surplus be maintained, as we have been guided by the County Attorney's memorandum dated January 20, 2012 affirming this.

However, I would like to point out that per the letter received on September 9, 2013 from Kevin McCarty, Commissioner of Florida's Office of Insurance Regulation (see attached):

(1) Florida Administrative Code establishes a minimum surplus standard of 60 days of anticipated claims;

(2) Should a self-funded plan not meet the 60-day surplus requirement and the Office of Insurance Regulation determines that reserves are not in accordance with sound actuarial principles, the plan may have its approval withdrawn by the Office; and

(3) Without approval from the Office of Insurance Regulation, a self-funded health plan may not operate in Florida.

It is our belief that although 60-day reserve may not be statutorily required, it is an amount that is expected by the Office of Insurance Regulation. In fact, our insurance consultant, Gallagher Benefit Services, Inc. (Gallagher) has reported that this past Spring, their client, the Palm Beach County School District, was required to re-file its annual actuarial report as it did not have a 60-day surplus reserve on hand, notwithstanding the fact that Gallagher stated that their plan was actuarially sound with less than a 60-day surplus. As part of the re-submittal, the School District's Chief Financial Officer was required to certify that the School District had other adequate reserves on hand to make up the difference.

Should the current 60-day reserve in our Self-Insured Health Plan be reduced and used for other purposes, it must be noted that this would be a one-time non-recurring source of funding, which will make our budgetary challenges even more difficult for next year and into the future. I want to reiterate that neither the County's Chief Financial Officer, Deputy Mayor/Finance Director Edward Marquez, nor I, are willing to certify that ample reserves elsewhere exist in the County to make up any shortfalls in the Self-Insured Health Plan. On the contrary, as I have stated, we need to continue to build up our emergency contingency and other reserves within the General Fund.

If you have any questions, please contact Deputy Mayor Edward Marquez at (305) 375-1451 or me directly.

attachments

c: Honorable Harvey Ruvin, Clerk of Courts
R.A. Cuevas Jr., County Attorney
Lester Sola, Internal Services
Jennifer Moon, OMB
Arleene Cuellar, Internal Services
Office of the Mayor Senior Staff
Charles Anderson, Commission Auditor
Christopher Agrippa, Clerk of the Board Division

Memorandum

Date: September 16, 2013

To: Commissioner Dennis C. Moss
District 9

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

Subject: Self-insured Health Insurance plan-60 day reserves requirement

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At the budget hearing of September 10, 2013, you asked if there is a definitive statutory requirement that governmental self-insured health plans maintain a 60 day surplus. The short answer is no. As I indicated in my memorandum dated January 20, 2012 (see attached), the statute only requires that the self-insured health plan be actuarially sound as certified by an actuary who is a member of the Society of Actuaries or the American Academy of Actuaries. Fla. Stat. § 112.08 (2)(b).[1] The Office of Insurance Regulation (OIR) has set a presumption of actuarial soundness if a plan has reserves to cover 60 days worth of paid claims. If a self-insured health plan does not have a 60 day surplus, OIR may ask additional questions of the plan to determine its actuarial soundness. In fiscal years ending 2004, 2008, and 2010, our self-insured health plan did not meet the 60 day surplus threshold. Additional questions were asked of the plan but ultimately OIR approved our plans for those years.

In his Actuarial Memorandum for fiscal year ending 2012, our actuary indicated that we had exceeded the 60 day surplus threshold and that based on a plan of our size and stability, actuarial soundness can be reasonably attained at a lower than 60 day surplus level (see attached).

c: Hon. Chairwoman Rebeca Sosa
and Members, Board of County Commissioners
Hon. Carlos A. Gimenez, Mayor
Charles Anderson, Commissioner Auditor
Harvey Ruvin, Clerk of the Board

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[1] State law authorizes the County to self-insure a health plan for its employees "subject to approval based on the actuarial soundness by the Office of Insurance Regulation." Fla. Stat. § 112.08 (2)(a). In order to obtain approval from the Office of Insurance Regulation, each self-insured plan is required to "submit its plan together with a certification as to actuarial soundness of the plan by an actuary...." Fla. Stat. § 112.08 (2)(b). The statute further provides that the State Office "shall not approve the plan unless it determines that the plan is designed to provide sufficient revenues to pay current and future liabilities, as determined by generally accepted actuarial principles." Ibid.

Memorandum

MIAMI-DADE COUNTY

Date: January 20, 2012

To: Commissioner Dennis C. Moss
District 9

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

Subject: Legal Requirements for Health Insurance Trust Fund Reserves

---

Miami-Dade County is self-insured for its health plan and maintains a health insurance trust fund to cover current and future claims made against the plan. You have asked us to identify what minimum amount, if any, the County is legally required to maintain as reserves in the health insurance trust fund.

Governmental self-insured plans and their attendant financial requirements are governed by §112.08, Florida Statutes, and are regulated by the State's Office of Insurance Regulation ("OIR"). The statute only requires that the health plan be actuarially sound as certified by an actuary who is a member of the Society of Actuaries or the American Academy of Actuaries. Fla. Stat. § 112.08 (2)(b). This requirement pertains to the County's self-insurance plan as a whole. The amount on deposit as reserves in the trust fund is one among other factors considered by the actuary when certifying the plan as actuarially sound. Neither the statute nor any administrative rule defines "actuarial soundness" or establishes a minimum dollar amount that must be held as reserves in the health insurance trust fund.[1]

The County has contracted with Gallagher Benefit Services, Inc. ("Gallagher") to provide actuarial certification of the County's plan. The County's actuary issued a memorandum dated December 22, 2011 (Attachment A) which, together with the required forms, was filed with OIR as the County's certification of actuarial soundness of the County's plan for the fiscal year ending 2011. On January 19, 2012, OIR found that filing in compliance with the statute. The memorandum indicates that the health insurance trust fund had a $66.5 million dollar surplus at the end of fiscal year 2010-11.

In addition, the actuary has provided the County with a letter dated November 23, 2011 (Attachment B) recommending the minimum and maximum dollar amounts of funds which should be on deposit as reserves in the trust fund as of September 30, 2012. The minimum amount recommended is $56,717,000 (5% of paid claims) and the maximum amount recommended is $100,247,000 (60-days of

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[1] OIR has established a presumption to automatically accept a plan as actuarially sound if a plan has reserves to cover 60 days worth of paid claims. This 60-day safe harbor provision is only a departmental guideline set by OIR. As our actuary notes in his November 23, 2011 letter, "the department [OIR] guidance does not have the same force of law as the Statute or Regulations and the Statute's language requires that an actuary certify the actuarial soundness of the plan based on actuarial techniques and standards of practice...."

Commissioner Dennis C. Moss
District 9
Page 2

paid claims). Any amount at or above the minimum amount would, in Gallagher's opinion, be actuarially sound. Specifically, the December 22, 2011 memorandum filed with OIR states that "a 60-day surplus is somewhat excessive and actuarial soundness can reasonably be attained at a lower surplus level" based on the County plan's size and stability.

We have reviewed the last ten years of the actuarial filings made by the County for its self-insured health insurance plan with OIR. In all ten years our actuary certified to OIR that the County's plan was actuarially sound based on industry standards and state requirements and OIR accepted the County's plan as being in compliance with the state statute.[2]

atts (2)
c: Hon. Chairman Joe A. Martinez
and Members, Board of County Commissioners
Hon. Carlos A. Gimenez, Mayor
Charles Anderson, Commission Auditor
Christopher Agrippa, Division Chief, Clerk of the Board

[2] In three of those ten years, specifically fiscal years 2004, 2008 and 2010, the filings indicated that the plan's surplus was less than the 60-day safe harbor guideline.

