Memorandum

MIAMI-DADE COUNTY

Date: May 12, 2011

To: Honorable Joe A. Martinez, Chairman
and Members, Board of County Commissioners

From: Alina T. Hudak
County Manager

Subject: Response to Inquiries Regarding County Debt

There have been a number of inquiries regarding Miami-Dade County's outstanding debt, how the existing debt compares to prior years and how our debt levels compare to other similar jurisdictions. This memorandum has been prepared to provide the Board of County Commissioners with information to address the various questions.

As of September 30, 2010, the County has debt in the form of bonds and loans for the funding of a substantial portion of our capital program. In many situations, funding capital programs with a debt-service financing is the most effective way to harness our revenue streams – in some cases, it is the only way to finance a particular project.

Our bonds and loans, when coupled with the interest expense, will total $27.965 billion: $13.652 billion in principal and $14.313 billion in interest. There are a number of legal requirements that must be met when incurring debt, including provisions of the Florida Constitution, applicable state statutes such as Chapters 125 and 166, the County's Home Rule Charter, County code and the Internal Revenue Code.

Proprietary and Non-Proprietary Debt

Debt has been issued for both proprietary and non-proprietary funds. Non-proprietary debt is issued by the County pledging repayment with ad valorem revenues or non-ad valorem revenues of the general fund. Conversely, proprietary debt is pledged with enterprise-fund revenues. Non-proprietary debt makes up approximately 30.61 percent, or $8.5 billion, of the total principal and interest payments on the County's debt. Ad valorem revenues will be used to pay general-obligation debt in the amount of $1.68 billion, which includes $881 million of principal and $875 million of interest. General-obligation debt makes up 6.01 percent of the total County debt obligations. Non-ad valorem revenues are pledged to the payment of $6.883 billion in debt, composed of $2.829 billion of principal and $4.054 billion of interest on non-proprietary debt. Table 1 lists all principal and current expected interest expense of the County's non-proprietary debt.

Table 1
Comparison September 30, 2004 to September 30, 2010

	Principal & Interest Outstanding as of 09/30/2004	Percentage of Total	Principal & Interest Outstanding as of 09/30/2010	Percentage of Total	Percentage Increase from 2004 to 2010
Non-Proprietary Debt					
General Obligation Bonds	$351,030,213	2.55%	$1,680,204,414	6.01%	378.65%
Special Obligation Bonds:					
Capital Acquistion Bonds	$325,207,956		$1,073,093,330		
Convention Devel. Tax -- Senior	206,775,252		164,352,250		
Convention Devel. Tax -- Subordinate	1,063,548,407		2,771,342,464		
County Court Revenues	273,071,493		219,470,509		
Fire Dist. Ad Valorem Tax	52,123,226		18,458,287		
Guaranteed Entitlement	206,008,359		109,040,125		
Professional Sports Tax	183,157,133		1,292,030,199		
Public Service Tax	197,689,632		226,082,610		
Stormwater Utility Fees	57,997,263		144,761,850		
Total Special Obligation Bonds	$2,565,578,721	18.60%	$6,018,631,624	21.52%	134.59%
Loans					
Sunshine State Loans:					
1986 Program	$54,990,210		$42,699,995		
Tax-Exempt Commercial Paper Revenue Notes	591,848,843		822,316,300		
Total Sunshine State Loans	$646,839,053	4.69%	$865,016,295	3.09%	33.73%
Total Non-Proprietary Debt Outstanding	$3,563,447,987	25.84%	$8,563,852,333	30.62%	140.32%
Total Debt Outstanding	$13,792,442,478		$27,965,195,893		102.76%

Proprietary debt, supported by revenues of an enterprise fund of the County, makes up 69.38 percent, or $19.4 billion, of the total principal and interest payments on the County's debt. The Aviation Department has $6.285 billion of debt, by far the largest share, which will cost the department $12.825 billion to repay. The Water and Sewer Department's $1.96 billion of debt is the second-largest component of proprietary debt. The department will have to pay $3.376 billion to repay this debt. The third largest component of proprietary debt is from Miami-Dade Transit, which is backed by the transit surtax to support projects in the People's Transportation Plan. Transit has $1.05 billion of the proprietary debt and owes $2.03 billion of the total principal and interest payments. The Public Health Trust (PHT), Solid Waste Management and the Seaport make up the rest of the proprietary debt. Table 2 lists the County's proprietary debt.

