Office of Superintendent of Schools
Board Meeting of January 15, 2003

January 10, 2003

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: REFUNDING CERTIFICATES OF PARTICIPATION (COP) SERIES 2003] Revised

COMMITTEE: FINANCIAL AFFAIRS

Using a "Multi-Modal Advance Refunding" structure, the School Board can realize significant Present Value (PV) savings by refunding certain of its certificates of participation (COP) Series 1993, Series 1998B and Series 2001A issues. Recent PV savings estimates have been in the range of 4.0% to 7.0%. Using this structure, the School Board would issue multi-modal COPs that pay a fixed interest rate during the escrow period and then convert to variable rate COPs thereafter. Multi-modal COP's would be issued for the major portion of the refunding issues.] Revised

Establishing a fixed yield through the term of the refunding escrow eliminates that major impediment to a variable rate advance refunding. Additionally, since the period that the COPs are in a fixed rate mode is relatively short, their corresponding coupon rate is lower and negative arbitrage in the refunding escrow is eliminated.

The multi-modal refunding structure can be further enhanced by incorporating the sale of an option into the School Board's refunding plan of finance. Here, simultaneous to the issuance of the refunding COPs 2003, the School Board sells the right (i.e.: an option) to have Lehman Brothers put the School Board into a floating-to-fixed rate swap at the time that the multi-modal refunding COPs convert to variable rate obligations. Based on the refunding candidates that have been identified, the conversion date is currently expected to be in 2011.] Revised

If the option is executed, the swap will eliminate the School Board's variable interest rate exposure on the refunding COPs for the duration of the swap agreement. The fixed interest rate the School Board would pay on the swap is approximately 3.50%, which is roughly equal to the historic average for tax-exempt variable rate levels. If the option is not executed, the refunding COPs remain conventional variable rate obligations.] Revised

In return for the sale of the option, Lehman Brothers makes a cash payment to the School Board. Based on the swap structures being considered and recent market conditions, the payment the School Board would receive is approximately $2 million. Whether or not the option is exercised, the School Board keeps the upfront cash payment made by Lehman Brothers. The sale of the option and cash payment to the School Board will take place at the same time that the Series 2003 COPs are issued. Savings realized will be credited to the Local Option Levy Millage Fund and provide additional funds for capital purposes.] Revised

REVISED

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

(1) Approve Resolution #2003-02 authorizing the issuance of the Refunding COPs series 2003,] Revised

(2) Authorize the Superintendent or designee to enter into an agreement with Lehman Brothers by which the District sells the option to issue fixed rate COPs in 2011. Lehman Brothers would pay the District approximately $2,000,000 and have a one-time option to have the District issue the new fixed rate COPs in 2011 and] Revised

(3) Approve the Cost of Issuance listed in Exhibit A.

EXHIBIT A

COST OF ISSUANCE

	NOT TO EXCEED
Financial Advisory Fee (per contract) Out-of-pocket expenses	\$62,500 \$5,000
Special Tax Counsel (per contract) Out-of-pocket expenses	\$100,000 \$5,000
Rating Moody's Investors Service	\$45,000
Rating Standard & Poors	\$45,000
Printing/Binding Official Statement and Preliminary Official Statement, binding, mailing, courier, secretarial and other miscellaneous fees re-paid to General Fund	\$30,000] Revised
Digital Assurance Certification (Disclosure Agent)	\$2,500
KPMG (consent letter)	\$8,000

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