

Financial Affairs  
Richard H. Hinds, Chief Financial Officer

**SUBJECT: REQUEST FOR QUALIFICATIONS; ARRANGEMENT OF LEASE/LEASE BACK TRANSACTION**

The proposed Request for Qualifications would be used to identify an Arranger who is to assist the School Board in completing a Lease/Lease Back Transaction.

The Lease/Lease Back would use the accumulated value in School Board properties to provide cash that can be used for any lawful purposes, including increasing and maintaining an appropriate un-reserved Fund Balance for the District.

The Lease/Lease Back transaction substantially operates as follows:

- 1) School Board properties for which no tax-exempt obligations are outstanding are identified and appraised.
- 2) Through negotiation a Lease/Lease Back Arrangement is worked out with a private taxable entity. Through the Arrangement the School Board receives a one time payment, for example \$100 million, for this lease which will extend through a period of approximately 30 years.
- 3) Also, through this Arrangement the School Board covenants to make periodic lease payments in order to lease back the property for a period of approximately 30 years. At the end of this period the School Board holds unencumbered title to all the properties.
- 4) The sum of \$100 million received by the School Board in the example is immediately available, and a major portion is used to set up an irrevocable Trust which would be bankruptcy remote as to all parties in the Agreement and make periodic payments to the School Board's counterparty. Because of the tax-exempt status of the School Board, interest it earns on the escrow paying the Lease Back is tax-free. An additional advantage to the School Board's counterparty, a taxable entity, is the write-off of the leasehold for federal tax purposes.

The estimate of monies left over at the closing of the Arrangement is approximately 5%, depending on long-term U.S. Treasury yields, or about \$5 million in the example used, immediately available to the School Board. The School Board would never have to repay any monies to any entity, as the irrevocable Trust would fund all of the lease-back payments due.

Other local government units in the United States have completed similar arrangements receiving favorable legal standing and federal tax treatment. Miami-Dade County, Florida, has completed two such Arrangements and is working on a third.

Upon an evaluation by a Selection Committee, the School Board would be asked to consider and approve the Arranger selected and, ultimately, the terms of the Transaction at a future Board meeting.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida:

- 1) approve and authorize the issuance of the Request for Qualifications presented as Exhibit A;
- 2) approve the Selection Committee presented as Exhibit B; and,
- 3) appoint a Board Member to serve in the Selection Committee.



EXHIBIT "A"

REQUEST FOR QUALIFICATIONS  
FOR  
LEASE/LEASE-BACK  
ARRANGEMENT

THE MIAMI-DADE COUNTY  
SCHOOL DISTRICT

Issued:  
January 14, 1999

MIAMI-DADE COUNTY PUBLIC SCHOOLS,  
FLORIDA

**I. Introduction**

The purpose of this Request for Qualifications is for the Miami-Dade County School Board ("M-DCSB") to identify a party (the "Arranger") who will proceed to develop a Lease/Lease Back structure (the "Transaction"). The M-DCSB desires to enter into the Transaction and will engage an Arranger for this purpose to serve on an exclusive basis.

The selected Arranger will, at its own expense, perform all initial analyses and engage an appraiser to determine feasibility of the Transaction per Phase I and II. (See Appendix A)

If Phase I is completed successfully, the M-DCSB will adopt a resolution authorizing the signing of an engagement letter, to be negotiated between the Arranger, the M-DCSB and its Financial Advisor.

**In order to maintain a fair and impartial competitive process, the School Board members will avoid private communications with prospective proposers. Members of the Selection Committee will also avoid private communications with prospective proposers during the duration of the selection process.**

**II. Overview of Procedures and Qualifications**

**It is expected that the selected Arranger will be available immediately upon selection to work with the School Board's staff, its financial advisors and special counsel to finalize the financial structure and begin development of Phase I.**

**Please respond directly to the following questions using corresponding numbers for identification. Segregate any ancillary material into a separate appendix. Please indicate the role of each Arranger if two or more are included in the same proposal.**

- Question 1: Please provide a review of the structure of the transaction.
- Question 2: Please provide an estimate of the economic benefits associated with the proposed structure.
- Question 3: Please list estimated expenses (and the party responsible for payment) on the transaction.
- Question 4: Please provide a projected time schedule of the proposed transaction.
- Question 5: Please provide recommendations on formation of a team to complete the transaction.
- Question 6: Please list any concerns/legal issues and how you would address them.
- Question 7: Please provide a list of similar transactions completed, including name, telephone number and address of references.