Table 2
Miami-Dade County
Proprietary Debt
Comparison September 30, 2004 to September 30, 2010

	Principal & Interest Outstanding as of 9/30/2004	Percentage of Total	Principal & Interest Outstanding as of 9/30/2010	Percentage of Total	Percentage Increase from 2004 to 2010
Revenue Bonds:					
Aviation -- Revenue	$6,602,703,753		$12,346,965,342		
Aviation -- General Obligation	0		474,440,652		
Public Facilities (PHT)	262,695,307		683,856,199		
Seaport -- General Obligation	112,976,448		72,000,540		
Seaport -- Revenue	255,397,772		188,456,933		
Solid Waste System	214,577,959		230,094,169		
Transit System	0		2,029,981,004		
Water & Sewer System	2,780,643,252		3,375,548,721		
Total Revenue Bonds (Proprietary Debt)	**$10,228,994,491**	**74.16%**	**$19,401,343,560**	**69.38%**	**89.67%**

Since 2004, major debt issuances have included the general obligation bonds for the Building Better Communities program. and special obligation bonds for the People's Transportation Plan, both of which were voter-approved. Debt issuances to support the capital improvement plan for Miami International Airport and the Port of Miami have provided funding for development of our largest economic engines. Significant issuances have also generated revenues to support the capital plan for the Water and Sewer Department to address regulatory requirements.

Ratings on County Debt

The County's debt has all been rated by the major rating agencies, Moody's Investor Service (Moody's), Standard and Poor's Ratings Service (S&P) and Fitch Ratings (Fitch). Per S&P, "credit ratings are forward-looking opinions about credit risk." Moody's credit ratings "incorporate Moody's assessment of the default probability and loss severity of these issuers and issues." The credit rating assigned to each type of bond or loan making up the County's debt is an indication of the rating agencies' views of the financial strength of that bond or loan. The rating agencies all rate municipal debt in categories from "AAA" to "C." Within each of these categories are subcategories, starting with a high or upper range of the rating category, "1 or +," a medium or mid range of the rating category "2 or blank," and low or lower range of the rating category "3 or -." For each rating agency, a triple A rating is the highest attainable rating and is viewed by each as a prime investment to the investor community. The double A category is viewed as a high grade investment. The A category is viewed as upper medium grade. The lowest investment grade category is triple B and that is viewed by the rating agencies as lower medium grade. Any bonds with a rating of double B or below would be classified as a non-investment grade and thereby speculative. An investment-grade security is viewed to at least have "adequate capacity to meet financial commitments."

The County's ratings on each type of non-proprietary bebt are listed below in Table 3. A reference to "NR" indicates no rating was sought.

Table 3
Miami-Dade County
Ratings
Comparison September 30, 2004 as of September 30, 2010

