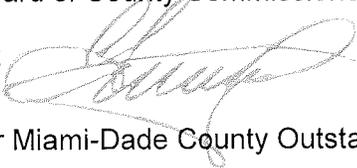


Memorandum



Date: June 23, 2014
To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners
From: Carlos A. Gimenez 
County Mayor
Subject: Rating Upgrade for Miami-Dade County Outstanding Solid Waste Revenue Bonds

I am pleased to advise the Chairwoman and Members of the Board of County Commissioners that Standard and Poor's Financial Services LLC (S&P) has upgraded the County's long term credit rating on the outstanding Miami-Dade County Solid Waste Revenue Bonds, Series 1998, Series 2001 and Series 2005 from an A to an A+ with a Stable Outlook.

The rating upgrade results from a credit review this week by S&P of the Waste Management Enterprise Fund managed by the Public Works and Waste Management Department. An A category rating by S&P falls in the category of "investment grade" and is an opinion of relative credit risk with the credit having a "strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances." An A+ indicates the credit rating's relative standing within the A category. The Outlook type indicates potential direction of a long term credit rating in the intermediate term, and Stable means that the rating is not likely to change.

If you have any questions or concerns, please feel free to contact Deputy Mayor Edward Marquez at 305-375-1451.

Attachment

c: R.A. Cuevas, Jr., County Attorney
Office of the Mayor Senior Staff
Jennifer Moon, Director, Office of Management and Budget
Blanca Padron, Deputy Director, Finance Department
Frank P. Hinton, Director of Bond Administration, Finance Department

RatingsDirect®

Summary:

Miami-Dade County, Florida; Solid Waste/Resource Recovery

Primary Credit Analyst:

Corey A Friedman, Chicago (1) 312-233-7010; corey.friedman@standardandpoors.com

Secondary Contact:

James M Breeding, Dallas (1) 214-871-1407; james.breeding@standardandpoors.com

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Summary:

Miami-Dade County, Florida; Solid Waste/Resource Recovery

Credit Profile

Miami Dade Cnty solid waste sys

Unenhanced Rating

A+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has raised its rating on Miami-Dade County, Fla.'s 1998, 2001, and 2005 solid waste system revenue bonds to 'A+' from 'A' with a stable outlook, reflecting the system's maintenance of good annual debt service coverage (DSC) and liquidity, even as the county continues to address its capital needs for its waste management department.

The rating reflects our assessment of the system's:

- Diversified revenue stream supporting the bonds,
- Strong DSC, and
- Growing service area and long-term disposal agreements with 18 municipalities.

Balancing these strengths, in our opinion, are:

- The system's significant capital needs, especially in providing for additional disposal as it relates to landfills and the pertinent remediation needs; and
- The solid waste industry's competitive nature, which will require ongoing strategic planning and active management of the system's infrastructure and operating and capital budgets.

Net revenues of the solid waste system secure the bonds.

Miami-Dade County, which includes Miami, Fla., is southeast Florida's major population and employment center. The county's population is estimated at 2.5 million, an increase of more than 10% since 2000. The county serves as the regional service, trade, financial, and transportation center. Income levels have historically been below average: Per capita effective buying income is at 80% of the national average. The system's service area, though not coterminous with the county, serves a vast area within the county. It provides collection and disposal to the county's unincorporated areas and eight cities, and has long-term interlocal agreements with 18 municipalities, which dispose of their solid waste at the county's transfer stations, landfills, and waste to energy facility. Total household and commercial customers have been about 328,000 since 2009. Currently, five of the 18 agreements extend beyond fiscal 2015. The agreement with the City of Miami, which accounts for approximately 42% of annual municipal waste deliveries, was extended through 2032. The cities of Homestead (2025 expiration), West Miami (2025), and North

Miami (2033) and Sweetwater (2032) account for the other four. The county is about to begin negotiations with the remaining cities, but does not expect any notable disruption in extending these cities' agreements.