**III. Affirmative Action Requirements and MBE Participation**

**A. Equal Employment Opportunity**

It is the policy of The School Board of Miami-Dade County, Florida, to ensure the equal employment of all and that no one discriminates against any employee or applicant for employment because of race, religion, color, gender, age, ancestry, marital status, physical handicap, place of birth or national origin.

Each firm shall be required to indicate its equal employment policy and provide a detailed breakdown by ethnicity, gender, and occupational categories of its work force.

**B. Minority/Women Business Enterprise (M/WBE) Participation**

The School Board of Miami-Dade County, Florida has an active Minority/Women Business Enterprise Program to affirmatively increase the level of M/WBE participation to the maximum percentage of total annual expenditures. In order to achieve its assistance levels, the Board provides the maximum opportunity for M/WBE participation.

In keeping with this policy, each firm will be required to state its M/WBE utilization. If a minority firm, which is woman-owned and operated, Hispanic-owned and operated, or African American-owned and operated, is utilized in conjunction with the scope of work, the firm is to indicate the scope of the minority firm's work, experience in this type of services, and experience of staff who will participate. All Minority/Women firms must be certified by the Division of Business Development and Assistance prior to contract award.

A quarterly report documenting efforts undertaken by the proposer to maintain the stipulated M/WBE participation will be required. The report shall include the names of the firms, contact persons and expenditures paid to date. The report shall be submitted to the Division of Business Development and Assistance, 1450 Northeast Second Avenue, Room 456, Miami, Florida 33132.

**IV. Personnel**

Please indicate the name of a contact person regarding this RFQ. Specify the personnel who would be assigned to this transaction and the role of each staff member. In addition to designating the individual assigned as the person in charge of the Transaction, state the understudy in his/her absence. All replacement personnel to be assigned are subject to approval by the School Board.

Indicate the previous experience of each of the individuals named as it relates to public sector lease/lease-back transactions.

**V. Litigation**

Please identify any litigation or claims against your firm which could have a material effect on the firm's capital position.

Please indicate if your firm or any members of your firm have been or currently are the subject of an investigation by the SEC or any other regulatory organization or the subject of any other investigation.

**VI. Capital**

Provide the following information about your firm for the past 3 years:

- A. Total capital
- B. Equity capital
- C. Excess net capital

**VII. Administrative Specifications**

A. The original proposal with manual signature(s) and ten copies of the proposal must be received by 12:00 Noon on February 12, 1999. Late proposals will not be accepted. Proposals are to be forwarded to:

Mr. Eduardo A. Alfaro, Treasurer  
Office of Treasury Management  
The School Board of Miami-Dade County, Florida  
1450 Northeast Second Avenue, Room 615  
Miami, Florida 33132

- B.
  - 1. The M-DCSB reserves the right to reject any or all proposals, to further negotiate any proposals, to waive any irregularities or informality, to accept or reject any items or combination of items, to request clarification of information submitted in any proposal, and to request additional information from any proposer.
  - 2. The M-DCSB will not be liable for any costs incurred by respondents in the preparation and production of a proposal, or for the costs of any services performed prior to the selection. All proposals and materials submitted in conjunction with the proposals will become the property of the School Board.
  - 3. By submitting a proposal, respondent covenants that it will not make any claims for, or have any right to damages as a result of any misrepresentation or misunderstanding or lack of information.

## EXHIBIT "A"

4. All information contained within the proposals is open to public inspection in accordance with Chapter 119, Florida Statutes. All proposals become the property of the M-DCSB.

C. All proposals submitted will be valid for a period of ninety days from the date of submission.

1. All questions relating to this RFQ must be directed to:

Eduardo A. Alfaro, CPA  
(305) 995-1684

Annette L. De Lara  
(212) 580-8768

Robert C. Gang, Esquire  
(305) 579-0868

2. Only responses which provide complete information in accordance with the requirements of this request for qualifications will be considered for evaluation.

### VIII. Criteria

A selection committee will review all proposals received and may conduct a question and answer session with a short list of proposers. Any firm included in the short-list not present for the session will be automatically disqualified. The Committee will recommend a firm or firms to the Superintendent for further recommendation to the M-DCSB.

The Selection Committee will evaluate responses based on the following criteria:

- The respondent's experience with similar transactions.
- The experience and qualifications of the personnel assigned to the M-DCSB.
- The verification of references.
- Costs of services (subject to negotiation).
- Proposed plan.
- Completeness of proposal.
- Ability to meet administrative specifications.
- Documented evidence of affirmative action and minority business enterprise experience.

