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Office of Superintendent of Schools
Board Meeting of March 15, 2006

March 8, 2006

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: REQUEST FOR BID, FORWARD INTEREST RATE SWAP PROGRAM

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

Authorization to issue a Request For Bid on a Forward Interest Rate Swap Program is being requested for a notional amount of up to \$197,830,000 in connection with existing floating-rate and multimodal Certificates of Participation (COP), Series 2002A, 2002B, and 2003A respectively. In anticipation of the 2006/2007 fiscal year COP issuances of over \$400 million the Forward Interest Rate Swap Program will allow the School Board to hedge approximately 50% of next year's issuance by locking in historically low current interest rates. As a result the Board is reducing future interest rate risks of its debt portfolio by having certainty over what interest amounts it will pay in the future. The forward swap will synthetically fix the existing floating rate debt by April 1, 2007 and provide the added flexibility to issue additional floating rate debt in the future. By including a forward option the Board will continue to enjoy the lower floating rates until it will be ready to issue next fiscal year's COP series. The Board could also save approximately 75 basis points in annual costs in comparison to conventional tax-exempt bond issuance by using this type of financing.

While the District has experienced relatively low long-term interest rates over the past several years and continues to see relatively lower interest rates in the current market, there is a greater risk that rates will trend higher; especially in light of the current inverted yield curve (short term rates are higher than longer term rates). In the opinion of our Derivative Financial Advisor, Swap Financial Group, the forward swap will be a risk reducing transaction for the Board because interest rates could rise significantly in the next year from today's historically low levels.

District staff, the District's Financial Advisor, DeLara and Associates, and Swap Financial Group considered current market conditions, low forward premiums, transaction rationale that considered three principal alternatives and the risk-reward trade-off for LIBOR (London Interbank Offered Rate)-based swaps in developing this program. In addition, the Board's Special Tax Counsel, Greenberg Traurig, P.A., reviewed the three principal alternatives to determine the tax and legal ramifications of each of the proposed alternative transactions. The most straightforward and elegant alternative, with the fewest legal complications and least downside risk was determined to be a forward interest rate swap that would be tied to existing floating rate COP's, but would commence payments by April 2007.

The School Board's Treasury Advisory Committee at its meeting of February 3, 2006 reviewed a draft of the attached Term Sheet, a Memorandum from Swap Financial Group delineating the transaction and the proposed Debt Management Policies, which include policies related to Swaps. Swap Financial Group conducted a presentation of the risks-reward relationship of the proposed swap. As part of the Committee's review a discussion of the risks inherent in the proposed Forward Interest Rate Swap was conducted as follows:] Revised

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- Interest rate risks were considered as to current market conditions under an inverted yield curve environment.
- Basis risks were considered as it relates to a LIBOR based Swap, whereby there could be a mismatch between the floating taxable rate the Board would receive and the floating tax-exempt rate the Board would pay.
- Counter party risks were considered as to credit quality standards required for potential bidders.
- Uncertainty over sizing and timing of future issuance were considered in determining notional amounts to be hedged and whether to tie the Swap to existing debt or future debt issuances.

The rewards as highlighted in the initial paragraph are highly favorable as determined by Swap Financial Group.

In addition the risk-reward relationship was quantified utilizing "What if" scenarios for both a Moderate Case and a Worst Case scenario analysis. Although the analysis is indicative only, it provides a reasonable basis for decision making regarding the trade-offs for using a LIBOR-based swap. Swap Financial Group determined that a LIBOR-based Swap, properly structured, would be suitable for the Board. The risks are outweighed by the potential rewards, which is why a large majority of municipal swap users employ LIBOR based swaps.

After the presentation from Swap Financial Group, the Treasury Advisory Committee approved recommending that the School Board issue the Request For Bid, Forward Interest Rate Swap Program.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, approve the release of the attached Request For Bid, for an up to notional amount of \$197,830,000 Forward Interest Rate Swap Program, subject to School Board approval, before the transaction with the successful counter party(s) is completed.

Swap Financial Group

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February 27, 2006

School Board of Miami-Dade County Forward Interest Rate Swap Program

Term Sheet

OVERVIEW OF FINANCING PLAN

The School Board of Miami-Dade County ("the Board") is seeking to enter into two forward starting swaps (Swap I and Swap II) in connection with the Board's existing floating-rate and multimodal certificates (the "Bonds"). Under this program, the Board will enter into the forward-starting, fixed-payer swaps, as detailed below. The associated Bonds for Swap I are insured auction rate bonds, known as Certificates of Participation Series 2002A and 2002B. The associated Bonds for Swap II are insured multimodal bonds known as Certificates of Participation Series 2003A (Put Date 8/1/2008). The insurers on the Bonds, Ambac and MBIA, respectively, have agreed to provide insurance on the swaps, which will cover scheduled swap payments (but not termination payments unless authorized by the insurer). Full details of the swap insurance are available separately.

