

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: ANNUAL REPORT OF THE ACTIVITIES OF THE INVESTMENT ADVISORY COMMITTEE; REAPPOINTMENT OF THE INVESTMENT ADVISORY COMMITTEE MEMBERS; PROPOSED RESTATEMENT OF PURPOSE, SCOPE, STRUCTURE, AND SELECTION FOR THE SCHOOL BOARD INVESTMENT ADVISORY COMMITTEE; AND RENAME THE COMMITTEE TO BE THE SCHOOL BOARD TREASURY ADVISORY COMMITTEE

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

It is requested that The School Board of Miami-Dade County, Florida receive the Annual Report of the activities of the Investment Advisory Committee for 2005, Attachment A.

Committee members who are at the end of their four-year terms have agreed to be reappointed. Ms. Susan Racher, and Mr. Mike Brown, have been excellent contributors to the activities of the Investment Advisory Committee (IAC). IAC membership is staggered to provide for continuity on the Committee. The reappointment of Ms. Racher and Mr. Brown would give the IAC continuing advice on pertinent matters.

The Investment Advisory Committee Members are as follows:

- Ms. Susan Racher, Chair (Chief Financial Officer, Wallace H. Coulter Foundation)
- Mr. Andres Bolaños Jr., Vice-Chair (President, Andres Bolaños C.P.A.)
- Mr. Mike Brown (President, Wometco Enterprises, Inc.)
- Mr. Floyd Denison (Retired Chief Financial Officer, Assurant; currently Co-Chair Investment Committee, Empire Investment Holdings)
- Ms. Jacqueline de Souza (Group Director, Finance, Ryder Truck Rental, Inc.)
- Mr. Agustin J. Barrera (School Board Chair, Miami-Dade County Public Schools)
- Mr. Martin A. Berkowitz (Chief Financial Officer, Miami-Dade County Public Schools)
- Ms. Connie Pou (Controller, Miami-Dade County Public Schools)
- Ms. Silvia R. Rojas (Treasurer, Miami-Dade County Public Schools)

On July 11, 1984 The School Board of Miami-Dade County, Florida established the School Board Investment Advisory Committee. It is requested that the attached proposed restatement, Attachment B, of the Statement of Purpose, Scope, Structure, and Selection for the Committee be approved by the School Board. In addition, to changing the name of the Committee to the Treasury Advisory Committee the Purpose and Scope has been primarily updated to reflect the debt management functions of the Committee.

The Investment Advisory Committee recommended the proposed restatement be approved by the School Board at the Committee's November 29, 2005 meeting.

E-25

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

1. receive the annual report of the activities of the Investment Advisory Committee for 2005;
2. reappoint Ms. Susan Racher and Mr. Mike Brown to the Investment Advisory Committee for a period of four years;
3. approve the Proposed Restatement of Purpose, Scope, Structure, and Selection for the School Board Investment Advisory Committee; and
4. rename the Committee to be the School Board Treasury Advisory Committee.

INVESTMENT ADVISORY COMMITTEE ANNUAL REPORT

Presented to the School Board on January 18th, 2006

Since the last annual report, the Investment Advisory Committee met on January 6, 2005, April 11, 2005, and November 29, 2005.

Highlights of major items reviewed by the Committee are as follows:

1. Monthly Performance Measurement and Portfolio Statistics Reports
2. Mid-year 2004-2005 interest revenue projections budget revisions
3. Interest revenue projections for 2005-2006
4. Investment Limitations and Guidelines
5. Schedule of Investment Swaps
6. 2004-2005 Fiscal Year Annual Portfolio Statistics
7. Current Debt Practices
8. Asset Liability Management & Risk Parameters Presentation by Timothy Crowe, Anchor Point Capital, and former Chief Investment Officer for the Knight Foundation
9. Proposed Restatement of the Purpose, Scope, Structure, and Selection of the School Board Investment Advisory Committee and the renaming of the Committee to be School Board Treasury Advisory Committee
10. Sale of 2005A \$56.38 Million Impact Fee Certificates of Participation
11. Sale of 2005 \$55 Million Revenue Anticipation Notes (RAN)
12. Sale of 2005 \$105 Million Tax Anticipation Notes (TAN)
13. Sale of 2005A \$100 Million Revenue Anticipation Notes in the form of a Bank Line of Credit
14. Miami Dade County Public Schools (M-DCPS) Supplemental Early Retirement Plan (SERP) Asset Liability Study Prepared by Deloitte Consulting, LLP
15. M-DCPS SERP Beneficiary Payout Options and Extension of Funding Options
16. M-DCPS SERP Investment Performance Analysis
17. M-DCPS SERP 2005-2006 Actuarial Valuation Report

