

Business Operations
Ofelia San Pedro, Deputy Superintendent

**SUBJECT: PROPOSED AMENDMENT OF SCHOOL BOARD RULE: INITIAL READING
6Gx13- 3A-1.012, PROCEDURES FOR WARRANTS AND ELECTRONIC
TRANSFER OF BOARD FUNDS**

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

The revision to Board Rule 6Gx13- 3A-1.012, Procedures for Warrants and Electronic Transfer of Board Funds, is being requested to include policies for debt management and fund balance reserve. It is therefore proposed that the new title be reflected as Treasury Policies: Debt Management; Fund Balance Reserve; Warrants and Electronic Transfers. Best practice as delineated by the rating agencies, the Government Finance Officers Association, and the Association of Financial Professionals include formalized policies related to debt management and fund balance reserve.

The Debt Management Policies, proposed to be incorporated and made part of this rule, includes purpose, objectives, debt affordability analysis, swap policy, methods of sale of debt and procurement of services related to the sale of debt. Policies were developed by staff in consultation with the District's Financial Advisor, DeLara Associates, and the District's Derivatives Advisor, Swap Financial Group. The District's Debt Portfolio has grown to over \$1.8 Billion and currently includes the following debt programs that have been issued or are scheduled to be issued in this fiscal year:

- Certificates of Participation, Series 2006A, B, & C (COP's)
- Qualified Zone Academy Bonds, Series 2006D (COP's)
- Remarketing of General Obligation Bonds, Series 1996 & 1997
- Revenue Anticipation Notes/Line of Credit
- Master Equipment Lease
- Tax Anticipation Notes, Series 2005
- Proposed Forward Swap

The Fund Balance Reserve Policy includes guidelines for the fund balance reserve target, replenishment of reserve, and authorized use of fund balance reserve. In determining the fund balance reserve target of 5.5% of General Fund Revenues a review of the last 10 years General Fund Unreserved Balance, as well as General Fund Unreserved and Undesignated Balance was performed. This target is based on the General Fund Unreserved Balance as opposed to the General Fund Undesignated Balance (frequently referred to as Contingency) to more appropriately compare the reserve balance to other large school districts that do not employ the same budgeting practice of designating reserves for rebudgets/obligations. The Board will also continue to target and maintain the Contingency at 2.5% of General Fund Revenues. For at least five (5) of the last 10 years the General Fund Unreserved Balance and General Fund Undesignated Balance has been maintained at a level of at least 80% of the respective target(s). The School Board has been at 98% or above of the respective target(s) for the 2004 and 2005 fiscal years.

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It is in the best interest of the School Board to provide guidelines for issuing debt and managing the debt portfolio, as well as maintaining adequate fund balance reserves that will ensure its' long-term financial strength.

The Treasury Advisory Committee at its meeting of February 3, 2006 reviewed and approved the recommended revisions for consideration by the School Board. The process was a culmination of work performed by the Committee over the last year on reviewing current practices, attracting and employing specific expertise related to risk management and appropriate use of derivative products, and fine tuning policies to position the School Board to better meet future challenges.

Attached are the Notice of Intended Action, and the proposed amended rule. Changes from the current rule are indicated by underscoring words to be added and ~~striking through~~ words to be deleted.

Copies of the proposed new document, Debt Management Policies, to be incorporated by reference and made part of this rule, will be forwarded to School Board Members under separate cover and will be available for inspection by the public in the Office of Board Recording Secretary, Room 924, and the Citizen Information Center, Room 158, 1450 N.E. Second Avenue, Miami, Florida 33132.

Authorization of the Board is requested for the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act for the amendment of School Board Rule 6Gx13- 3A-1.012, Procedures for Warrants and Electronic Transfer of Board Funds.

RECOMMENDED: That The School Board of Miami-Dade County, Florida authorize the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to amend School Board Rule 6Gx13- 3A-1.012, Procedures for Warrants and Electronic Transfer of Board Funds, and to promulgate the new document, Debt Management Policies, to be incorporated by reference and made part of this rule.

NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on March 15, 2006, its intention to amend School Board Rule 6Gx13- 3A-1.012, Procedures for Warrants and Electronic Transfer of Board Funds, and to promulgate a new document, Debt Management Policies, to be incorporated by reference and made part of this rule, at its meeting of April 18, 2006.

PURPOSE AND EFFECT: The recommended amendments, deletions, or additions to the rule reflect updated Treasury Policies that in addition to Procedures for Warrants and Electronic Transfer of Board Funds include Debt Management and Fund Balance Reserve policies. Inclusion of Debt Management and Fund Balance Reserve policies are deemed best practices by the rating agencies, the Government Finance Officers Association, and the Association of Financial Professionals. The Debt Management Policies include objectives, purpose, debt affordability analysis, swap policy, methods of sale of debt and procurement of services related to the sale of debt. The Fund Balance Reserve Policy includes fund balance reserve target, replenishment of reserve, and authorized use of fund balance reserve. In addition, the amendment to the Board Rule proposes an amended title to the rule, Treasury Policies: Debt Management; Fund Balance Reserve; Warrants and Electronic Transfers.

SUMMARY: Board Rule 6Gx13- 3A-1.012, Procedures for Warrants and Electronic Transfer of Board Funds, is amended to reflect updated treasury policies, and to incorporate a new document, Debt Management Policies.

SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED: 1001.41(1)(2); 1001.42(10); 1001.42(22); 1001.43(10) F.S.

LAW IMPLEMENTED, INTERPRETED, OR MADE SPECIFIC: 215.85; 668; 1010.11; 1010.40; 1011.12; 1011.13; 1011.14; 1011.20; 1011.71; 1013.15 F.S.; 6A-1.0012 F.A.C.

IF REQUESTED, A HEARING WILL BE HELD DURING THE BOARD MEETING OF April 18, 2006, which begins at 1:00 p.m., in the School Board Auditorium, 1450 N.E. Second Avenue, Miami, Florida 33132. Persons requesting such a hearing or who wish to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative as provided by Section 120.541(1), F.S., must do so in writing by April 10, 2006 to the Superintendent of Schools, Room 912, at the same address.

ANY PERSON WHO DECIDES TO APPEAL THE DECISION made by The School Board of Miami-Dade County, Florida, with respect to this action will need to ensure the preparation of a verbatim record of the proceedings, including the testimony and evidence upon which the appeal is to be based. (Section 286.0105, Florida Statutes)

A COPY OF THE PROPOSED AMENDED RULE is available at cost to the public for inspection and copying in the Citizen Information Center, Room 158, 1450 N.E. Second Avenue, Miami, Florida 33132.

Originator: Ms. Silvia R. Rojas
Supervisor: Ms. Ofelia San Pedro
Date: March 1, 2006

District Budget**TREASURY POLICIES: DEBT MANAGEMENT; FUND BALANCE RESERVE; PROCEDURES FOR WARRANTS AND ELECTRONIC TRANSFERS OF BOARD FUNDS**

The Treasury Advisory Committee, which was authorized by the School Board of Miami-Dade County, Florida at its meeting of July 11, 1984, shall review and when appropriate recommend for approval to the Board policies specified by the Superintendent's staff regarding administration of the treasury functions of the School Board. The following policies and those under Board Rule(s) 6Gx13- 3B-1.01 Investment of Funds – Principles and 6Gx13- 4D-1.102 Early Retirement Plan – Investment Policies are such policies:

I. Debt Management Policies

The specific policies and procedures to be followed for Debt Management are delineated in the manual, **Debt Management Policies**, which is incorporated by reference in this rule and made a part hereof. The manual, Debt Management Policies, is on file in the Office of Board Recording Secretary, and the Citizen Information Center.

