BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

MEMORANDUM

TO: Honorable Chairman Joe A. Martinez
Board of County Commissioners

FROM: Charles Anderson
Commission Auditor

DATE: April 29, 2011

SUBJECT: Review of Agenda Items with Financial Impact

This memorandum is to advise you of items on the May 3, 2011 BCC agenda that we have identified as being not in compliance with or having qualitative issues in compliance with Resolution No. R-530-10.

c: Guillermo Cuadra, Director of Legislation

Office of the Commission Auditor

BCC Agenda Items with Fiscal Impact

Date: 5/3/2011

No.	Item/ Legistar #	Subject	Committee Action Taken (Yes/No)	Category of Needed Information	OCA Notes
1	110326 **8(D)1A**	Resolution authorizing the Mayor or designee to apply for $400,000 in grant funds from the Florida inland navigation district waterways assistance program to fund shoreline stabilization in the marine stadium basin in Biscayne Bay; authorizing the disbursement of $400,000 from the Biscayne Bay environmental enhancement trust fund	Yes	*(ii)*	Items 8(D)1A, 8(D)1B and 8(D)1C are all restoration and stabilization disbursements funded by the Biscayne Bay Environmental Enhancement Trust Fund (BBEETF). OCA checked FAMIS for the BBEETF balance and the balance exhibited was $6.654 million. Administration informed OCA that there is approximately $5.112 million worth of projects that are scheduled to go forward but are yet to be encumbered, leaving a $1.542 million balance as follows: Four Bay Islands Restoration, R-1214-07 $312,000 Manatee Protection, R-07-144 $ 79,000 Bay Habitat Maintenance, R-1012-09 $132,000 Derelict Structure Debris Removal, R-1006-08 $ 25,000 Project Development, R-36-94 $ 50,000 Oleta Restoration, R-1304-09 $789,000 R.Hardy Matheson, R-17-10 $509,000 North Bay Wetlands Restoration, R-560-10 $700,000 Seagrass Restoration, R-561-10 $300,000 Riprap Mitigation, permit conditions $1,226,000 Artificial Reef, permit conditions $353,000 Other Mitigation, settlement conditions $244,000 Mangrove Mitigation, permit conditions $115,000 Water Quality Monitoring, permit conditions $ 96,000 Chapman Field Restoration, permit conditions $ 49,000 Seagrass Mitigation, permit conditions $ 55,000 Derelict Structure Debris, permit conditions $ 78,000 Total: $5,112,000
	110330 **8(D)1B**	Resolution authorizing the Mayor or designee to apply for $300,000 in grant funds from the Florida inland navigation district waterways assistance program to fund shoreline stabilization on two spoil islands in Biscayne Bay; and further authorizing the disbursement of $300,000 from the Biscayne Bay environmental enhancement trust fund			
	110331 **8(D)1C**	Resolution authorizing the disbursement of $400,000 from the			Each item lists the available balance as $1,542,000 as of 12/31/10. Therefore, should the projects proceed and if the items pass and the expenses are incurred for the 3 projects totaling $1.1 million, the

1 **cont'd**	110331 **8(D)1C (cont.)**	Biscayne Bay environmental enhancement trust fund to conduct wetlands restoration at Oleta River State Park through the County's Biscayne Bay restoration and enhancement program and further authorizing the disbursement of $400,000 from the Biscayne Bay environmental enhancement trust fund			remaining fund balance would be $442,000.
2	110501 **8(E)1A**	Resolution approving Miami-Dade County's Debt Management Policy	Yes	*(iii)*	The proposed Debt Management Policy (Policy) does not address a basic "best practices" principle listed by the Government Finance Officers Association (GFOA), and does not follow R-388-10 considerations; specifically Debt Limits: The Policy should define specific limits or acceptable ranges for each type of debt. Limits are generally set for legal, public policy, and financial reasons. See Attachment A for GFOA "best practices."
3	110541 **8(O)1I**	Award of contract to the University of Miami to provide a Forensic Driving-Under-the-Influence (DUI) Toxicology Laboratory Program for the Miami-Dade Police Department in the amount of $5,870,000	Yes	*(i)*	Equipment costs, lab analyses, expert testimony are inclusive in the scope and pricing of the contract. • Equipment purchased under the contract is property of Miami-Dade County. • Projected cost reimbursement from the State for the DUI lab is projected at $634,000 for FY11 per Administration. • A Quality Control Administrator is needed for independent validation of lab tests and to assist in obtaining National Accreditation at a cost of $73,704 per Administration. • The expert testimony and additional lab tests requested by State– the University of Miami (UM) will provide reports detailing the number of hours spent on travel time, waiting time,