Actuarial Memorandum
Miami-Dade County Health Plan for Fiscal Year Ending September 30, 2012

Scope

The Miami-Dade County Government ("the County") provides health insurance to its employees through a self-funded health plan administered by AvMed. Florida Statute 112.08 requires self-funded plans sponsored by local governments to submit an annual filing to the Florida Office of Insurance Regulation ("OIR") documenting plan experience and financial position. The filing must include an actuarial memorandum signed by a certified actuary that opines on the actuarial soundness of the plan. This memorandum is intended to comply with that requirement.

I have performed the calculations for the County's self-funded health plan and supervised and reviewed the preparation of the attached reports. In my calculations, I have relied on information provided by the County's Benefits department and on data provided by the plan's administrator. I have not audited this data but I have performed tests to assess the data's consistency with prior years and overall reasonableness, and I believe the data is sufficient for the purposes of this analysis.

Background

AvMed has acted as the County's plan administrator since January 1, 2008. The County offers two HMO benefit options and one POS option for active and pre-Medicare retirees. Medicare retirees can select from a high option plan with or without pharmacy coverage, and a low option plan.

Historically, the employee's of Jackson Memorial Hospital Public Health Trust (PHT employees) were also covered under the County's self-funded plan. Effective January 1, 2011, those employees were moved to a fully insured plan, however effective January 1, 2012 they were once again covered under the County's self-funded plan. Projections for future years reflect the addition of these lives beginning in 2012.

Credibility

The County's self-funded plan currently covers approximately 62,000 employees, retirees, and dependents. While there are many ways to measure credibility, any reasonable approach will reach 100% credibility at a much lower membership threshold than the County's 62,000 members. Sections of the Florida Administrative Code dealing with credibility issues for rate filings, for example, generally assign 100% credibility at a level of 2,000 subscribers or individual policyholders, which would typically correspond to no more than 5,000 members. Given the size and stability of the County's population, I believe that the County's experience is 100% credible.

Development of Claim Reserves

Incurred medical claims for fiscal year 2012 were developed by adding paid claims to the change in the claim reserve. The closing claim reserve was estimated using the Development method. Because the completion factor for September 2012 claims is so low, incurred claims for that month were estimated using the Completion method.

For pharmacy claims, the lag data suggested that pharmacy claim payment was virtually immediate. Based on our experience, employers plan are typically charged for pharmacy claims every other week, suggesting that the paid date on the lag reports is really the adjudicated date rather than the date the employer plan funds the claims. Consequently, we recommend that in cases where the lag data shows almost no reserve, the employer should hold an equivalent of 2 weeks of claims. We have taken this approach for the County.

Finally, we added a 5% margin to both the medical and pharmacy reserves as a margin against adverse deviation.

Development of Premium Equivalents

The County renews the plan on a calendar year basis, so the filing reflects fiscal year premiums that are a blend of two calendar years. Premium equivalent rates for calendar year 2012 were developed by the prior consultant, although we reviewed the rate development and are satisfied that it was reasonable. We developed premium equivalent rates for calendar 2013 using the plan's experience and reflecting plan changes effective January 1, 2013 as well as the negotiated administrative fee renewal for 2013.

The recommended increase for 2013 was relatively small due to the combined impact of plan changes in 2013 and a significant surplus in 2012.

Other Income and Expenses

As noted in prior filings, assets from all accounts associated with medical and dental plans (not just accounts specifically identified as self-insured) continue to be available to meet the obligations of the self-insured plan. The net of the activity in these accounts was a net loss to the plan of $4.1 million in fiscal year 2012. This was down from a $7.1 million loss in fiscal year 2011. The County has taken steps to reduce the impact of these accounts on the fund balance and it is expected that over time, the losses will get smaller.

We assumed that the investment income allocated to the fund will remain flat, despite the increase in accumulated assets of the plan. Actual investment income has been very consistent over the most recent two years.

Medical Trend

For the three year forecast, we assumed an annual combined medical and pharmacy trend of 8.0%. These trends are based on our experience with other clients in this area, the County's own history, and published survey results. We have also considered the impact of healthcare reform, which may result in higher trends in the short term due to benefit mandates. The County's actual medical and pharmacy trends have averaged below 8% over the 2 years ending September 30, 2012.

Surplus

The fiscal year 2012 results were positive, as expected. The plan had an incurred gain of $36.5 million for the year, increasing the accumulated surplus to $90.1 million. This is equal to 219% of the plan's liabilities. We project a loss of $18 million for fiscal year 2013 based on the budgeted funding and projected expenses.

The plan's incurred claims for fiscal year 2012 totaled $383.8 million. At that annual pace, two months of claims is $64.0 million, so the County continues to exceed the 60-day safe harbor threshold. While that is a positive situation, we believe that for a plan of this size and stability actuarial soundness can reasonably be attained at a lower surplus level. For a group of this size, the main risk of higher than expected claims is related to an unexpected increase in medical trend. We developed the probability of claims exceeding expected levels due to randomness, and found it to be extremely unlikely that claims will be higher than expected by more than 1% to 2%. There are also practical limits on how large the error related to fluctuations in medical trend will be. The likelihood of seeing actual trend exceed expected by as much as 5% is very low. By comparison, the 60-day safe harbor threshold equals 16.7% of annual claims. I would suggest that even 30 days of claims is more than adequate for these circumstances, and that actuarial soundness could fairly be considered attained at something less than that. So while the County satisfies the 60-day safe harbor threshold, we believe that standard is conservative and that the plan can certainly be actuarially sound at a lower threshold.

Based on the accumulated surplus as of September 30, 2012 and the funding rates in place for calendar year 2013, I believe the County has adequate assets and sources of funds to meet the plan's benefit obligations under any foreseeable circumstances, and it is my opinion that the County's self-funded health plan is actuarially sound.

Reliance

I relied upon financial reporting, enrollment, and premium information provided by Miami-Dade County and on claim lag information provided by AvMed in preparing this analysis. In my opinion, the data provided was adequate for the purposes of this analysis.

I believe that the procedures and methods used in the exhibits to report past results and project future results are reasonable and have been calculated using sound actuarial principles. The projections are based on assumptions that I believe are reasonable in aggregate, but future experience is likely to vary from these assumptions, and the differences may be material.

Actuarial Memorandum
Miami-Dade County Health Plan for Fiscal Year Ending September 30, 2012

Qualifications

I, Glen R. Volk, am a Member of the American Academy of Actuaries. I meet the Academy qualification standards for rendering this statement of actuarial opinion. I am not aware of any relationship between myself or other members of my firm and the County that could create a conflict of interest that would impair, or appear to impair, my objectivity.

Glen R. Volk, FSA, MAAA
Area Vice President & Consulting Actuary

December 28, 2012
Date

OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF AGRICULTURE

KEVIN M. MCCARTY
COMMISSIONER

September 9, 2013

The Honorable Carlos A. Gimenez
Mayor, Miami-Dade County
Stephen P. Clark Center
111 N.W. First Street, 29th Floor
Miami, Florida 33128-1930

RE: Surplus Requirements for Self-Funded Health Plans

Dear Mayor Gimenez:

Thank you for your letter of September 3, 2013, regarding surplus requirements for self-funded health benefit plans. I appreciate the opportunity to explain the Florida Office of Insurance Regulation's (Office) procedures for reviewing and approving self-funded health benefit plans such as the one filed by Miami-Dade County Government.

