

Alberto M. Carvalho, Superintendent of Schools

**SUBJECT: ANNUAL REPORT OF THE ACTIVITIES OF THE TREASURY  
ADVISORY COMMITTEE**

**COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS**

**LINK TO DISTRICT  
STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES**

It is requested that The School Board of Miami-Dade County, Florida, receive the Annual Report of the activities of the Treasury Advisory Committee for 2008, Attachment A. Due to the turmoil in the financial markets the Treasury Advisory Committee has met seven times in 2008 instead of quarterly at the request of the District. The District Finance Team with support from the Treasury Advisory Committee successfully managed the District's finances under very challenging economic environment throughout the year, as highlighted below:

- Minimized the District's exposure to the State Board of Administration – Local Government Investment Pool (LGIP) by withdrawing funds prior to the freeze being placed on deposits. Statewide \$779 million of deposits in the LGIP are still frozen and the District is still owed \$107,000 interest for the month of November, 2007, of which only approximately \$10,000 is due to the General Fund.
- Early Issuance of Request for Bid for Liquidity Provider in January, 2008. ultimately provided a low cost of 38 basis points for a letter of credit with a 2 year term from Wachovia for the \$58 million Variable Rate COP Series 2008C, that settled August 1, 2008. Wells Fargo, a higher rated bank, will be assuming the obligations under the Wachovia Letter of Credit. The 2008C COP is currently yielding 1.30%. Letter of Credits, when available, are significantly more expensive at this time.
- The District was the first to convert four Series of Auction Rate COP's totaling \$278 million under a Private Placement with Dexia Local Credit Bank. Other large school districts followed suit and some still have auction rate securities outstanding. Current rates range from 2.01% to 3.41% and prior to conversion had peaked to 11.50% for a one week period. The District has been able to achieve its objective of protection from higher rate fluctuations with flexible terms under attractive pricing by striking a deal early in the collapse of the auction markets.

- Issued \$538 million (largest Florida COP issuance) COP Series 2008B in May, 2008. Goldman Sachs was chosen as lead underwriter after UBS announced they were no longer going to continue their municipal investment banking business. The District's True Interest Cost (TIC) of 4.87% was lower than other higher rated school districts' issuance at that time.
- Issued \$233 million COP Series 2008A Forward Refunding achieving a \$9 million (3.8%) present value savings. The District was able to obtain assurances from JP Morgan, successor to Bear Stearns as lead underwriter, that the transaction would proceed as planned. In comparison, because of considerably higher yields in the market on closing day of June 19, 2008 the transaction would have netted the District only \$2.3 million (0.98%) present value savings had JP Morgan not agreed to waive the rating requirements of the insurer. The insurer was downgraded prior to closing by S&P.
- On September 15, 2008 Lehman Brothers Holdings, Inc. filed for Chapter 11. This event became the lynch pin that resulted in a worldwide financial crises impacting money markets, commercial paper, corporate bonds, equity markets, and municipal markets. The Treasury Advisory Committee reviewed all portfolios at the October 1, 2008 meeting and supported staff and the Investment Advisor's recommendations to reduce risk and conserve capital by taking the following actions
  - Invest in Money Markets with only Government and Agencies
  - Suspend direct purchases of Commercial Paper
  - Sell Corporate Bonds in the Supplemental Early Retirement Plan (SERP), except the Lehman Corporate Bond. The sale of corporate bonds resulted in a loss of \$252,938 in Fiscal Year 2008/09. While the Lehman Corporate Bond with \$1 million par value was valued on October 31, 2008 at \$130,000, it represents 0.51% of the SERP Portfolio market value.

There has been no impact as to loss of capital for the District's Pooled Cash Portfolio and all other portfolios except the SERP portfolio, which has a long-term horizon and represents only 2% of total investments for the district. The Treasury Advisory Committee reviewed the equity investments (47% of total ERP portfolio market value) and recommended that the District continue to hold these equity positions with only minor adjustments within the equity portfolio.

- During the month of October 2008, when initially the municipal markets were shut down the District was able to time the sale of \$100 million Tax Anticipation Notes (TAN) to obtain 1.70% TIC, which was a lower rate than other Florida school districts with higher underlying long-term ratings had experienced in the prior few weeks. The TAN was rated MIG 1 (highest short term rating) by Moody's Investor Services. TANs have been issued since 1998 and provide a reasonable working capital reserve during the November low point in the District cash flow cycle.

The Treasury Advisory Committee requested that the Finance Team be congratulated for their performance throughout 2008, see Attachment B. The Finance Team includes the District's Treasurer; Investment Advisor, First Southwest Asset Management;

Financial Advisor, DeLara Associates; Derivative Financial Advisor, Swap Financial Group; Bond Counsel, Greenberg Traurig; and Disclosure Counsel Rotation Team, Bryant Miller & Olive, Liebler, Gonzalez, & Portuondo, and Nabors, Giblin & Nickerson.

The Treasury Advisory Committee (TAC) has 6 external members serving staggered terms. Mr. Floyd Denison is the retired Chief Financial Officer from Assurant Group and has been an active member and excellent contributor to the Committee since July 1984. His current four-year term expires in December 2008 and he will not be able to continue his service on the Committee for another term. His support and advice will be very much missed by the Committee and the District.