II. Fund Balance Reserve Policies

The specific policies and procedures to be followed for Fund Balance Reserve Policies are as follows:

General Fund Reserve: Target 5.5% of Unreserved General Fund Balance, including Designated for Rebudgets/Obligations and Undesignated, as a percentage of Total General Fund Revenues at Fiscal Year End.

Replenishment of General Fund Reserve: If the unreserved fund balance is below 5.5% at the end of the fiscal year, the Five Year Financial Forecast must include a separate line item to directly identify restoring the 5.5% target within the following two fiscal years.

The General Fund Reserve use shall be limited to funds unanticipated and for non-recurring extraordinary needs of an emergency nature such as, but not limited to, natural disasters, extraordinary weather events such as hurricanes, floods, tornadoes or unforeseen revenue shortfalls that occur within the year's budget cycle. The General Fund Reserve may not be used to fund settlements or judgments against the District or to fund collective bargaining contracts.

III. Warrants & Electronic Transfers Policies

The following policies and procedures shall be followed for the disbursement of District funds by warrants and through electronic transfer.

A. Warrants

- 1A. Warrants are to be executed by facsimile signature of the Chair and Superintendent of Schools.

B. Electronic Funds Transfer (EFT's)

- 1A. EFT's initiated by the School Board must be authorized under the School Board's current Banking Services Agreement. The Banking Services Agreement must be signed by the School Board Chair and the Superintendent of Schools and must specify that the Chief Financial Officer and the Treasurer jointly must sign each Wire, Automatic Clearing House (ACH), and/or Electronic Data Interchange (EDI) Agreements. Every account being debited/credited must be pre-authorized under a Repetitive Wire Transfer Agreement, or an ACH Agreement.
- 2B. EFT's between School Board accounts are to be executed by staff who are bonded and authorized by the Chief Financial Officer and the Treasurer. These transfers include the funding of accounts used to pay expenditures, beneficiaries, and claims. The transfers do not represent direct 3rd party payments of an expenditure, advance, or reduction of cash asset.
- 3C. EFT's to the Charter School's or for the benefit of the Charter School will be authorized by the originating department head, the Chief Financial Officer or their designee, and by one of the following staff: Chief Budget Officer, Controller, or Treasurer.
- 4D. EFT's representing payments processed under the Accounts Payable or Payroll systems will be executed as follows:
 - a4. Payments are executed under the rules of the ACH, EDI, or Direct Deposit Agreements.

b2. Payments for Payroll Taxes and for funding of the State's Retirement System are to be executed under the Direct Deposit Agreements set-up by the Internal Revenue Service and by the State of Florida, respectively.

5E. Payments to the Depository Trust Company or other paying agent or trustee for debt service or lease payment on Certificates of Participation shall be paid under the repetitive wire transfer agreement pre-authorized by the Treasurer and Chief Financial Officer.

6F. EFT's representing 3rd party payments of expenditures, advance, or reduction of cash assets, which were not processed under the Accounts Payable or Payroll systems will be authorized by the Originator, the Department Head, the Chief Financial Officer or designee, and the Superintendent of Schools or designee. These payments include but are not limited to payment of health insurance premiums and payment of any other obligations of the District similar in nature.

7G. The Superintendent of Schools designates the Treasurer, Assistant Treasurer, or the Director of Treasury Systems to confirm EFT's with the financial institutions servicing the School Board by email, fax, and or mail.

CIII. Payments under Custodial/Trust Agreements or 3rd Party Agreements to pay Insurance Claims will be governed by the provision of the applicable agreements.

The Superintendent shall designate by directive the individuals who are his designees as set forth in this Board Rule.

Specific Authority: 1001.41(1)(2); 1001.42(10)(22); 1001.43(10) F.S.

Law Implemented, Interpreted, or Made Specific: 215.85; 668; 1010.11; 1010.40; 1011.12; 1011.13; 1011.14; 1011.20; 1011.71; 1013.15 F.S.; 6A-1.0012 F.A.C.

History: THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

New: 4-4-90

Amended: 1-9-91; 4-3-91; 10-23-02; 1-19-05