Florida Statutes requires a local government, self insurance fund to file its plan and a certification of actuarial soundness. The Office determines whether the plan is acceptable and uses industry practices to determine if the proposal has sufficient premiums to pay current and future liabilities. Once approved, the local government or the plan's administrator is required to submit an annual report to the Office that includes evidence that the level of funding is adequate to enable payment of prospective liabilities. The Office uses the same review guidance and process it used to approve the original self-funded health plan to ensure that it is sufficiently reserved to pay claims.

Pursuant to Section 112.08, Florida Statutes, the Financial Services Commission adopted Rule 69O-149.053 Florida Administrative Code, which adopts several forms to be used for the annual report by local governments and their administrators for self-funded health benefit plans. Form OIR-B2-574, titled "General Information and Surplus Statements for Self-Funded Health Benefit Plans" indicates that if the plan's surplus is less than sixty days of anticipated claims, other questions may be asked of the plan for the purpose of determining actuarial soundness.

Your letter asked that the Office respond in writing to the following three questions. The answer to each question appears in italics.

1. Is there a statutory basis for the 60-day surplus requirement? If so, please provide a reference to the appropriate Statute or Administrative Code.

   As discussed above, Rule 69O-140.053, Florida Administrative Code, establishes a minimum surplus standard of 60 days of anticipated claims.

2. Will the OIR approve an annual filing for a self-funded health plan if the plan does not satisfy the 60-day surplus requirement and the County does not issue a letter regarding the availability and potential use of other surplus assets equal to the difference between the actual surplus and the 60-day threshold?

   If a self-funded health plan made an annual filing which does not satisfy the 60-day requirement, the Office would need to make a determination of whether the plan was actuarially sound. The failure to hold at least 60 days of claim reserves would call into question whether claims reserves were adequate and whether the plan was sufficiently funded to respond to adverse loss development.

3. What is the consequence if an annual filing is not approved by OIR?

   Should a self-funded health plan not meet the 60-day surplus requirement and the Office determine that reserves are not in accordance with sound actuarial principles, the plan could be determined to be deficient at which point the Office may withdraw approval. Without approval, a self-funded health plan may not operate in Florida.

I hope this information answers your questions. Please do not hesitate to contact me or my staff if you need further information or assistance on this issue.

Sincerely,

Kevin M. McCarty
Commissioner

FINANCIAL SERVICES
COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF
AGRICULTURE

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

via email: glen_volk@ajg.com

March 28, 2013

Mr. Glen R. Volk
Palm Beach County School Board
2255 Glades Rd.
Ste 400e
Boca Raton, FL 33431

RE: PALM BEACH COUNTY SCHOOL BOARD
FILE LOG NUMBER: SIP 13-05528
PLEASE REFER TO THIS FILE NUMBER WHEN CORRESPONDING

Dear Mr. Volk:

I am reviewing the above referenced filing received by the Office of Insurance Regulation (Office) and filed on 3/25/2013. The following actuarial/rates information is needed:

1. Since the plan does not appear to hold a surplus of at least 60 days of anticipated claims in the plan account, which this Office considers to be a "safe harbor", please have the actuary provide a detailed explanation and justification for the basis of his opinion of actuarial soundness. Please include any general account information that may be applicable.

2. Please submit a statement from a qualified person with authority to represent the Palm Beach County School Board that certifies that there are unencumbered general revenues available to make up any shortage in funding for this filing. Please identify the fund, its value, and the date of valuation.

3. Please have the qualified person with authority to represent the Palm Beach County School Board certify that funds will be transferred to the self-funded plan in the event that there is a shortage in funding for this plan.

This filing will be held in suspense pending your response to this **CLARIFICATION** letter. In order to allow the Office sufficient time to analyze your response, please respond on or before **4/10/2013**.

Please respond to this letter by using the "Add to a submitted filing" feature of our i-file system.

Feel free to contact me if you have any questions.

Sincerely,

Benjamin Ben

• • •
BENJAMIN BEN • ACTUARIAL ANALYST • LIFE & HEALTH PRODUCT REVIEW
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0328 • (850) 413-3152 • FAX (850) 922-3866
website: www.floir.com • Benjamin.Ben@floir.com

Attachment 3

Memorandum

MIAMI-DADE COUNTY

Date: January 15, 2014

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: Status of Collective Bargaining Negotiations: Five Percent Contribution to the County's Cost of Healthcare

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In the Board's December 5, 2013 resolutions, the Administration was instructed to present a plan identifying available funds to pay for the elimination of the five percent contribution to the County's cost of healthcare from base wages subject to the following:

1. Any funds in the Self-Insurance Fund exceeding the amount of 60 days safe harbor established by the State Office of Insurance Regulations shall first be used to fund the cost of this resolution;
2. The remaining costs shall be funded from savings and efficiencies provided there is no impact to direct services to the public;
3. No letter of credit or line of credit shall be used to support the Self-Insurance Fund; and
4. No funding shall be taken from the County's reserves.

Unfortunately, accomplishing these four objectives without impacting services to our community is simply not possible. For this reason I vetoed the Board's resolutions on December 14, 2013. As a result of the Board's actions on December 17, 2013, the veto was sustained, and the impasse with the County's labor unions remains. During the December 5th and December 17th meetings, the Board further expressed the desire for this issue to be resolved between my Administration and the unions. My commitment to this Board was to roll up our sleeves and identify creative ways to work with our union partners.

Since the December 17, 2013 Board meeting, my Administration has communicated with our labor partners on multiple occasions and has offered to meet with each of them in an effort to resolve the impasse. On January 8, 2014, we became aware that the unions declared and affirmed their "unity and collective solidarity" in seeking that the five percent contribution be eliminated. This declaration calls into question their willingness to continue negotiations. To date, only two unions, AFSCME Local 199 –General which represents almost 9,000 employees and AFSCME 121- Water and Sewer which represents nearly 1,650 employees have met with my Administration. We have not received any counter proposals in an effort to resolve this impasse.

On January 6, 2014, we met with AFSCME Local 199. We presented the one-time payment for our lower-paid employees outlined in my veto message ($1,500 for employees making less than $40,000 and $1,000 for employees making more than $40,000 but less than $50,000) which was rejected. Knowing that a reduction of the five percent contribution is simply not an option without impacting services, my Administration proffered an additional alternative that is budget neutral and that would result in an increase in take home pay for County employees. The solution would implement an across the board 3.5 percent pay plan reduction in lieu of the five percent healthcare contribution. By doing this, the County would realize savings in the fringes (FICA, MICA, etc.) paid for salaries while employees would see an increase in their paychecks. This concept was also not accepted.

Below is an estimate of what the average increase might be to an employee. It is important to recognize that these estimates are based on average salaries and average overtime earnings for each unit and do not take into consideration each employee's individual situation such as actual overtime hours worked, pay supplements, nor tax designations used for gross to net pay calculations. The chart below is simply a high level summary of what this proposal translates to for the average employee in each respective union. The summary also provides an estimate assuming no overtime is paid to the employee and the other estimate shows what the increase would be assuming the employee earns overtime.