3 **cont'd**	110541 **8(O)1I** (cont'd)	Award of contract to the University of Miami to provide a Forensic Driving-Under-the-Influence (DUI) Toxicology Laboratory Program for the Miami-Dade Police Department in the amount of $5,870,000 (cont'd)			testifying time, and consultation/preparation time for depositions and/or in-court testimony. MDPD will be billing both the Public Defender Office and the State Attorney Office (SAO) as per their established rates of compensation, from the reports provided by UM. The moneys collected will be deposited to the County general fund. Estimated dollar value is unknown at this time. MDPD has requested information back to 07/01/10 as requested by the SAO. (This information provided by Administration).
4	110710 **8(P)1E**	Resolution authorizing execution of an amendment providing additional funds for the existing Joint Participation Agreement (JPA no. 250610-1-58-01) for landscape installations between Miami-Dade County and the FDOT in the amount of $250,000	Yes	*(iii)*	The item states all landscape material installed by the County within the FDOT rights-of-way will be added to the PWD beautification inventory for future maintenance by PWD. The additional inventory is not anticipated to significantly increase current costs, which are currently funded through the Department's annual General Fund allocation. The annual incremental maintenance cost is expected to be 830 trees @$6.24 per tree = $5,179.20 per the Administration.
5	110060 **8(P)1F**	Resolution approving execution of a memorandum of agreement among Miami-Dade County, the Florida Department of Transportation and the City of Miami to jointly participate in the relocation of the existing Tamiami Canal/NW South River Drive swing bridge; authorizing the County Mayor or County Mayor's designee to exercise the provisions therein	Yes	*(ii)*	Project No. 138 ("Tamiami Swing Bridge) for the BBC GOB allocates $19 million for the construction and replacement. Handwritten page 7 in the Memorandum of Agreement shows the amount as $18 million. Administration was advised of this scrivener's error on March 21, 2011.
6	110840 **8(Q)1A**	Resolution authorizing execution of Amendment No. 2 to the Cruise Terminal Agreement between Miami-Dade County and Carnival Corporation	Yes	*(iii)*	See Attachment B

7	110468 **9(A)8**	Interlocal Agreement with Miami-Dade County School Board for the provision of drivers' education	Yes	*(ii)*	Trust Funds paid in arrears for services rendered 10/01/08 to 09/30/09. The reason for delay is twofold: 1) need to close County fiscal year to determine total collections and 2) delays due to legal review and receiving the executed contract from the School Board along with required prior year outcome measures and affidavits associated with the contract. Collections for the Trust Fund in the Agreement period were $1,181,118; however the School Board informed the County eligible expenses totaled only $641,371, a difference of $539,747 largely due to a curtailed curriculum. The remaining balance of the Trust Fund rolls over and is available for future allocations in the drivers' education curriculum. Previous payment from the Trust Fund to the School Board occurred 05/11/10. The amount was $1,272,137 for the Fiscal Year 2007-08.

BEST PRACTICE

Debt Management Policy (1995 and 2003) (DEBT)

Background. Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

Recommendation. The Government Finance Officers Association (GFOA) recommends that all state and local governments adopt comprehensive written debt management policies, and that governments review them at least annually and revise them as necessary. A Debt Management Policy should address:

- *Direct Debt* - debt payable from general revenues, including capital leases,
- *Revenue Debt* - debt payable from a specific pledged revenue source,
- *Conduit Debt* - debt payable by third parties for which the government does not provide credit or security,
- *State Revolving Loan Funds and Pools*
- *Other Types of Hybrid Debt* – debt payable from special revenues or containing other unique security pledges, and
- *Interfund Borrowing* – loans for short-term cash flow needs.

1. ***Debt Limits.*** The Policy should define specific limits or acceptable ranges for each type of debt. Limits are generally set for legal, public policy, and financial reasons.

   a. *Legal limits* may be determined by:

   - State constitution or law,
   - Local charter, by-laws, resolution or ordinance, or covenant.

   b. *Public Policy limits* can include:

   - Purposes for which debt proceeds may be used or prohibited,
   - Types of debt that may be issued or prohibited,
   - Relationship to and integration with the Capital Improvement Program, and
   - Policy goals related to economic development, capital improvement financings, tax increment financing, and public-private partnerships.

   c. *Financial limits* generally reflect public policy or other financial resource constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can positively impact bond ratings, if the government demonstrates adherence to such policies over time. Financial limits are often expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt* can be measured or limited by the following ratios:
  - Debt per capita,
  - Debt to personal income,
  - Debt to taxable property value, and
  - Debt service payments as a percentage of general fund revenues or expenditures.