The system relies on a diversified revenue stream to support its operations. More than 51% of revenues are derived from collections including the household collection fee, which is billed together with property taxes, and is, therefore, a very stable revenue source. Tipping fees (\$63.65 for the contractual rate in fiscal 2013) charged to municipalities, private waste collectors, and commercial landscaping companies account for more than 22% of revenues. Electricity revenues from its resources recovery facility account for 12% of revenues while utility service fees charged countywide on water and wastewater bills for groundwater protection projects total 9% of revenues. An additional 4% of revenues come from the system's disposal facility fees paid by private waste collectors for standby disposal capacity. Total waste flow to the system has remained relatively stable in recent years, between 1.5 million tons and 1.6 million tons of waste delivered since 2009. The county is projecting flow to show a similar level for fiscal 2014. The household collection fee is currently \$439.

Miami-Dade's financial operations have been stable, with strong high coverage of annual debt service requirements. For fiscal years 2011-2013 (ended Sept. 30), annual DSC excluding capital contributions, when calculated by Standard & Poor's, was 1.7x-2.1x. For fiscal 2014, the county is budgeting coverage around similar levels. It has several loans that are secured by its appropriation pledge but paid with solid waste revenues. When including the debt paid on these other loans, fiscal 2013 annual DSC falls to 1.4x.

In our view, liquidity has been strong. Money listed as unrestricted cash and investments has ranged between \$158 million and \$168 million, from fiscal years 2011 to 2013, translating to 260 days' to 291 days' unrestricted cash and investments, which we consider strong. Miami-Dade is projecting ending fiscal 2014 with \$152 million. It has additional available reserves, listed as restricted but available for operations, with a budgeted fiscal 2014 total of nearly \$40 million of operating cash and reserves and a rate stabilization fund of more than \$20 million, further cushioning its reserve position. The county has not used its rate stabilization fund in recent years and does not plan to use it for the next couple of years, at least.

Debt to plant ratios have been high, in our view; fiscal 2013's ratio was 84% with \$123 million of long term debt outstanding. High debt to plant ratios can constrain debt flexibility. Total capital needs between fiscal years 2014 and 2019 amount to \$136.8 million. Of these, about \$58.9 million is attributable to groundwater remediation, closure, and other environmental improvement projects at the department's facilities. As of fiscal year-end 2013, the county had a post closure liability of \$88.7 million with nearly a quarter of the liability attributed to closed landfills.

The county has no direct purchase debt nor bank loans that are associated with the operations of the waste management department. It does have some outstanding authority to issue debt to fund some of its capital needs. Miami-Dade plans to fund its current capital plan through a combination of bonds previously issued with some unspent proceeds, \$44 million of future solid waste revenue-secured debt, and \$7.2 million of GO-secured debt, and to finance the remainder with pay-as-you-go capital. However, the timing and source of funding these needs could change depending on other variables.

Bond provisions are adequate in our view. There is a rate covenant that requires revenues to cover 120% of annual

debt service requirements with rate stabilization reserve transfers that can account for up to 20% of net operating revenues annually. The additional bonds test is a historical test that requires revenues in 12 consecutive months out of the past 24 months to cover debt service on outstanding and proposed bonds by 120%. The county maintains a debt service reserve at the standard three-prong test. The flow of funds is closed.

Outlook

The stable outlook reflects our view of the Miami-Dade County Department of Solid Waste Management's diversified revenue base; long-term contracts; and competitive rate structure, which has ensured a steady flow of solid waste to the system. Revenue diversity and recent rate and fee increases will ensure adequate DSC from operating revenues and provide capacity to fund future capital needs. Future rating direction will be predicated on the stability in the current contractual arrangements and the impact on the overall financial metrics.

Related Criteria And Research

Related Criteria

USPF Criteria: Solid Waste System Financings, June 15, 2007

Related Research

U.S. State And Local Government Credit Conditions Forecast, April 7, 2014

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