Description of Bonds / Notes / Sunshine Loans	Ratings FY2004	Ratings FY2010	Rating Agencies' View of Financial Strength and Investment - FY2010
	Moody's, S&P, Fitch		
NON-PROPRIETARY DEBT			
General Obligations Bonds	Aa3/AA-/A+	Aa2/AA-/AA	Medium - Very strong commitment to meet financial obligations - High grade investment
Special Obligation Bonds/Notes:			
Budget to Appropriate - Capital Asset Acquisition Bonds	A1/A+/A	Aa3/A+/NR	Low - Very strong commitment to meet financial obligations - High grade
Convention Development Tax (CDT) Bonds - Senior	A3/A+/A	A2/A+/A+	Medium - Strong commitment to meet financial obligations - Upper medium grade investment
CDT Bonds - Subordinate	Baa1/A+/A	A2/A+/A+	Medium - Strong commitment to meet financial obligations - Upper medium grade investment
Courthouse Bonds	A2/A+/A+	Aa3/A+/A+	Low - Very strong commitment to meet financial obligations - High grade
Fire Bonds	Aa3/AA-/NR	Aa2/AA-/NR	Medium - Very strong commitment to meet financial obligations - High grade
Guaranteed Entitlement Bonds	A1/A+/NR	Aa3/A+/NR	Low - Very strong commitment to meet financial obligations - High grade
Professional Sports Tax Bonds	A3/NR/A	A1/A+/A	High - Strong commitment to meet financial obligations - Upper medium grade investment
Public Service Bonds	A2/AA-/NR	Aa3/AA-/NR	Low - Very strong commitment to meet financial obligations - High grade
Stormwater Utility Bonds	A2/NR/A	Aa2/NR/A	Medium - Very strong commitment to meet financial obligations - High grade

Table 3 - Continued
Miami-Dade County
Ratings
Comparison September 30, 2004 as of September 30, 2010

Description of Bonds / Notes / Sunshine Loans	Ratings FY2004	Ratings FY2010	Rating Agencies' View of Financial Strength and Investment - FY2010
	Moody's, S&P, Fitch		
Sunshine Loans			
1986 Program	Aa3/AA-/NR	Aa3/A+/NR	Medium - Very strong commitment to meet financial obligations - High grade investment
Tax-Exempt Commercial Paper Rev	Aa3/AA-/NR	Aa3/A+/NR	Medium - Very strong commitment to meet financial obligations - High grade investment
PROPRIETARY DEBT			
Revenue Bonds/Notes			
Aviation Bonds - Revenue Bonds	A2/A-/A-	A2/A-/A	Medium - Strong commitment to meet financial obligations - Upper medium grade investment
Aviation Bonds - Double Barreled GO	N/A	Aa2/AA-/NR	Medium - Very strong commitment to meet financial obligations - High grade investment
Public Facilities Bonds (JMH/PHT)	A3/A/NR	Aa3/A/A+	Medium - Very strong commitment to meet financial obligations - High grade investment
Seaport Bonds - Revenue	A2/NR/NR	A2/NR/NR	Medium - Strong commitment to meet financial obligations - Upper medium grade investment
Seaport Bonds - Double Barreled GO	Aa3/AA-/NR	Aa2/AA-/NR	Medium - Strong commitment to meet financial obligations - Upper medium grade investment
Solid Waste Revenue Bonds	A2/A/A	A2/A/A	Medium - Strong commitment to meet financial obligations - Upper medium grade investment
Transit System Revenue Bonds	N/A	Aa3/AA/AA-	Medium - Very strong commitment to meet financial obligations - High grade investment
Water & Sewer System Revenue Bonds	A1/A+/A+	Aa2/A+/A	Medium - Very strong commitment to meet financial obligations - High grade investment

The County's lowest rating, A2/A-/A, is viewed by the major rating agencies as medium or mid range, with a strong commitment to meet financial obligations; it is considered an upper medium grade investment. Specifically, S&P has a strong to very strong assessment of the County's lack of forward-looking credit risk. Moody's view is that the County has very strong or above average creditworthiness relative to other municipalities. Fitch's rating of the County denotes low to very low default expectations.

In FY 2008-09, Moody's and Fitch recalibrated their rating scales relative to municipal debt. Although the ratings in FY 2003-04 were lower than those in FY 2009-10, some of the rating increase was due to this recalibration. However, the County's ratings were upper-medium-grade investment quality in FY 2003-04 and have since remained stable or improved.

County Debt as a Comparison to Other Municipalities

When comparing the County to other municipalities, PFM, our financial advisor, has supplied us with the following table. This table only takes into consideration non-proprietary debt, because not all municipalities have the same enterprise funds, and comparison would therefore not be equivalent.

