



## **MIAMI DADE COUNTY EXPRESSWAY AUTHORITY DEBT MANAGEMENT POLICY**

### **Purpose**

It is the policy of the Miami-Dade County Expressway Authority (MDX) to finance the acquisition of capital assets/infrastructure and capital asset improvements through a combination of debt financing and utilization of current revenues. The Authority recognizes the importance of maintaining an investment grade credit rating is directly correlated to its ability to repay and manage its debt. To that end, this Policy is intended to:

- Secure the long-term fiscal health of the Authority
- Publish and communicate the Authority's commitment to sound financial management
- Establish parameters for and limitations on debt issuance
- Foster and maintain the Authority's ability to incur debt at favorable interest rates

### **Specific Requirements**

1. The Authority will take all reasonable steps to attain and maintain the highest possible credit rating to ensure the lowest cost of borrowing.
2. Ethics Requirements. Authority staff, the Governing Board, Consultants, and Underwriters shall be familiar with and adhere to the laws of the State of Florida, the Authority's Policies, including its Code of Ethics, and the requirements of Municipal Securities Rulemaking Board (MSRB). All debt financing participants shall maintain the highest standards of professional conduct and there shall be no conflict of interest between the Authority and any debt-financing participant.
3. The Authority shall only issue senior or subordinate debt for the purposes of refinancing debt and issuance of new debt for acquiring and/or constructing new infrastructure assets that are included in the Authority's Five Year Work Program.
4. All Projects must meet the financial feasibility requirements contained in the Authority's Toll Policy.
5. Reporting Requirements. An update on the Authority's outstanding debt position will be provided to the Authority's Finance, Policy & Planning Committee no less than once during each fiscal year.
6. Financial Planning. In consultation with its consultants, the Authority will regularly update its comprehensive long-term Financial Plan (the Plan). The Plan updates must



ensure that capital expenditures and revenue are 1.5x or greater Senior Debt Coverage is achieved.

During the Authority's development of an Annual Operating Budget, staff shall report to the Finance, Policy & Planning Committee and to the Board of Directors, the current year's projected Senior Debt Coverage ratio and the Senior Debt Coverage ratio that is expected for the upcoming fiscal year.

The Authority may elect to issue short-term financing vehicles such as a line of credit or commercial paper as a bridge for any anticipated funding gap. However, the Authority will not use short-term borrowing to finance operational needs except in the case of an extreme and unforeseen financial emergency.

7. Debt Issuance. The Authority will utilize its various consultants to determine the amount, timing, and structure of debt issuance. Consultants may include, but not be limited to, registered financial advisors, bond and disclosure counsel, traffic and revenue consultants and the general engineering consultant. All such consultants shall provide the Authority with their relevant written professional opinions as to the reasonable cost of proposed capital projects, the expected revenue to be generated by such projects, and the expected cost of financing such projects along with legal opinions as to the disclosure, authorization, and tax exemption of all such debt issuance.

The Board's initiation of a debt issuance process must be predicated upon the following:

- Recommendation of the Executive Director and the CFO; and
  - Written opinions of the professional consultants listed above that the proposed debt issuance supports the Authority's current Financial Plan; and
  - A determination by the Board that the debt issuance conforms to the Authority's then current Financial Plan and required Debt Service Coverage Ratios.
8. Authority Debt Composition. The Authority's variable rate debt should represent no more than 10% of the Authority's total outstanding debt portfolio by 2020.

The Authority will achieve and maintain a credit rating from one or more of the three major credit rating agencies of A or better. The Authority should maintain a strong liquidity position as identified by the various credit rating agencies.

The Authority should fund no less than thirty percent (30%) of its Five Year Work Program on a "pay as you go" basis. The "pay as you go" is determined in the following manner:



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- A. The “pay as you go” funding will be from net excess revenue which is determined by the most recent financing plan.
- B. The funds will be considered committed in order to fund the “pay as you go” portion of the work program.
- C. The funds will be deposited on an annual basis into the General Construction Fund.

Debt repayments should not extend beyond the useful life of the asset financed or 30 years, whichever is less.

9. Refundings and Defeasement. Bond refunding of outstanding debt may be pursued when a threshold of Net Present Value (NPV) savings is greater than or equal to five percent (5%). NPV savings shall be calculated using the aggregate amount of savings on a refunding transaction taking into consideration the time value of money and net of all costs of issuance. The Authority’s financial advisor must certify the calculation that the NPV savings meets the threshold requirement as defined in this paragraph. However, a determination that a bond refunding meets the minimum NPV savings threshold will not necessarily result in the Authority refunding any bond series.

During the consideration of the Authority’s Annual Operations Budget, the Authority may authorize use of Authority reserves to defease debt upon the written recommendation of the Authority’s Financial Advisors that such use of Authority reserves for debt restructuring provides a fiscal benefit to the Authority.

