



## DEBT MANAGEMENT POLICY

### PURPOSE

It is the policy of the Greater Miami Expressway Agency (GMX) to finance the acquisition of capital assets/infrastructure and capital asset improvements of the GMX System through a combination of debt financing and application of current revenues. The Agency recognizes the importance of maintaining an investment grade credit rating 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 Agency
- Publish and communicate the Agency's commitment to sound financial management
- Establish parameters for and limitations on debt issuance
- Foster and maintain the Agency's ability to incur debt at favorable interest rates

### SPECIFIC REQUIREMENTS

The Agency will take all reasonable steps to attain and maintain the highest possible credit rating to ensure the lowest cost of borrowing.

1. **Ethics Requirements.** Agency staff, the Governing Board, and Agency consultants, and underwriters shall be familiar with and adhere to the laws of the State of Florida, the Agency's Policies, including its Code of Ethics, and the requirements of Municipal Securities Rulemaking Board (MSRB), as applicable. All debt financing participants shall maintain the highest standards of professional conduct at all times. There shall be no conflict of interest between the Agency and any debt-financing participant.
2. The Agency shall issue senior or subordinate debt only for the purposes of refinancing debt and issuance of new debt for acquiring and or constructing new infrastructure assets that are included in the Agency's Five Year Work Program.
3. **Reporting Requirements.** An update on the Agency's outstanding debt position will be provided to the Agency's Board no less than once during each fiscal year.
4. **Financial Planning.** In consultation with its consultants, the Agency will regularly update its comprehensive long-term Financial Plan (the Financial Plan). The Plan updates must ensure that capital expenditures and revenue 1.5x or greater Senior Debt Coverage is achieved.

During the Agency's development of an Annual Budget, staff shall report to the Board the current year's projected Senior Debt Coverage ratio, along with the Senior Debt Coverage ratio that is expected for the upcoming fiscal year under the proposed Annual Budget.

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

## **7. Debt Issuance**

The Agency will utilize its various consultants to determine the amount, timing, and structure of debt issuance. These professional consultants may include but not be limited to registered financial advisors, bond and disclosure counsel, traffic and revenue consultants and general engineering consultants. All such consultants shall provide the Agency with their relevant written professional opinions as to the projected cost of proposed capital projects and maintenance, 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 recommendation of the Executive Director and the CFO; and
- The written opinions of the professional consultants listed above that the proposed debt issuance supports the Agency's current Financial Plan; and
- A determination by the Board that the debt issuance conforms to the Agency's then current
  - Financial Plan and required Debt Service Coverage ratios.

## **8. Agency Debt Composition**

The Agency's variable rate debt should represent no more than 10% of the Agency's total outstanding debt portfolio.

The Agency will strive to achieve and maintain a credit rating from two or more of the three major credit rating agencies of A or better.



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The Agency should strive to fund no less than thirty (30%) percent of its Five Year Work Program on a pay as you go basis. In the following manner:

1. The pay as you go funding will be from net excess revenue which is determined by the most recent financing plan.
2. The funds will be considered committed in order to fund the pay as you go portion of the work program.
3. The funds will be deposited during the fiscal year to either the General Fund, Renewal & Replacement Fund or similar Fund.

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

The Agency should maintain a strong liquidity position as identified by the various credit rating agencies.

## **9. Refunding's and Defeasance**

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 Agency'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 Agency refunding any bond series.

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

## **10. Continuing Disclosure Requirements**

The CFO will coordinate for the Agency, either through the Agency's Trustee or a third party service, annual disclosure filings, as well as other disclosures.

The Agency 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 Agency via means such as the Agency's web site is for general



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informational purposes only and is not intended by the Agency to be relied upon by others for investment purposes.

### **11. Unsolicited Financial Proposal**

A qualified banking institution may submit a financing opportunity for innovative financing structure of financing or refund existing debt in accordance with the Agency's Unsolicited Financial Proposals Policy.

All unsolicited financing proposals, market updates and market opportunities proposals should be submitted to the Agency's Executive Director and/or the Chief Financial Officer ("CFO") for consideration. Under no circumstances should unsolicited proposals be submitted to the Board Members

### **12. Derivative Transactions**

The Agency shall not enter into Derivative Transactions:

- a) that are speculative or create extraordinary leverage or risk not based on a reasonably prudent investor standard; or
- b) for which the Agency lacks adequate liquidity to terminate the Derivative Transaction without incurring a significant cost; or
- c) that at the time of execution of the Derivative Transaction, the Agency is unable to determine to a reasonable degree of certainty the risk exposure related to the Derivative Transaction.