IMPACT OF 3.5% PAY PLAN REDUCTION IN LIEU OF 5% INSURANCE CONTRIBUTION

BARGAINING UNIT	NUMBER OF FULL TIME EMPLOYEES (1)	AVERAGE BASE SALARY (1)	AVERAGE ADJUSTED SALARY (1)	AVERAGE ANNUAL OVERTIME (2)	AVERAGE ANNUAL INCREASE PER FULL-TIME EMPLOYEE (EXCLUDING OVERTIME)	AVERAGE ANNUAL INCREASE PER FULL-TIME EMPLOYEE (INCLUDING OVERTIME)	TOTAL INCREASE PAYMENTS (EXCLUDING OVERTIME)	TOTAL INCREASE PAYMENTS (INCLUDING OVERTIME)
AFSCME LOCAL 121 - WASD	1,633	$ 49,478	$ 51,431	$ 5,800	$ 454	$ 317	$ 741,079	$ 517,814
AFSCME LOCAL 199 - GENERAL	5,976	$ 45,422	$ 46,196	$ 1,500	$ 441	$ 405	$ 2,633,209	$ 2,421,905
GSAF/ OPEIU LOCAL 100 - PROFESSIONAL	1,109	$ 69,874	$ 70,384	$ -	$ 694	$ 694	$ 769,513	$ 769,513
GSAF/ OPEIU LOCAL 100 - SUPERVISORS	2,953	$ 72,312	$ 73,066	$ 3,000	$ 713	$ 642	$ 2,104,777	$ 1,895,948
PBA - RANK AND FILE UNIT	4,834	$ 62,896	$ 74,184	$ 6,100	$ 369	$ 226	$ 1,785,295	$ 1,090,203
PBA - SUPERVISORY UNIT	245	$ 97,192	$ 115,241	$ -	$ 532	$ 532	$ 130,251	$ 130,251
TWU LOCAL 291 - TRANSIT	2,299	$ 50,108	$ 50,175	$ 10,500	$ 505	$ 257	$ 1,160,155	$ 591,127
TOTAL	19,049						$ 9,324,279	$ 7,416,761

(1) Data as of PPE 11/24/2013
(2) CY 2012

On January 15, 2014 we met with AFSCME Local 121. Once again we offered the one-time payment for our lower paid employees, which was rejected. We then offered the option of a 3.5 percent pay plan reduction in lieu of the five percent group healthcare contribution. This was also rejected.

In keeping with my Administration's and this Board's desire to provide relief to lower-paid employees, we then offered an additional proposal of reducing the group healthcare contribution for those employees earning less than $52,000 of base salary contribution from five percent to a 1.65 percent contribution, a two-thirds reduction. This would provide relief for more than 9,300 of our employees (see chart below). My Administration has extended this proposal to all other unions at impasse.

Bargaining Unit	Population Earning Under $52,000
AFSCME LOCAL 121 - WASD	1,031
AFSCME LOCAL 199 - GENERAL	4,536
GSAF/ OPEIU LOCAL 100 - PROFFESIONAL	146
GSAF/ OPEIU LOCAL 100 - SUPERVISORS	572
PBA - RANK AND FILE UNIT	1,030
TWU LOCAL 291	1,779
NON BARGAINING	240
Grand Total	**9,334**

Unfortunately, the other unions have been unwilling to meet. GSAF agreed to meet but subsequently cancelled negotiations. GSAF did however request the County's base pay reduction proposal in writing, which was provided. TWU declined in writing to meet and rejected the base pay reduction proposal. PBA was sent requests to meet on three different occasions and to date, have not responded.

I believe these proposals to be good faith alternatives for the unions to consider. I understand that two of these proposals cannot be imposed by the Board to resolve the impasse today, but I have offered them to the unions as a way to achieve a sustainable future and provide relief to our valued County employees. Should the Board wish to choose the alternative of reducing the group healthcare contribution for employees making less than $52,000, that could be imposed as a means of resolving the impasse at the Special Meeting. Resolving the impasse by eliminating the group healthcare contribution would result in severe budgetary consequences. However, continuing the group healthcare contribution does not preclude the parties from future negotiations to provide relief to our employees.

We all have been moved by the stories of our County employees who have experienced difficulty with finances as a result of the economic challenges our entire community faces. Collectively, we must look at our financial challenges in a manner that not only addresses the immediate need but also allows our County to be structurally sound in the future. I have repeatedly reminded this Board that we are currently not in a position to eliminate the entire five percent group healthcare contribution of base wages for all bargaining unit employees at impasse.

Please be assured that my Administration will continue to negotiate and work with our labor partners to attempt to come to consensus. However, effective negotiations require two willing parties and we stand ready to come to the table to consider reasonable proposals.

c: Honorable Harvey Ruvin, Clerk, Circuit and County Courts
Honorable Carlos Lopez-Cantera, Property Appraiser
Robert A. Cuevas, Jr., County Attorney
Carlos Migoya, President and CEO, Jackson Health System
Andy Madtes, Administrator, AFSCME Local 199
Emilio Azoy, President, AFSCME Local 121
Mark Richard, Esq.
Osnat Rind, Esq.
John Rivera, President, Dade County PBA
Greg Blackman, President, GSAF Local 100
Donald Slesnick, Esq.
Clarence Washington, President, TWU Local 291
Martha Baker, RN, President, SEIU 1991
Manny Anon, Esq.
Office of the Mayor Senior Staff
Department Directors
Charles Anderson, Commission Auditor

Attachment 4

Memorandum

MIAMI-DADE COUNTY

Date: January 21, 2014

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: FY 2013-14 First Quarter Budget Update

Since September, my staff and I have continually updated you as the impacts of the Value Adjustment Board property tax refunds were fully measured and other budgetary recommendations were implemented.

As of the end of the first quarter of FY 2013-14, the Library District, by holding positions vacant and postponing operating expenditures will be able to absorb the gap created by the VAB refunds. The FY 2012-13 End of Year Budget Supplemental Ordinance includes the transfer of $9 million from the Countywide Emergency Contingency Reserve to the Fire Rescue District in order to close that gap. For the General Fund (Countywide and UMSA combined), it is necessary for a number of reductions to be implemented immediately, not only to ensure the current year budget remains balanced, but also to set us on a positive course as we move into the budget development process for FY 2014-15. As I communicated to you as part of the five-year forecast that accompanied the FY 2013-14 Final Adopted Budget (available at http://www.miamidade.gov/budget/home.asp), we will be facing significant gaps as we move into FY 2014-15 and beyond unless we begin to take steps to bring our budget into structural balance.

As already announced, we will not be filling vacant positions unless they are critical to the safety of the public or it is more costly for those positions to remain vacant (e.g., they must be backfilled with another employee on overtime or lead to reduced revenue collection). At this time, I will be permanently eliminating 48 currently vacant positions in departments including Audit and Management Services, Community Action and Human Services, Community Information and Outreach, Finance, Human Resources, Internal Services, Office of Management and Budget, and Public Works and Waste Management. Elimination of these vacant positions will not impact services and will bring approximately $3 million in savings that may be budgeted into FY 2014-15.

We have also identified savings due to personnel attrition, delays in contractual purchases and improvements, and reduced historical spending for demolition of unsafe structures (a total of $9 million). As a result of the full delegation of Head Start, we have lowered our costs which has enabled the program to serve approximately 400 more students. Therefore, we can release the $2.5 million held in reserve in the event of sequestration-related cuts to the Head Start program. Furthermore, the current federal budget proposal would restore Head Start funding to the FY2012 level. Finally as a result of improved revenue collections and unbudgeted carryover, we have identified $9.5 million of additional funding.

These reductions total $24 million, which is necessary to offset the losses communicated to you in my October 21, 2013 memorandum. We have recently become aware that because the Property Appraiser has been processing a large number of value adjustment appeals this year, we will once again be facing the probability of ad valorem revenue collections falling short of the budget. This will impact all taxing jurisdictions including municipalities and the school board. My staff and I will keep you informed as the impact is estimated.

Should you have any questions, please contact Edward Marquez, Deputy Mayor.

c: Honorable Harvey Ruvin, Clerk, Circuit and County Courts
Honorable Bertila Soto, Chief Judge, Eleventh Judicial Circuit
Honorable Katherine Fernandez-Rundle, State Attorney
Honorable Carlos Martinez, Public Defender
Honorable Carlos Lopez-Cantera, Property Appraiser
Joseph Centorino, Executive Director, Commission on Ethics and Public Trust
Patra Liu, Interim Inspector General
Robert A. Cuevas, Jr., County Attorney
Office of the Mayor Staff
Department Directors
Office of Management Budget Staff
Charles Anderson, Commission Auditor

Mayor03114

Attachment 5

Jackson HEALTH SYSTEM PUBLIC HEALTH TRUST

Miracles made daily.