FINANCIAL AFFAIRS OPERATIONS

STATEMENT OF PURPOSE, SCOPE, STRUCTURE AND SELECTION

FOR

THE SCHOOL BOARD INVESTMENT TREASURY ADVISORY COMMITTEE

PURPOSE

The purpose of the ~~Investment~~ Treasury Advisory Committee is to act in an independent, expert, advisory role for the purpose of improving the financial performance of the District's ~~cash~~ treasury management activities. Specifically, the Committee will seek ways to:

- ~~1) Increase cash available for investment,~~
- ~~2) Reduce cost of cash management activities, and~~
- ~~3) Maximize return of cash invested while maintaining the safety and liquidity of the principal.~~
- 1) Advise on prudent investment management to maximize income while maintaining safety and liquidity of principal
- 2) Advise on prudent debt management to minimize cost and maximize proceeds available to fund capital projects at acceptable risks
- 3) Advise on risk management objectives that seek to reduce risk and enhance long-term financial performance by employing prudent asset liability strategies
- 4) Advise on optimizing treasury management techniques & systems to provide safe and efficient management of assets and liabilities at acceptable costs

SCOPE

The scope of the ~~Investment~~ Treasury Advisory Committee should include the following activities:

- 1) Advise and recommend investment policies concerning the use and selection of legal investment alternatives.
- 2) Advise the District's ~~investment officer~~ Treasurer concerning current market trends, opportunities and risks in developing near and longer-term investment strategies.

- 3) Review implementation plans for the use of new investment techniques and methods.
- 4) Advise on~~Comment~~ on the assumptions used in preparing revenue estimates for investment earnings.
- 5) Advise and comment on performance monitoring methods and criteria for cash/treasury management activities, i.e., performance benchmarks, interest rate projections and comparisons with budget, cash flow projections/plans, cash flow variances, yield and cost rates performance, banking services agreements and relationships, statutory and regulatory compliance.
- 6) Review investment and debt performance in relation to objectives and benchmarks.
- 7) Advise and recommend debt policies concerning the purpose, limitations, types, structural features, and overall debt program.
- 8) Advise and monitors adherence to investment and debt policy that maintains sound debt positions, and protects the School Board's credit quality.
- 9) Comment on cash borrowing plans and other external financing plans. Advise on all aspects of the Capital Financing Plans, including review of Debt Capacity Analysis and timing of issuance.
- 10) Advise on the suitability of new municipal market products and their implications to the long-term financial condition of the School Board.
- 11) Advise and recommend asset/liability management strategies that reduce risk and enhance the long-term financial condition of the School Board.
- 12) Comment and advise on methods and selection of outside finance professionals.
- 13) Comment and advise on selection and implementation of treasury systems and techniques.
- 14) ~~Review implementation plans for the use of new investment techniques and methods.~~

STRUCTURE

The structure of the ~~Investment~~ Treasury Advisory Committee relates to logistical arrangements, membership, terms of appointment, and governance. A proposed structure is as follows:

- 1) Membership of the Committee will include at least five external members (see next section for criteria for selection). Four ex-officio permanent members are recommended including a Board member, two staff members appointed by the Superintendent and the Superintendent or designee.

- 2) The Committee will meet not less than quarterly, reporting to the Board as necessary, but at least annually.
- 3) Members (lay citizens who are representative of the entire community) are recommended either by the Superintendent or other sources that the School Board deems appropriate for approval by the Board.
- 4) Members will be appointed for four-year terms. Appointments shall be for staggered terms to provide for continuity in the committee.
- 5) The members will annually select a Chairperson (lay citizen) and a Vice Chairperson who will preside at the meetings.
- 6) Non-voting members (staff) are appointed by the Superintendent for Board approval and shall constitute a minority of committee membership.
- 7) The District ~~investment officer~~ Treasurer will be responsible for maintaining minutes of the meetings and will prepare and distribute agenda prior to each meeting with the concurrence of the Chairperson.

SELECTION OF THE COMMITTEE MEMBERS

As stated previously, the committee is to act in an independent, expert, and advisory role. Its membership should reflect its purpose. The following are proposed as selection guidelines:

- 1) Members should be independent of any financial institution or securities firm with which the District could or does conduct its investment or bargain activities.
- 2) Members should be financial professionals recognized as knowledgeable in the financial markets, treasury management, investment management, corporate financial, general financial management, or financial economics.
- 3) Membership should be diverse representing broad experience in the financial areas within the topic of treasury management.

Potential sources of Committee members include corporate cash managers, corporate treasurers; financial managers, universities, or other nonprofit institutions; a university faculty member; and retired banker or investment dealer no longer associated with their former employer.