#### **(i) Derivative Transaction Regulatory Compliance**

The Agency designates its Financial Advisor as its Qualified Independent Representative (QIR) which is required to meet all regulatory requirements.

The Financial Advisor will assist the Agency in the analysis and execution of each Derivative Transaction and with the additional analyses provided for in this Debt Management Policy.

#### **(ii) Management of Derivative Transactions**

Upon recommendation of the Agency's Financial Advisor, the Agency 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 Agency is in compliance with this Debt Management Policy, and with federal laws and regulations:

- a. Each Board authorization for a Derivative Transaction shall set forth applicable Derivative



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Transaction terms including, but not limited to, type of Derivative Transaction, notional amount, security, payment and other financial terms of each Derivative Transaction.

- b. 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 Agency to enter into the Derivative Transaction and that entry into such Derivative Transaction is consistent with this Debt Policy.
- c. On an annual basis, the Agency's Financial Advisor shall provide a disclosure memorandum to the Agency that includes an analysis of the risks and benefits of each outstanding Derivative Transaction.

### **(iii) Derivative Counterparty Guidelines**

**A. Counterparty Eligibility:** The Agency 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):

- i. shall be rated at least AA-/Aa3/AA- by at least two of Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc ("Moody's"), and Fitch Ratings ("Fitch"), respectively, and shall have a minimum capitalization of \$50 million; or
- ii. 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 Agency: (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
- iii. 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 Agency shall not enter into a Derivative Transaction with a firm that does not qualify as a Counterparty by meeting the requirements detailed above.

**B. Counterparty Disclosure:** Each Counterparty is required to disclose to the Agency any payments made to third parties in connection with the procurement of each Derivative Transaction.

Each Counterparty must make available audited financial statements and rating reports of



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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 Agency by the Counterparty.

### **13. Process of Continuing Improvement and Identification of Best Financial Practices**

On an annual basis the Agency's CFO shall provide financial updates and information on best financial practices.

#### **In accordance with Florida Statute 348.0309 Bonds. —**

- (1) Bonds may be issued on behalf of the agency as provided by the State Bond Act.
  
- (2)
  - (a) The agency may issue bonds pursuant to this part which do not pledge the full faith and credit of the state in such principal amount as, in the opinion of the agency, is necessary to provide sufficient moneys for achieving its corporate purposes.
  
  - (b) The bonds of the agency issued pursuant to this part, whether on original issuance or refunding, must be authorized by resolution of the agency after approval of the issuance of the bonds at a public hearing and may be either term or serial bonds; shall bear such date or dates; mature at such time or times; bear interest at such rate or rates; be payable semiannually; be in such denominations; be in such form, either coupon or fully registered; shall carry such registration, exchangeability, and interchangeability privileges; be payable in such medium of payment and at such place or places; be subject to such terms of redemption; and be entitled to such priorities on the revenues, rates, fees, rentals, or other charges or receipts of the agency, including any county gasoline tax funds received by the agency pursuant to the terms of any interlocal or lease-purchase agreement between the agency or a county, as such resolution or any resolution subsequent thereto may provide. The bonds must be executed by such officers as the agency determines under s. 279.06.
  
  - (c) Such bonds shall be sold by the agency at public sale by competitive bid. However, if the agency, after receipt of a written recommendation from a financial adviser, determines by official action after public hearing by a two-thirds vote of all voting

members of the agency that a negotiated sale of the bonds is in the best interest of the agency, the agency may negotiate for sale of the bonds with the underwriter or underwriters designated by the agency and the counties in which the agency exists. The agency shall provide specific findings in a resolution as to the reasons requiring the negotiated sale, which resolution shall incorporate and have attached thereto the written recommendation of the financial adviser required by this subsection.

(d) Any such resolution or resolutions authorizing any bonds hereunder which do not pledge the full faith and credit of the state may contain provisions that are part of the contract with the holders of the bonds, as the agency determines proper. In addition, the agency may enter into trust indentures or other agreements with its fiscal agent, or with any bank or trust company within or without the state, as security for such bonds, and may, under the agreements, assign and pledge the revenues, rates, fees, rentals, tolls, or other charges or receipts of the agency, including any county gasoline tax funds received by the agency.

(e) Any of the bonds issued pursuant to this part are negotiable instruments and have all the qualities and incidents of negotiable instruments under the law merchant and the negotiable instruments law of the state.

(f) Each project, building, or facility that has been or will be financed by the issuance of bonds or other evidence of indebtedness and that does not pledge the full faith and credit of the state under this part and any refinancing thereof is subject to review and approval by the Legislative Budget Commission.

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.

Adopted by the Governing Board on 27<sup>th</sup> of September, 2023.