TO: Honorable Carlos A. Gimenez
Mayor

Honorable Rebeca Sosa, Chairwoman
and Members, Board of County Commissioners

Darryl K. Sharpton, Chairman
and Members, Public Health Trust Board of Trustees

FROM: Carlos A. Migoya
President & Chief Executive Officer

DATE: January 22, 2014

RE: Tentative Labor Agreement

I am excited to announce that our ongoing negotiations with Jackson Health System's labor union have been successful. We have reached tentative agreements that will let us continue to recruit and retain the industry's best healthcare professionals while still protecting Jackson's long-term financial strength.

Pending approval from employees represented by SEIU Local 1991 and AFSCME Local 1363, we are prepared to recommend agreements that would phase out the 5 percent healthcare contribution, continue freezing automatic cost-of-living and merit raises, encourage additional use of Jackson facilities by our employees, and reward those who directly contributed to our unprecedented financial success in FY 2012-13.

We intend to bring these tentative agreements to the Public Health Trust Board of Trustees on Monday, January 27 and, if approved, to the Board of County Commissioners for its earliest possible consideration. Legally, we have been advised by the County Attorney's Office that these tentative agreements could only be considered following a mayoral veto of the actions taken by the Board of County Commissioners on January 16, 2014.

Detailed documents and full briefings will be provided under separate cover with the full text of the tentative agreements. In summary, however, we have agreed with SEIU and AFSCME leaders on the following terms:

- The healthcare contribution would be reduced to 2 percent effective January 1, 2014, with employees being refunded the 3 percent difference going back to that date. Also retroactive to January 1, we would begin withholding the same 2 percent from Jackson executives, whose contribution has previously been made through pay cuts and other benefit suspensions. This would ensure that their healthcare contribution is exactly the same as the one made by all employees.

- The remaining 2 percent contribution would be automatically eliminated for all employees at the end of our fiscal year on September 30, 2014.

- There would be no further discussion of resuming automatic merit or cost-of-living salary increases for Jackson employees during the current fiscal year, marking the fourth consecutive year without such raises.

- In a separate tentative agreement, Jackson would make good on its promise to share last year's remarkably strong financial results with employees. In 2013, thanks in part to those employees' remarkable professional commitment and financial sacrifice, Jackson earned a surplus of nearly $45 million and dramatically beat its ambitious budget. The tentative agreement would provide one-time gain-sharing payments to eligible Jackson employees. This incentive would cost a total of $17 million, including payroll taxes paid by Jackson. It was already included in our calculation of the 2013 surplus and will not impact the bottom line of $44.7 million. This kind of incentive is common in successful private enterprises. It creates a culture of shared responsibility and motivation, but – unlike a salary increase – it does not create new recurring expenses for Jackson's taxpayer-owners or add to Jackson's pension burden.

- The union and Jackson management would commit to working closely to develop even better ways to lower health-insurance costs by encouraging more employees to use Jackson's world-class programs and facilities. If successful, this could lower Jackson's benefits costs and employees' insurance premiums while also boosting Jackson's volumes and positive word-of-mouth marketing.

- Finally, the tentative agreements would renew our shared commitment among management and labor to find creative and innovative ways to improve patient care and customer service in the most cost-efficient ways. Working together, we can be a global model for excellent medicine and efficient operations.

The impact of this compromise on Jackson's current-year budget would be substantial, but we are committed to still delivering our budget surplus of $11 million in this fiscal year. The excitement, trust and momentum generated with employees would help propel our growth initiatives – managed properly, this would help boost volume and revenue over the long term.

Our entire leadership team is proud to have reached this point with our labor leaders. We believe this marks another important symbol that public hospital systems like Jackson can lead the industry with world-class clinical care, next-generation operations, robust finances and model relationships between management and labor. Together, we continue to protect Jackson's legacy and ensure its best future.

If you have any questions, please feel free to call me.

Attachment 6

Jackson HEALTH SYSTEM PUBLIC HEALTH TRUST

Miracles made daily.

TO: Honorable Carlos A. Gimenez
Mayor

FROM: Carlos A. Migoya
President & Chief Executive Officer

DATE: December 11, 2013

RE: Impact of 5 Percent Insurance Contribution on Jackson Health System

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Per your request, we have prepared an explanation of how the Board of County Commissioners' recent actions regarding collective-bargaining agreements would impact Jackson Health System.

On December 5, the Board settled outstanding impasse items with labor unions representing Miami-Dade County employees, including those at Jackson. The Board's decision terminated, effective January 1, 2014, the practice of deducting 5 percent from each employee's salary to help fund the cost of providing group health insurance.

Jackson's budget for FY 2013-14, adopted by the Public Health Trust Board of Trustees and subsequently by the Board of County Commissioners as part of the County's budget, did not anticipate terminating this 5 percent deduction. The recurring annual cost to Jackson of ending the deduction would be approximately $24 million; because it would only impact nine months of the current fiscal year, our adopted budget would be affected by approximately $18 million.

The adopted budget calls for a surplus of approximately $12 million. Therefore, ending the 5 percent deduction would leave Jackson's budget with an estimated loss of $6 million. Because we cannot allow Jackson to return to the chronic financial instability that defined its recent crisis, we would be forced to find other ways to balance the budget. Moreover, Jackson currently has less than 28 days of cash on hand – while this is a substantial improvement over last year, it is far short of the 175-day benchmark for peer institutions. We have serious concerns about any actions that would negatively impact our ability to build this vital reserve.

Going forward, this recurring new expense would present another substantial ongoing financial challenge during an era when we expect healthcare reform, market competition and declining public-payer reimbursements to squeeze Jackson's budget further every year.

These factors help explain why Jackson's budget for the current fiscal year called for the continued use of the 5 percent deduction.

If you have any questions, please feel free to call me.

c: Honorable Rebeca Sosa, Chairwoman
and Members, Board of County Commissioners
Darryl K. Sharpton, Chairman
and Members, Public Health Trust Board of Trustees

Attachment 7

MOODY'S
INVESTORS SERVICE

New Issue: Moody's affirms Miami-Dade Co. (FL) Aa2 G.O. and Aa3 non-ad valorem and Public Service Tax ratings; outlooks revised to negative from stable

Global Credit Research - 25 Nov 2013

Assigns Aa3 to Miami-Dade Co. (FL) Special Oblig. Court Facilities Bds., Ser. 2014 A&B; outlook is negative

MIAMI-DADE (COUNTY OF) FL
Counties
FL

Moody's Rating

ISSUE		RATING
Special Obligation Court Facilities Refunding Bonds, Series 2014A		Aa3
Sale Amount	$17,800,000	
Expected Sale Date	11/26/13	
Rating Description	General Obligation	
Special Obligation Court Facilities Bonds, Series 2014B		Aa3
Sale Amount	$24,400,000	
Expected Sale Date	11/26/13	
Rating Description	General Obligation	

Moody's Outlook NEG

Opinion

NEW YORK, November 25, 2013 --Moody's Investors Service has assigned a Aa3 rating to Miami-Dade County's (FL) Special Obligation Court Facilities Refunding Bonds, Series 2014A ($17.8 million) and Special Obligation Court Facilities Bonds, Series 2014B ($24.4 million); the outlook is negative. Concurrently we have affirmed the Aa3 rating on approximately $1.9 billion in outstanding rated obligations supported by county non-ad valorem revenues (including bonds issued through the Sunshine State Governmental Financing Commission and through the IDA), and the Aa2 rating on approximately $1.5 billion county general obligation bonds (including double-barreled; but excluding Fire-Rescue bonds being reviewed separately). Finally, we have affirmed the Aa3 rating on $128.6 million Public Service Tax bonds. The outlooks on the G.O., non-ad valorem obligations, and public service tax bonds have been revised to negative from stable.