- *Revenue Debt* levels are often limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service) or credit rating impacts (e.g., additional bonds should not lower ratings) contained in bond covenants.

- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower's creditworthiness, the purpose of the borrowing issue, or a minimum credit rating. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government's direct debt.

- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.

2. ***Use of Derivatives.*** The Policy should:

- Specify how derivatives fit within the overall debt management program.
- State the conditions under which derivatives can be utilized.
- Identify the types of derivatives that may be employed or are prohibited.
- Identify approach(es) for measuring, evaluating, and managing derivative risk, including basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk, and credit risk.
- State the methods for procuring and selecting derivative products.

3. ***Debt Structuring Practices.*** The Policy should include specific policies regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, and short-term debt, and limitations as to when each can be used, and
- Other structuring practices should be considered such as capitalized interest, deferral of principal and/or other internal credit support, including general obligation pledges.

4. ***Debt Issuance Practices***. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- Criteria for determining the sale method (competitive, negotiated, placement) and investment of proceeds,
- Criteria for issuance of advance refunding and current refunding bonds,
- Selection and use of professional service providers,
- Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results, and
- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

5. ***Debt Management Practices.*** The Policy should provide guidance for ongoing administrative activities including:

- Investment of bond proceeds,
- Primary and secondary market disclosure practices, including annual certifications as required,
- Arbitrage rebate monitoring and filing,
- Federal and state law compliance practices, and
- Market and investor relations efforts.

References

- *A Guide for Preparing a Debt Policy*, Patricia Tigue, GFOA, 1998.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.

Approved by the GFOA's Executive Board, February 28, 2003.

Attachment B (Item 8(Q)1A)

BCC May 3, 2011 –#110840

RESOLUTION AUTHORIZING EXECUTION OF AMENDMENT NO. 2 TO THE CRUISE TERMINAL AGREEMENT BETWEEN MIAMI-DADE COUNTY AND CARNIVAL CORPORATION

Issue

- What is the cost benefit of improving Seaport's Cruise Terminal D to accommodate the new Carnival Cruise Line ship Breeze, and future "Dream-class" vessels?

Project Assumptions

- $15 million - estimated cost of modifications to Terminal D (Project), which finished new construction in 2007 at a cost of more than $68 million for both Terminals D and E. The Project is included in the County's proposed Capital Improvement Plan for FY 2011-12.
- $1.150 to $2.1 million – additional annual revenues from Carnival Cruise Line to the Seaport from the Project "beginning in fiscal year 2013."
- $1.1 million – estimated additional annual debt service for the bond's principal and interest over 30 years (2041). A chart of the Seaport's current total debt service is attached.
- Marketing incentive – Carnival has a marketing incentive included in their current agreement as part of Resolution R-697-10, with additional financial incentives to be included in the amended agreement.

Other Project Considerations

- Carnival, which is home based in Miami, has a Terminal Usage Agreement with the Seaport through fiscal year 2018, and "pays the County a Minimum Annual Guarantee ranging from $20.4 million in FY 2011 to $25.1 million in FY 2018.
- Moody's writes that "the port's 2010-2016 capital improvement program (CIP) is significant at $659.8 million with $427.6 million to be debt financed; however, we note that none of the debt is expected to be secured on parity with the port's revenue bonds. **The debt is expected to be issued through the issuance of Capital Assets Acquisition Bonds or other alternative financial program backed by the county's non ad valorem revenue or as general obligations of the county..."**
- Seaport's reputation as the "Cruise Capital of the World" and increased competition from Port Everglades and 23 other North American ports. Cruise vacations are growing in popularity, and in recent months discounts and new ships are driving record cruise bookings. In North America a total of 8 new ships were added in 2011 with a total passenger capacity of 15,112. From 2012 to 2014, a net of 14 more new cruise ships will come online adding 36,311 to passenger capacity. The ships from 2012 to 2014 will add $1.6 billion in annual revenue to the cruise industry.

Attachment B