Governmental Entity	Overall Net Debt Per Capita		Debt Burden	
	2004	2010	2004	2010
Broward County, FL	$943	$2,389	1.2%	2.1%
Clark County, NV	N/A	$2,480	N/A	1.5%
Cook County, IL	$3,464	$4,439	3.4%	3.6%
Fairfax County, VA	$1,904	$2,390	1.5%	1.2%
Harris County, TX	$3,183	$5,746	6.3%	8.3%
King County, WA	$2,672	$3,142	2.0%	1.7%
Miami-Dade County, FL	*$1,819*	*$2,406*	*2.4%*	*1.9%*
Orange County, CA	N/A	$2,724	N/A	2.6%
Palm Beach County, FL	$2,594	$3,216	2.5%	2.2%

*Overall Net Debt Per Capita is defined as the overall non-proprietary net outstanding debt divided by the most recent US Census population data
*Debt Burden is defined as the overall non-proprietary net debt outstanding relative to the a market value of all taxable property

This table demonstrates that the County is comparable to other counties of similar size, including Broward and Palm Beach. From a per capita basis, the County is $17 per capita more expensive than Broward County and $808 less expensive than Palm Beach County. The only county of similar size to the County that has a better per capita debt ratio is Fairfax County, VA. Debt burden is influenced by the market value of all taxable property as well as the amount of debt outstanding. The County has debt equal to $1.90 of every $100 of market value of taxable property; Broward County has $2.10, Palm Beach County has $2.20 and Fairfax County, VA has $1.20. Since FY 2003-04 we have decreased our debt per $100 of assessed property value from $2.40 to $1.90.

Coverage of County Debt

As part of the bond ordinance, the County is required to have a test to issue additional debt and – on some of the enterprise debt – a rate coverage. An additional-bonds test states that in order to continue to issue bonds based on the projected new debt service on the bonds, the County must have current revenues in excess of new debt service. For the most part, if the revenues can change based on increases to rates and charges at the discretion of the Board, the additional bonds test will require revenues to be marginally greater than future debt service. If revenues cannot be readily increased at the discretion of the Board, the additional-bonds test requires a larger percentage of revenues in excess of debt service. Some debt of the County may also have a rate covenant, which means if revenues are insufficient to meet the rate covenant, the Board has covenanted to increase the rates and charges to a level to raise sufficient revenues to meet the rate covenant. The County's additional-bond test or the rate covenant is listed in the chart on the next page.

Miami-Dade County
Coverage Requirement and Actual Coverage
Comparison of September 30, 2004 to September 30, 2010

	Principal & Interest Outstanding as of 9/30/2004	Principal & Interest Outstanding as of 9/30/2010	Bond Ordinance Required Debt Service Coverage	Actual Debt Service Coverage (1) as of 9/30/2004	Actual Debt Service Coverage (1) as of 9/30/2010
Non-Proprietary Debt					
General Obligation Bonds(1)	**$351,030,213**	**$1,680,204,414**	N/A	N/A	N/A
Special Obligation Bonds:					
Capital Acquistion Bonds	$325,207,956	$1,073,093,330	2.00x	10.59x	2.57x
Convention Devel. Tax -- Senior	206,775,252	164,352,250	1.50x	4.09x	4.25x
Convention Devel. Tax -- Subordinate	1,063,548,407	2,771,342,464	1.50x	2.05x	1.29x
County Court Revenues	273,071,493	219,470,509	1.00x	2.18x	2.61x
Fire Dist. Ad Valorem Tax(1)	52,123,226	18,458,287	N/A	N/A	N/A
Guaranteed Entitlement	206,008,359	109,040,125	1.10x	2.77x	3.97x
Professional Sports Tax	183,157,133	1,292,030,199	1.00x	1.90x	2.80x
Public Service Tax	197,689,632	226,082,610	1.20x	6.39x	8.42x
Stormwater Utility Fees	57,997,263	144,761,850	1.50x	10.70x	3.73x
Total Special Obligation Bonds	**$2,565,578,721**	**$6,018,631,624**			
Sunshine State Loans:					
1986 Program	$54,990,210	$42,699,995			
Tax-Exempt Commercial Paper Revenue Notes	591,848,843	822,316,300	2.00x	10.59x	2.57x
Total Sunshine State Loans	**$646,839,053**	**$865,016,295**			
Proprietary Debt					
Revenue Bonds:					
Aviation -- Revenue	$6,602,703,753	$12,346,965,342	1.20x	1.40x	1.56x
Aviation -- General Obligation	0	474,440,652	1.00x	N/A	1.56x
Public Facilities (PHT)	262,695,307	683,856,199	1.10x	-2.27x	-0.35x
Seaport -- General Obligation	112,976,448	72,000,540	1.10x	1.41x	1.63x
Seaport -- Revenue	255,397,772	188,456,933	1.25x	2.89x	1.63x
Solid Waste System	214,577,959	230,094,169	1.20x	1.82x	2.92x
Transit System	0	2,029,981,004	1.50x	N/A	2.33x
Water & Sewer System	2,780,643,252	3,375,548,721	1.10x	1.57x	1.49x
Total Revenue Bonds (Proprietary Debt)	**$10,228,994,491**	**$19,401,343,560**			
Total Debt Outstanding	**$13,792,442,478**	**$27,965,195,893**			