The Special Obligation bonds are secured by a senior (Series 2014A) and subordinate (Series 2014B) lien on a $30 traffic surcharge, collected by the county clerk and remitted to the county, as well as the county's covenant to budget-and-appropriate legally-available non-ad valorem revenues (after payment of obligations having a prior pledge on certain non-ad valorem funds, and after payment of essential services). The Series 2014A bonds are parity with the unrefunded Series 1998 bonds, and the Series 2014B bonds are parity with the Series 2003 bonds, as regards the lien on traffic surcharge revenues. The general obligation bonds are secured by the county's general obligation, unlimited tax pledge, and the Fire-Rescue bonds are secured by unlimited ad valorem taxes levied in the district (52% of countywide taxable values). The Public Service Tax bonds are secured by public service taxes levied and collected in the unincorporated areas of the county.

Legal provisions for the Special Obligation bonds include a 1.75 times (traffic surcharge) additional bonds test, fully-funded debt service reserve (required for 2014A seniors, not required for the 2014B subordinate lien bonds). While the Special Obligation bonds do not contain anti-dilution provisions typically associated with "covenant" debt, the county's participation in the Sunshine State loan program requires that maximum debt service on all non-ad valorem ("covenant") obligations must be no more than half of identified legally available revenues.

Proceeds of the 2014 Series A bonds will refund $19 million Series 1998A ($3.2 million), and Series 1998B ($15.8 million) bonds for an estimated $1.1 million (5.83% of refunded par) net present value savings taken over the remaining short life of the issue, and provide $1.2 million to fund a required debt service reserve. Proceeds of the 2014 Series B bonds will provide $30.3 million in project funds to complete the construction of a new juvenile courthouse facility. A debt service reserve is not required for the subordinate bonds.

SUMMARY RATING RATIONALE

The Aa3 Special Obligation bond rating is based on the county's favorable level of available non-ad valorem revenues, although the county's narrow financial position places stress on non-ad valorem funds which have become increasingly important in funding county ongoing operations. The expected self-supporting nature of debt service on these bonds, as well as on a material portion of outstanding non-ad valorem obligations, is an important rating factor. The non-ad valorem rating as well as the county's general obligation rating are supported by the largest tax and economic base in the state, a sizable but manageable level of debt, and a narrow financial condition with budgetary structural challenges in the near term.

The Public Service Tax bonds are affected by the county's general credit factors previously-mentioned, as well as their narrow revenue pledge.

The negative outlook recognizes the county's narrow financial condition, despite officials' implementation of significant budget cuts in recent years, and political challenges in raising additional revenues.

STRENGTHS

-Surcharge authorized in state statute and by county ordinance

-Surcharge assessed on a large population and visitor base

-Sizable level of county non-ad valorem funds

CHALLENGES

-Narrow surcharge revenue pledge and inherent vulnerabilities associated with the surcharge

-Significant county obligations supported by the covenant (non-ad valorem) pledge

-Narrow county financial condition with political challenges in raising additional revenues

DETAILED CREDIT DISCUSSION

TRAFFIC SURCHARGE PROVIDES SATISFACTORY DEBT SERVICE COVERAGE

The traffic surcharge applies to, (1) each civil traffic infraction cited, and (2) each criminal traffic violation cited. The surcharge, which had been adopted by the county in May 2004, is collected by the county clerk and remitted to the county at least weekly, and county officials are required to make a monthly set-aside for principal and interest payments. Excess funds, after set-aside for debt service, reserve and administrative expenses or required payments, can only be used for state court facility purposes pursuant to state statute.

The traffic surcharge, authorized by both state statue and county ordinance, was instituted in fiscal 2005, at a $15 level. The county increased the surcharge to the current maximum $30 level in fiscal 2010.

Traffic surcharge revenues had been lethargic since inception in fiscal 2005 through fiscal 2009 (levied at $15 for the period), declining a total of 2.3% from the first full year of collections in fiscal 2006 through fiscal 2009. Revenues, however, have increased nearly 39.2% since fiscal 2010 to 2013 (levied at $30). Revenues are based on the number of tickets or citations issued. The level of tickets/citations issued declined over 15% from fiscal 2008 to 2011, to 994,161, before increasing 5.8% in fiscal 2013 to 1,135,955. Based on unaudited traffic surcharge revenues collected in fiscal 2013 of $14.4 million, and estimated maximum debt service on all bonds (senior and junior) of $9.4 million, pledged revenues provide overall 1.54 times coverage.

Among the vulnerabilities associated with the traffic surcharge is that only 36% to 42% of the total tickets issued are actually collected. Also, although the county's population and tourist base is sizable, the surcharge has inherent vulnerabilities associated with potential changes in law, motorist behavior, the number of tourists to the area, and police enforcement efforts. These vulnerabilities, as well as the narrow revenue pledge, focus more emphasis on the non-ad valorem pledge.

COMFORTABLE LEVEL OF NON-AD VALOREM REVENUES FOR DEBT SERVICE NEEDS

Moody's believes that while the county's covenant to budget and appropriate from legally-available non-ad valorem revenues affords favorable bondholder security, the county's use of these revenues to support a very significant amount of county obligations (directly and indirectly) dilutes its effectiveness. Unadjusted non-ad valorem revenues declined nearly 11% between fiscal 2007 and the 2009 low of $828.4 million, prior to increasing 6% to the fiscal 2012 level of $878.4 million. In fiscal 2012, unadjusted legally-available revenues of $878.4 million ($716.4 million net of essential general government and public safety expenditures), are ample in relation to maximum debt service in 2014 of $204.3 million on all obligations either paid from non-ad valorem funds or ultimately backed by non-ad valorem funds, regardless of the majority of debt service paid from separate non-operating sources. Unaudited FY 2013 gross non-ad valorem revenues are reported to be $892.7 million.

In addition, an important factor for the non-ad valorem bond rating is that only about 24% of non-ad valorem debt service is actually paid from covenant revenues, with the remainder paid from other county sources, primarily enterprise revenues. This is a credit positive given that such a significant amount of non-ad valorem debt requirements could further limit financial flexibility.

Approximately $443 million in non-ad valorem obligations are for the county Seaport alone. Seaport operations have narrowed in recent years. To date, all seaport debt has been self-supporting; however, we believe margins might narrow further in the next few years as net revenues stagnate and some previously-issued seaport obligations begin to amortize. The port had $25.5 million of unrestricted cash and discretionary reserves or 156 days cash on hand as of FYE 2012, down from 213 days in FY 2011. Management's plan is to pay county-issued debt service deficits with port liquidity. If General Fund support is required for the seaport's non-ad valorem obligations, it would place added pressure on county operating funds.

Non ad valorem funds are diverse and include a variety of non-property type taxes, permits and fees, charges for services, intergovernmental revenues, as well as other revenues. The county's liberally-utilized covenant pledge either supports or is the ultimate security for about $2.0 billion in varied county bonds and loans. Non-ad valorem revenues, which are used to pay operating expenses, are becoming an increasingly important budgetary funding component as property tax growth is expected to be constrained going forward, and we believe that continued over-leveraging of this pledge could restrict future financial flexibility.