10. Continuing Disclosure Requirements. The CFO will coordinate, either through the Authority’s Trustee or a third party service, annual disclosure filings, as well as other disclosures. The Authority will not disseminate any financial information to any investor or investors where such information is not readily available to all investors. However, general financial information, disseminated by the Authority via means such as the Authority’s web site, is for general informational purposes only and is not intended by the Authority to be relied upon for investment purposes.
11. Unsolicited Financial Proposal. A qualified banking institution may submit a financial proposal to re-structure and/or refund existing debt in accordance with the Authority’s Unsolicited Financial Proposals Policy.
12. Derivative Transactions. The Authority shall not enter into any Derivative Transactions described below:



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- A. A transaction that is speculative or creates an extraordinary leverage or risk not based on a reasonably prudent investor standard; or
- B. A transaction for which the Authority lacks adequate liquidity to terminate the Derivative Transaction without incurring a significant cost; or
- C. A transaction that at the time of execution, the Authority is unable to determine to a reasonable degree of certainty the risk exposure related to the Derivative Transaction.
- D. Derivative Transaction Regulatory Compliance. The Authority designates its Financial Advisor as its Qualified Independent Representative (QIR) which is required to meet all regulatory requirements. The QIR will assist the Authority in the analysis and execution of each Derivative Transaction and with the additional analyses provided for in this Debt Management Policy.
- E. Management of Derivative Transactions. Upon recommendation of the Authority's QIR, the Authority may authorize entry into a Derivative Transaction. The following nonexclusive list of criteria is included to help ensure that each Derivative Transaction executed by the Authority is in compliance with this Debt Management Policy, and with federal laws and regulations:
  - 1. Each Board authorization for a Derivative Transaction shall set forth applicable Derivative Transaction terms including, but not limited to, type of Derivative Transaction, notional amount, security, payment and other financial terms of each Derivative Transaction.
  - 2. In connection with the approval of each Derivative Transaction, the Board shall set forth a finding that it is, or upon certain circumstances could be, prudent and advisable for the Authority to enter into the Derivative Transaction and that entry into such Derivative Transaction is consistent with this Debt Policy.
  - 3. On an annual basis, the Authority's QIR shall provide a disclosure memorandum to the Authority that includes an analysis of the risks and benefits of each outstanding Derivative Transaction.
- F. Derivative Counterparty Guidelines.
  - 1. Counterparty Eligibility: The Authority shall enter into Derivative Transactions only with qualified financial institutions ("Counterparty"). To qualify as a Counterparty under this Debt Management Policy, at the time of entry into each Derivative Transaction, the selected financial institution(s):
    - a. The Counterparty shall be rated at least AA-/Aa3/AA- by at least two of Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service,



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Inc (“Moody’s”), and Fitch Ratings (“Fitch”), respectively, and shall have a minimum capitalization of \$50 million; or

- b. The Counterparty shall be rated at least BBB-/Baa3/BBB- by at least two of S&P, Moody’s and Fitch, respectively, and shall provide credit support that shall require such party to deliver collateral for the benefit of the Authority: (a) that is of a kind and in such amounts as are specified therein and which relate to various rating threshold levels of the Counterparty or its guarantor, from AA-/Aa3/AA- through BBB-/Baa3/BBB- and (b) that, in the judgment of the CFO in consultation with the QIR, is reasonable and customary for similar Derivative Transactions, taking into account all aspects of such Derivative Transaction including without limitation the economic terms of such Derivative Transaction and the creditworthiness of the Counterparty or, if applicable, its guarantor; or
  - c. The Counterparty shall obtain credit enhancement from a provider with respect to its obligations under the Derivative Transaction that satisfies the requirements of clause (i) of this subsection. The Authority shall not enter into a Derivative Transaction with a firm that does not qualify as a Counterparty by meeting the requirements detailed above.
2. Counterparty Disclosure. Each Counterparty is required to disclose to the Authority any payments made to third parties in connection with the procurement of each Derivative Transaction.
  3. Each Counterparty must make available audited financial statements and rating reports of the Counterparty (or any guarantor or credit enhancer, as applicable) at the time of entry into a Derivative Transaction and annually thereafter. If at any time the Counterparty or credit enhancer undergoes a credit or regulatory review, then audited financial statements and rating reports of the Counterparty (and any guarantor or credit enhancer, as applicable) shall be made immediately available to the Authority by the Counterparty.

13. Process of Continuing Improvement and Identification of Best Financial Practices. Not less than once annually, the Authority’s Finance Staff and Certified Financial Advisors shall provide financial updates and information on best financial practices to the Authority Board during at least one of its regularly scheduled meetings.

This Policy shall be effective on the date on which it is adopted by the Governing Board and at such time this Policy rescinds and supplants all prior policies and Resolutions related to Debt Management except that the Authority’s Investment Policy and Unsolicited Financial Proposal Policy remain unchanged and in full force and effect.

Adopted by the Governing Board on October 21, 2014 edited on December 12, 2018. .