APPENDIX A

Miami-Dade County School Board  
Proposal for Lease/Lease Back Transaction

A phased approach to allow the Miami-Dade County School Board ("M-DCSB") the opportunity to minimize costs of the Transaction while maximizing the opportunity for economic gain is the required design by M-DCSB. Fees will be addressed for the completion of each Phase and for a successfully completed Transaction. Listed are the phases to completion of the Transaction, the critical steps within each phase and the commitment necessary.

Phase I: Initial evaluation of the Transaction for viability

Tasks:

- **Review Legality of Structure:** The M-DCSB Counsel and the M-DCSB Special Counsel will review the basic concepts of the lease/lease back structure and determine if such a structure is acceptable with regard to State and Local law. At this stage, no drafting of documents is necessary. Responsibility for any fees incurred: the M-DCSB.
- **Selection of Assets:** The M-DCSB should select, with the help of the finance team, assets that it would consider. These would include the school buildings, office buildings, and any other assets available such as warehouses and land.
- **Review Special Counsel treatment of tax-exempt debt:** May be assets which were constructed using proceeds from tax-exempt debt.
- **The M-DCSB gives preliminary approval to pursuit of financing:** The M-DCSB will authorize, by resolution, conceptual approval of entering into a lease/lease back transaction. At this stage, the finance team will submit engagement letters for the M-DCSB's consideration. The M-DCSB should also authorize staff to pursue solicitation of equity and completion of an appraisal of the relevant assets.

Fee Agreement:

- **Special Counsel Fees:** To be negotiated by Staff with special counsel firm. Engagement letter confirming relationship to be issued.
- **Financial Consultants:** Contingent upon completion of transaction. Engagement letter confirming relationship to be issued.

Phase II: Principal goal of Phase II is to determine the likely economics and general terms acceptable to the M-DCSB.

Tasks:

- **Preliminary Appraisal:** The Arranger will contract with an independent appraiser with experience in lease/lease back transactions to conduct an initial review of the properties. After the initial review, the Arranger would complete a preliminary analysis to determine if the economics are in the range of acceptability to the M-DCSB. If the economics appear to be acceptable, the Arranger and the M-DCSB would ask the appraiser to complete the



appraisal.

- Term Sheet Developed: Simultaneously with the second phase of the appraisal, the finance team would develop a term sheet, acceptable to the M-DCSB, that would be submitted to potential equity investors.

Fee Agreement:

- Appraisal Cost: Initially, Arranger would absorb the appraisal cost.
- Economic Analysis: Contingent upon closing of the transaction.
- M-DCSB Special Counsel Cost: Negotiated with Counsel.

Phase III: Principal goal of Phase III is to solicit equity bids from various parties. Once the likely equity provider is determined, a final term sheet is negotiated and signed by the M-DCSB and the equity provider.

Tasks:

- Solicitation of Equity: Bids would be solicited from a number of equity providers. Bids would be submitted based upon the appraisal furnished. The M-DCSB would have the option of choosing the equity provider(s).
- Negotiation of Term Sheet: Once equity is selected, the M-DCSB and the finance team would negotiate a complete term sheet with equity. Once the term sheet is signed, the M-DCSB will know what to expect in terms of the transaction points and its economics.

Fee Agreement:

- Financial Consultant Fees: Contingent upon completion of the Transaction.
- Equity Counsel Fees: Contingent upon completion of the term sheet.
- Special Counsel Fees: Dependent upon agreement between M-DCSB and Counsel.

Phase IV: The Documentation Phase of the Transaction. Depending upon whom the M-DCSB has picked as equity provider, the M-DCSB may have certain obligations for fees in the documentation process.

- If the Arranger, who may also be the equity provider, withdraws from the Transaction, the M-DCSB has no obligation, other than Special Counsel fees.
- If Equity Provider withdraws from the Transaction, fee is negotiated between all finance team members.
- If the M-DCSB withdraws from the Transaction, it will be liable for all fees accreted.

**SELECTION COMMITTEE**

**Arrangement of Lease/Lease Back Transactions**

**School Board Member**

**Dr. Richard H. Hinds, Chief Financial Officer**

**Dr. John Johnson II, Deputy Superintendent  
Federal Programs and Grants Administration**

**Ms. Carol Cortes, Deputy Superintendent  
Management and Accountability**

**Dr. Rose Barefield-Cox, Associate Superintendent  
Procurement and Materials Management**

**Mr. Eduardo A. Alfaro, Treasurer  
Office of Treasury Management**

**Ms. Annette L. De Lara, Financial Advisor  
Resource Person**