Public Service Taxes are over 56% dependent on electric service and almost 35% on communication services taxes. Pledged revenue growth has been somewhat erratic and fluctuated with rate adjustments and elimination of land line telephone service. Coverage has generally remained solid (9.2 times in fiscal 2012).

COUNTY FINANCIAL RESERVES ARE NARROW, ANNUAL BUDGET CHALLENGES EXIST

Moody's believes that county financial operations, which had stabilized since fiscal 2010 with officials taking appropriate actions to reduce costs, remain challenged by rising service costs. Additionally, revenue shortfalls have in part been recouped by utilization of reserves, and county officials face political challenges in raising additional recurring revenues, which bode unfavorably for attaining long-term structural balance.

Operating deficits in fiscal 2008 and 2009, associated with tax base declines and expenditure pressures, reduced General Fund balance nearly 19% to $296.5 million (15% of General Fund revenues), and unreserved fund balance to less than one-half of what it was in fiscal 2007 ($76.4 million; 3.9% of General Fund revenues). Since then, due to a savings plan implemented by the county as well as some over-collection of revenues sources (especially in fiscal 2011), General Fund balance improved to $357.9 million in fiscal 2012 (19.4% of revenues), and assigned/unassigned balance was $221.11 million (12.04% of revenues) which includes an unassigned balance of $71.2 million.

Unaudited fiscal 2013, projects an unexpected $23.4 million operating deficit, caused by lost property tax revenues associated with refunds for tax appeals, as well as reserve transfers for Fire-District tax shortfalls. Total fund balance is expected to decline to $334.2 million, or 18.3% of revenues (before transfers), and assigned and unassigned balance of $207.4 million, or over 11% of revenues. Most of the assigned and unassigned General Fund reserve is available for any purpose. Operations will also result in a $9 million reduction in the contingency fund (part of unassigned balance), to $42.3 million, or a narrow 2.3% of revenues. This level of targeted contingency reserves is low for Aa2-rated local governments in the U.S. and for a government the size of Miami-Dade.

The fiscal 2014 budget was initially balanced with the help of $26 million in one-time tourist tax revenues, and earlier expectations were that the contingency fund would at least remain at the $52 million level. Now, however, it is uncertain how much, if any, the contingency reserve will increase from the fiscal 2013 estimated $42.3 million level. Additionally, officials will need to make further cuts to offset the $25 million in fiscal 2013 lost property tax revenue, and the county potentially faces the prospect of another approximate $27 million ($36 million for an entire fiscal year) shortfall among all taxing jurisdictions if the County Commission decides to eliminate the employee 5% health care contributions, an agreement which expires in January 2014 and is currently at an impasse. The county has some additional revenue raising flexibility in the tax rate and some other minor county fees, but flexibility is limited and the negative political implications of imposing such increases, as evidenced by a county official being removed from office or reversing a proposed minor tax rate increase, has proven to be a material obstacle.

The county's five-year financial forecasts had indicated annual operating deficits beginning fiscal 2015 ($31 million) to fiscal 2018 ($213 million). Projections are currently being updated in light of revenue and expenditure adjustments mentioned previously.

COUNTY HEALTH CARE SYSTEM'S NARROW FINANCIAL POSITION POSES UNCERTAINTIES, DESPITE RECENT GAINS

The county's hospital system, Jackson Health System (JHS), has experienced financial difficulties over the past several years. The hospital system operates with a very lean days-in-cash position, and was in violation of its rate covenant from fiscal 2009 to fiscal 2011, although in compliance subsequently. In May 2011, the county disbanded the hospital system's Board and replaced them with an independent, seven-member Financial Recovery Board. The seven-member Recovery Board sunset in May 2013, and became the permanent Board of the Public Health Trust. Over the last two years, hospital officials report that expenses have been lowered materially, with about $200 million in operational reductions implemented, including elimination of about 1,800 full time equivalent positions. Also, hospital net revenue increased minimally in fiscal 2012, and days-in-cash remained very narrow at about 13 days at the end of fiscal 2012. Unaudited hospital operations for fiscal 2013 ended with a $45.8 million operating surplus, and about 27 days cash. Fiscal 2014 operations are expected to continue recent favorable operating trends.

The county has $347.4 million in debt on behalf of the hospital that is backed by the county's covenant to budget and appropriate legally-available non-ad valorem revenues in the form of Debt Service Reserve Fund replenishment. The debt is effectively paid from a health care sales tax from first funds that are received and paid directly to the county, acting as its own trustee. The health care sales tax brought in about $215.7 million in fiscal 2013, in relation to the $24.9 million in annual debt service on the bonds. Residual sales tax funds are transferred to the hospital for its operating needs only. The bonds are paid prior to hitting the debt service reserve, as the legal structure allows. The Public Health Trust also has taken out a $75 million line of credit with Wells Fargo for a one-year period (ending December 31, 2013), on which it has drawn $20 million. County officials indicate that if the hospital has difficulties repaying amounts drawn under the line, it would withhold additional health care sales tax funds in amounts sufficient to repay the obligation, as all draws are due on the maturity date (December 31, 2013). An extension of the line of credit is currently being negotiated.

In addition to the health care sales tax, the county is required to contribute each year maintenance-of- effort (MOE) amount no less than 80% of the General Fund support at the time of the tax levy. The MOE is calculated as 11.873% times the millage rate levied for countywide purposes in fiscal 2007 times 95% of the preliminary tax roll for the upcoming fiscal year, and by multiplying 11.873% on General Fund non-ad valorem revenues with the exception of local and state gas taxes. The county advanced both sales tax and MOE funds in fiscal 2010 to ease the hospital system's cash flow difficulties, but the county declined a similar request in fiscal 2011 in favor of the administrative actions previously discussed. Since that time, no requests for advanced funds have been made by hospital officials. The hospital, which continually faces competitive issues, is additionally facing federal and state funding uncertainties associated with new health care reform measures. Florida did not expand Medicaid in the last legislative session, which would have aided Jackson's financial performance. Additional financial support to the health system from the county could further weaken the county's overall financial condition and weigh heavily on its credit strength.

In November 2013, county voters approved $830 million in general obligation bonds for the Jackson Health Care System. The bonds will be used for new facilities and equipment. The bonds are expected to be issued incrementally through 2023.

MODERATE DEBT LEVELS WITH MANAGEABLE NON-ENTERPRISE BORROWING EXPECTED

Moody's expects the county's debt burden to remain manageable given moderate non-enterprise borrowing expectations. The county has an overall debt burden of 2.5% (1.3% direct net), which is manageable given the size of the tax base and population, although debt per capita is above average at $1,492 (net direct) and $2,740 overall. Debt service costs of about 8.2% of fiscal 2012 total operating revenues are moderate. The county's $20.5 billion multi-year capital program (including $9.2 billion for FY 2014-2019, and $7.7 billion for years beyond 2019) is heavily weighted towards enterprise systems and transportation, and includes projects that may not be funded. Near term, new money borrowing plans include: continual funding for the G.O. (BBC) commercial paper program, seaport ($315 million), toll facilities ($36 million), and initial funding of Jackson Health Care System's bond authorization. The county is also in the midst of a multi-billion water and sewer funding program.

Currently, nearly 60% of the county's net direct (non-enterprise) debt is special tax debt, with the remainder being general obligation bonds.

The county has approximately $444 million in outstanding variable rate obligations currently (12% of total debt). These variable rate issues are represented by: two special tax issues that total $145.8 million (backed by TD Bank and Wells Fargo letter of credit facilities, expiring September 1, 2014 and July 14, 2014, respectively); three series of non-ad valorem bonds issued through the Sunshine State ($121.7 million), with a Bank of NY Mellon letter of credit expiring December 19, 2016, which are related to, and paid by, the Seaport; and, two lines of credit with Wells Fargo, one for the Port of Miami Tunnel Project (none currently outstanding), and one for Public Health Trust ($20 million drawn), in relation to $75 million lines for each (facilities expire December 31, 2013).

