

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: REQUEST FOR BID, BANK LINE OF CREDIT UP TO \$220 MILLION

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

On December 1, 2005, the District established a \$100 million Line of Credit Program designed to comply with Florida Statute 1013.46(1) which requires that Districts have funds available before school construction contracts are awarded. The establishment of the Line of Credit allows for the budgeting and award of projects without incurring any costs until the actual payment on the contract is required. This "just-in-time" financing allows the maximum flexibility in the initiation of school site construction projects without incurring the interest expense until the funds are actually needed. Florida Statute 1011.14 allows the District to enter into the Line of Credit for 364 days. Given the cost effectiveness of this financing vehicle, it is requested that a new Request for Bids for \$220 million amount be authorized.

The entire \$100 million of the existing Line of Credit was budgeted during the year and \$38,115,613 was drawn-down. The District incurred no costs on the unexpended balances and the interest cost on the \$38,115,613 averaged 3.59%. There was no additional cost to the District for not drawing down the full Line of Credit, as there was no commitment or loan origination fee. The Line of Credit worked as expected providing flexibility to the finance program, while lowering the District's cost of funds.

Authorization to issue the Request for Bid of up to \$220 million is being requested to provide the legal authority to award and budget projects included in the Five-Year Tentative Facilities Work Program. Over the last 5 months capital construction program expenditures have increased significantly, requiring the authorization to be increased on the Line of Credit to \$220 million. It is anticipated that the full \$220 million in projects will be awarded and approximately 60% will be drawn. The Treasury Advisory Committee recommended that the School Board approve the issuance of \$220 million Line of Credit as an efficient financing program that is also employed by the private sector to reduce the cost of borrowing.

Included in the budgeted projects is \$20 million of funding for E-1, the K-8 School that is part of the North Miami Interlocal Agreement. The North Miami Interlocal Agreement and the Multiparty Agreement related to financing of \$124 million North Miami Florida Educational Finance Construction Note was executed and closed on October 27, 2006.

The results of the offers received for the Request for Bid will be submitted to the School Board for its consideration and approval, before the execution of the contract for the line of credit.

RECOMMENDED: That The School Board of Miami-Dade County, Florida approve the release of the attached Request For Bid, for an amount up to \$220,000,000 line of credit, subject to School Board approval, before the transaction with the successful bank(s) is completed.