(1) Coverage is Revenues divided by Debt Service. Both the General Obligation Bonds and the Fire District Ad Valorem Tax Bonds are backed by the full faith and credit of the citizens living within the boundaries of the County for the General Obligation Bonds

The actual coverage in all but two instances meets and exceeds the bond ordinance's required debt service coverage. The two instances that coverage does not meet or exceed that are with the Convention Development Tax's (CDT) subordinate debt bonds and the PHT. The CDT bond ordinance does not have a coverage requirement and we are therefore in compliance, but we may not issue any additional bonds under the bond ordinance or incur any additional debt where the debt service on the new debt is to be paid with a pledge of CDT revenues. The PHT requirement is a rate covenant. If PHT fails to meet the rate covenant, the PHT bond ordinance requires the PHT to hire a consultant to make recommendations as to the rates, fees and charges and methods of operation of the PHT in order to increase revenues. The PHT will be in compliance with the rate covenant if the PHT "complies in all material respects with the reasonable recommendations of the consultant." The PHT has hired a consultant and is complying with their recommendations.

All other types of debt are in compliance with their respective rate covenants or additional-bond requirements. For most of the non-proprietary debt, the coverage requirements are substantially exceeded. For the proprietary debt, where the County generally has the discretion to raise rates and charges, rates and charges have been set to marginally exceed the coverage requirements.

Summary

The County has $13.652 billion in debt. Based on the current interest rates on that debt, the County will pay $14.313 billion in interest over the remaining life of the debt. The debt was issued at the best rate available at the time of issuance. If interest rates fall, the County can refinance this debt at lower interest rates, reducing the amount of interest to be paid.

Although the County does have two types of debt that have not met the bond ordinance's coverage requirements, both of these shortfalls in coverage have been addressed by the administration and approved by the Board. All other types of debt have coverage that exceeds the bond ordinance requirements. The County has and shall continue to monitor coverage on all of the County debt.

When the County is compared to other municipalities, it compares favorably by being substantially equal to or below both debt per capita and debt burden. When compared to 2004, the County has improved its position.

The above factors are all taken into account, along with other factors, when the County is rated by the three major rating agencies. Those rating agencies have rated the County between A2/A-/A and Aa2/AA/AA on each of the County's components of debt. These ratings makes the County, minimally, an "upper medium grade investment" and, for many of the County's debt components, a "high-grade investment" in the bond market, an improvement since 2004.

If you have any questions regarding this information, please contact Finance Director Carter Hammer at 305-375-2270, or me directly.

c: Robert A. Cuevas, Jr., County Attorney
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Carter Hammer, Finance Director
Christopher Mazzella, Inspector General
Charles Anderson, Commission Auditor