Finally, the county has entered into a flexible drawdown bond program with RBC Capital Markets (to January 9, 2017) in conjunction with its BBC G.O. bond authorization. The program has a commitment total of $675 million that requires maximum amount outstanding at any one time of $400 million, of which the county has drawn $176 million to date. All of the county's credit facilities have favorable three to five year term out provisions (except for the PHT line of credit which is due and payable at the end of 2013).

There are also five non-enterprise basis swaps on special tax debt (including one for some Industrial Development Bonds - BAC funding), $525.7 million notional amount, all requiring collateral posting (below the Baa1 rating level). No collateral posting is currently required. Four of the swaps are with Loop Financial Products and are guaranteed by Deutsche Bank, and one is with JP Morgan Chase. Under four of the swaps, the county pays SIFMA divided by 0.604 and receives LIBOR plus a rate anywhere from 1.43% to 1.77%. Under the fifth swap (with JPM) county pays CPI plus 0.70% and receives SIFMA plus 0.235%. Mark-to-market values on the swaps (at September 30, 2013) are a positive $32.6 million to the county.

The county has obligations to 10 outstanding lease in-leases out (LILO) agreements that were defeased with guaranteed investment contracts (GICs) held by Ambac, FSA and AIG (rated Baa1). One agreement relates to the county's Metro Center, and nine relate to maintenance and parking facilities and technical equipment of the county's transit enterprise. Due to the downgrade of GIC providers, the county is in technical default on 9 of the 10 agreements. In each case, the county is negotiating with the investor (Bank of America) to remedy the technical default. Bank of America has been extending the cure period on the technical default every two months for another two month period. The current extension expires December 31, 2013. In one case, the county has posted $6.7 million (valued at $5.48 million on September 30, 2013) in collateral to Rabo Bank to bring the transaction back into compliance. County officials estimate that if it had to post collateral on the other nine transactions currently in default in the same manner as the Rabo Bank transaction, $15.1 million of additional collateral could be required. If, however, the county were required to fully collateralize the transactions, it could require up to $83.9 million.

PENSION AND OPEB FUNDING LEVELS ARE MODERATE

Officials have reported an estimated $418.6 million unfunded liability related to GASB 45 (OPEB), with a fiscal 2012 annual costs of $34.2 million, in relation to the $26 million contributed (76.1%). County health care, pension and OPEB contributions (excluding the Public Health Trust) are less than 10% of the countywide budget.

County employees participate in the Florida Retirements System (FRS), a multi-employer, cost-sharing retirement plan sponsored by the State of Florida (GO rated Aa1/stable). The county's annual required contribution (ARC) for the plans was $185.7 million in fiscal 2012. The adjusted net pension liability under Moody's methodology for adjusting reported pension data is $4.4 billion, or approximately 1.68 times operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities. We determined the county's share of liability for the state-run plans in proportion to its contributions to the plans.

LARGE AND DIVERSIFIED ECONOMY WITH ESTABLISHED TOURISM AND INTERNATIONAL TRADE COMPONENTS

The county's sizable economic base is diversified by the tourism, trade, banking, health care, construction, business services and manufacturing industries. The airport, a primary entry point for Latin American and Caribbean visitors, and seaport, with the largest multi-day cruise port in the world, remain major economic engines. Certain economic sectors are doing well (real estate, leisure and hospitality, trade), while others are contracting (manufacturing and government). International trade has grown thus far in 2013, mainly due to imports, as exports for the first six months of the year were well below those for last year. The Miami area had been strongly affected by the residential housing crisis, leading to significant foreclosure activity and falloff in construction activity, although recent foreclosure filings, housing sales and construction activity have been strong, fueled largely by foreign buyers. Also, commercial real estate metrics have improved. Tourism continues to remain strong, and taxable sales have surpassed pre-recession levels.

The county's tax base, which had almost doubled from fiscal 2004 to the fiscal 2009 high of $245.9 billion, had subsequently contracted 24% to $187 billion by fiscal 2012. More recently however, the tax base grew 2.9% in fiscal 2013 (to $190.7 billion), with another 3.1% increase in fiscal 2014 (to $195.7 billion), showing signs of stability. The number of county jobs, which had grown in 2010 and 2011, remained flat in 2012, and actually lost ground thus far in 2013. Marginal private sector job growth (0.9%, in retail trade and leisure and hospitality sectors) has been largely offset by declines in private sector employment (-4.6%, primarily in health care). Unemployment rates have also shown some recovery at 8.4% in August 2013, compared to 12.8% in June 2010, although they have remained persistently at an above average level compared to the state and nation, as employment growth has stagnated, and average real wages have trended down since 2006. Larger local construction projects for water and sewer, the school system, and the Public Health Trust should provide an economic stimulus for the area.

According to Moody's Economy.com (July 2013), Miami is expected to track the national economy over the next two years as growth in its upscale economy compensates for weaker population growth. Long term, the Miami area is expected to outperform the nation because of its expanding infrastructure, strong international trade ties, and stature as an international tourist destination.

OUTLOOK

The negative outlook recognizes the county's narrow financial condition, despite officials' implementation of significant budget cuts in recent years, and political challenges in raising additional revenues.

WHAT COULD MAKE THE RATING GO UP:

-Significant strengthening of county financial reserves and liquidity

-Substantial economic improvement leading to increased property tax and other major county revenues

-Improved socio-economic profile

WHAT COULD MAKE THE RATING GO DOWN:

-Erosion of county reserves, liquidity and flexibility

-Inability to restore budgetary structural balance

-Overleveraging of non-ad valorem security

KET STATISTICS:

Security: Traffic surcharge revenues and county's covenant to budget-and-appropriate legally-available non-ad valorem revenues (after payment of obligations secured by specific non-ad valorem revenues and payment of essential services).

Five-year Ticket/Citation Issuance,

FY 2008 to 2011: -15.3%

FY 2011 to 2013: 14.3%

% of Total Tickets Issued that are Actually Collected (FY 2008 to FY 2013): 36% to 42%

Surcharge Revenues,

FY 2006 to 2009 (at $15) - 2.3%

FY 2010 to 2012 (at $30) 48.8%

Coverage of Estimated MADS by FY 2013 Traffic surcharge revenues only,

Senior Bonds: 4.17 times

Sr. & Subordinate Bonds: 1.54 times

Post-Sale Outstanding Traffic Surcharge Bonds: $135.1 million

Bond Payout,

10 years: 21.8%

20 years: 54.2%

30 years: 100%

Obligations supported (directly or indirectly) by non-ad valorem revenues: $2.0 billion

Non-Ad Valorem obligations paid from sources other than non-ad valorem revenues: 76.6%

County Population (2010 Census): 2.47 million

FY 2014 Full Value: $273.2 billion

Full value, Per Capita: $107,077

FY 2014 Countywide Operating Tax Rate as % Limit: 73.3%

FY 2012 General Fund Balances (as % of G.F. Revenues),

Total: 19.4%

Unassigned: 3.9%

Unemployment rate, 8/2013: 8.4% (7.1% state; 7.3% U/S.)

County as % State,

Median Family Income: 96.6%

Housing Values: 112.4%

Persons Below Poverty: 140.9%.

The principal methodology used in rating the general obligation debt was General Obligation Bonds Issued by US Local Governments published in April 2013. The principal methodology used in rating the special tax debt was US Public Finance Special Tax Methodology published in March 2012. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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