Bidding for Swap I is scheduled for _____ .m. Eastern time on ___ day, _____, 2006.* Bidding for Swap II will occur 15 minutes after the award of Swap I. Bids should be submitted as the lowest fixed rate to be paid by the Board in the swaps. For the purpose of counterparty diversification, the winning counterparty for Swap I will be precluded from bidding on Swap II.

Your firm is in the process of being approved as a potential counterparty for the transaction contemplated in this program. Swap Financial Group has been retained by the Board to work with it for the bidding of the swaps for this program.

*subject to change

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The table below shows the initial notional amounts, forward effective dates, and termination dates for Swap I and II.

	Bonds	Initial Notional	Effective Date	Termination Date
Swap I	2002A	\$69,765,000*	4/1/2007*	8/1/2027*
	2002B	\$70,115,000*	4/1/2007*	8/1/2027*
Total		\$139,880,000*		

	Bonds	Initial Notional	Effective Date	Termination Date
Swap II	2003A	\$57,440,000*	8/1/2008*	8/1/2027*

SWAP TRANSACTION SPECIFICS

Fixed Rate Payer: School Board of Miami-Dade County

Floating Rate Payer: Counterparty (winning bidder). Minimum rating of at least Aa3 (Moody's) or AA-minus (S&P) is required.

Notional Amounts: Initially, a total amount of \$139,880,000* for Swap I and \$57,440,000* for Swap II. Amounts will amortize as shown in the schedules in Attachment A.

Trade Date: _____, 2006

Effective Dates: As shown in the table above*

Termination Dates: As shown in the table above*

Fixed Rate Provisions:

Fixed Rate: Rate provided by winning bidder

*subject to change

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Fixed Rate Day Count Fraction: 30/360

Fixed Rate Period End Dates: Semiannually, each May 1 and November 1 during the term of the transaction, not subject to adjustment

Fixed Rate Payment Dates: Semiannually, each May 1 and November 1 during the term of the transaction, subject to adjustment in accordance with Following Business Day Convention

Floating Rate Provisions:

Floating Rate: 70% of One-Month USD LIBOR, reset two London business days prior to commencement of each floating rate period.

Floating Rate Day Count Fraction: Actual/360

Floating Rate Period End Dates: Matching the reset period on the corresponding bonds during the term of the transaction, not subject to adjustment

Floating Rate Payment Dates: Same as payment dates on the corresponding Bonds, subject to adjustment in accordance with Following Business Day Convention

DOCUMENTATION PROVISIONS

Schedule to the ISDA Master Agreement (1992 Local Currency, Single Jurisdiction)

*subject to change

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Specified Indebtedness:	With respect to the Board, only includes obligations secured on parity with the Bonds and payable from the same source of revenues.
Cross Default Threshold:	With respect to the Board, limited to defaults under the general indenture under which the Bonds are issued. With respect to Counterparty, lowest amount specified under master agreements currently being entered into.
Payments on Early Termination:	Market Quotation, Second Method
Additional Termination Events:	Counterparty's ratings (measured in reference to its senior, unsecured debt or other similar obligation) fall below A3 (Moody's) and A-minus (S&P), (Counterparty as Affected Party). Board's ratings fall below Baa3 (Moody's) and BBB-minus (S&P), (Board as Affected Party).
Governing Law:	Swap agreement to be governed by New York law; Board's powers and sovereign immunity to be governed by Florida law. Generally, Florida law provides that sovereign immunity cannot be waived only with respect to tort law.
Jurisdiction:	Appropriate federal court in New York or Florida.

*subject to change

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Netting of Payments: Section 2(c)(ii) will apply (no netting across transactions)

Compliance with Covered Indenture: Will apply, but "Incorporated Provisions" will be limited solely to those bearing on the creditworthiness of the Board or the Bonds.

Appropriation Requests. The Board shall, in connection with all requests for appropriations for funds to meet its obligations under the Covered Indenture, include an appropriation of funds to meet its obligations, if any, to the Floating Rate Payer hereunder. Additionally, in the event any amount is payable by the Board under Section 6(e) of the Swap Agreement following the designation of an Early Termination Date under the Swap Agreement, the Board shall take any and all steps reasonably necessary to submit a request for appropriation of such amount in accordance with applicable Florida law as soon as possible (and in no event any later than the next meeting of The School Board of Miami-Dade County, Florida, unless such next meeting is within 10 days of the applicable Early Termination Date, in which case the request for appropriation shall be submitted no later than the date of the second meeting of The School Board of Miami-Dade County, Florida occurring after the applicable Early Termination Date) after such Early Termination Date.

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Security and Source of Payments:

Payments to be made by the Board in respect of any Transaction under the Swap Agreement are payable as Additional Lease Payments under Section 3.1 of the Master Lease Purchase Agreement, as supplemented and amended with respect to a Series of Certificates by the applicable Lease Schedule. Such Additional Lease Payments are subject to and dependent upon appropriation of funds being duly made from time to time by the Board, as described in the Master Lease Purchase Agreement. Pursuant to the Master Lease Purchase Agreement, however, the Board is obligated to budget and appropriate funds for all Leases (including Additional Lease Payments) or none of them and may not budget and appropriate funds to make Lease Payments selectively on a Lease by Lease basis. In the event that funds so appropriated are not sufficient to pay all such Lease Payments when due, the Trustee shall apply any amounts available to it to the payment of the items set forth in Section 504(a) of the Master Trust Agreement in the manner and with the order of priority set forth in such Section 504(a) of the Master Trust Agreement, as so amended, and with the same force and effect as if amounts due under the Swap Agreement were specifically set forth in a Lease Schedule.

Transfer Language:

The Board will have the right to transfer or assign its position in any swap, in whole or in part, to another swap dealer with whom

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the original Counterparty has trading lines, subject to an enumerated list of criteria for approval by the Counterparty

Optional Early Termination:

The Board will have the right to optionally terminate the Swap Agreement "at market" (second method, market quotation) at any time over the term of the agreement. The counterparty will have no similar right.

Deferral of Termination Payments:

Notwithstanding Section 6(d)(ii) of the Swap Agreement to the contrary, in the event an amount is payable by the Board under Section 6(e) of the Swap Agreement following the designation of an Early Termination Date then the following provision shall apply:

(i.) if such Early Termination Date has been designated pursuant to (A) [Insurer fails to meet payment obligations under Swap Insurance Policy], (B) [Insurer Event occurs and a Payment Event occurs with respect to Party B], or (C) [a right of optional termination by the Board], then the amount payable by the Board shall become due and payable by the Board in accordance with the terms of the Swap Agreement;

(ii) if such Early Termination Date has been designated pursuant to (A) [Insurer Event occurs and a Credit Event occurs with respect to the Board], or (B) [Insurer Event occurs and the Board has been give 30 days notice without providing a Credit Support

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Provider or confirmation of ratings], then the amount payable by the Board shall not become due and payable by the Board until the earlier of: (1) the 7th Business Day following the Board's appropriation of funds to pay such amount; (2) the date on which the Board determines that it shall not appropriate funds to pay such amount; and (3) that certain date which is thirty (30) days following the Early Termination Date;

(iii) if such Early Termination Date has been designated pursuant to [anything not covered by clauses (i) or (ii)], then the amount payable by the Board shall not become due and payable by the Board until the earlier of: (1) the 7th Business Day following the Board's appropriation of funds to pay such amount; (2) the date on which the Board determines that it shall not appropriate funds to pay such amount; and (3) that certain date which is sixty (60) days following the Early Termination Date.

Credit Support Annex

Mark-to-market frequency:

Daily, for value of both collateral and swap exposure.

Eligible collateral:

US Treasury and Agency securities, excluding specialized securities such as interest-only and principal-only securities.

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Collateral Thresholds: As shown in the table below. Collateral posting is one-way; the Board cannot legally post collateral under Florida law.

Senior Unsecured Debt or Counterparty Ratings and Threshold Amounts

Moody's	S&P	Counterparty Threshold
Aa3 and above	AA- and above	Infinity (no collateral required)
A1	A+	\$10,000,000
A2	A	\$5,000,000
A3	A-	0
Baa1	BBB+	0
Baa2	BBB	0
Baa3	BBB-	0
Below Baa3	Below BBB-	0

Insurance Provisions: Separately available. Trigger for "Additional Termination Event" requirement for the Board. "Insurer Event" credit threshold will be below A3/A-minus.

Opinions: Both parties will provide enforceability opinions and such other documents as are required in the master agreement and schedule, including an opinion of the Issuer that it is legally authorized to enter into the transaction, and that the transaction is valid and binding.

Basis of Award: Lowest fixed rate payable by the Issuer. However, the Board reserves the right to reject any and all bids, to waive any irregularity or informality in any bid, to take

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any action adjourning or postponing the award of the bids, or to take any other action it may deem to be in the Board's best interest.

Swap Financial Group has prepared this term sheet from information available to us which we believe to be correct, but this term sheet is not a substitute for your complete review of the appropriate documents relative to this financing. In the event of any conflict between the term sheet and such documentation, the documentation will control.

Your interest in the above transactions is appreciated. Further information regarding the structuring of these transactions will be communicated to you as it develops. Any questions concerning the above should be directed to Peter Shapiro, John Keenan, Lillian Chern or James Murphy of Swap Financial Group (973) 378-5500. We look forward to working with you and welcome any comments or suggestions regarding this placement process.

*subject to change