The Treasury 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.)  
Ms. Rachel Baum (Director of Finance, Miami-Dade County)  
Mr. Mike Brown (President, Wometco Enterprises, Inc.)  
Ms. Jacqueline de Souza (Assistant Treasurer, Lennar Corporation)  
Mr. Agustin J. Barrera (School Board Member, Miami-Dade County Public Schools)  
Dr. Richard H. Hinds (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)

Under the Treasury Advisory Committee Statement of Purpose, Scope, Structure and Selection approved by the Board on January 16, 2006 members are to be independent and recognized financial professionals with broad experience in the financial areas. Due to the specific expertise and conflict of interest issues that would arise if members would need to be replaced periodically from the local financial community, term limits were not included in the Statement of Purpose, Scope, Structure and Selection.

It is requested that the Board recognize the significant contributions of the Treasury Advisory Committee during 2008, a very challenging economic time for the District.

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

1. receive the annual report of the activities of the Treasury Advisory Committee for 2008; and
2. recognize the significant contributions of the Treasury Advisory Committee during 2008.

## TREASURY ADVISORY COMMITTEE ANNUAL REPORT

Presented to the School Board on December 10, 2008

Since the last annual report, the Treasury Advisory Committee has met on January 14, 2008, February 4, 2008, March 6, 2008, March 26, 2008, April 26, 2008, August 22, 2008, and October 1, 2008.

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

1. Monthly Performance Measurement and Portfolio Statistics Reports
2. Interest Revenue Projections for FY 2007-08
3. Interest Revenue Projections for FY 2008-09
4. Schedule of investment swaps
5. Exception Reports No. 2 thru 4
6. Revision Deposit and Investment Policies For School Board Funds, Board Rule 6GX13-3B-1.01
7. M-DCPS Supplement Early Retirement Plan investment performance analysis
8. State Board of Administration – Local Government Investment Pool Account closing
9. Update ERP Implementation and Request for Extension of Banking Services Agreement with SunTrust/Wachovia
10. Proposed Financings and Debt Capacity Analysis 2008-09 through 2021-22
11. Rating Agency Consideration under Proposed Financings
12. Bond Insures Downgrades & Impact on Municipal Markets
13. Letter of Credit Request For Bids & Wachovia Proposal
14. Reviewed Underwriters Proposal and Recommended Appointments
15. Interest Rate Risk Management Updates - Swaps Effective Hedge Status, Counterparties Risks, & Effect of Credit Crises
16. \$233.4 Million COP Series 2008A Forward Refunding
17. \$538.3 Million COP Series 2008B
18. \$57.7 Million Variable Rate COP Series 2008C, with Wachovia Letter of Credit
19. \$238 Million Auction Rate COP (2001B, 2002AB, & 2007C) Conversions Dexia Private Placements

20. \$66 Million Revenue Anticipation Notes (RAN) 2008A
21. \$150 Million Revenue Anticipation Notes (RAN) 2008B
22. \$100 Million Tax Anticipation Notes (TAN) 2008
23. Property Tax Collections Projected Shortfall
24. Prior Year Adjustment FEFP Change in Statute Impacting Final Taxable Values
25. Legislature .25 Mills Swap to Operating, Reducing Capital to 1.75mills
26. H-14 Tax Neutral Proposed Referendum .25 Mills increase to Operating Offset by Reduction to Capital Millage
27. Impact of September 2008 Crises in the Financial Markets

## Attachment B

### MEMO

To: Mr. Alberto M. Carvalho, Superintendent of Schools  
To: Honorable Members of the Miami-Dade County School Board  
From: Treasury Advisory Committee, Susan M Racher, Chair  
Date: November 20, 2008  
Re: the Finance team of MDCPS

We have submitted the Annual Report of the Activities of the Treasury Advisory Committee for 2008. Our Committee consists of six external members, who have substantial experience in financial management, corporate finance, treasury, municipal finance, accounting, tax, portfolio management, insurance, and general management. Our members have worked together as a committee for more than five years. During our tenure, we have observed the Finance team and its efficacy through favorable economic periods and challenging ones as well.

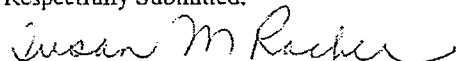
I am writing this memo on behalf of the Treasury Advisory Committee which recommended in our August meeting, that we should formally commend the Finance Team, and especially Silvia Rojas, Treasurer of MDCPS for their professionalism, diligence, superb execution of financings, hard work, and balanced judgment. Historically, in past economic times of liquidity and abundance of financing possibilities, your Finance Team consciously and carefully averted the many financial engineering pitfalls that have now shaken and compromised many municipalities and school districts. And now, during these difficult current economic times of illiquidity and capital markets paralysis, your Finance Team has shown leadership and vision in protecting your finances and access to capital.

We believe that the Finance Team has been very successful in navigating through this complex, ever changing and frightening time. They have had to develop financial plans to address repeated budgetary adjustments stemming from macro economic problems such as the crash of the housing market, property tax legislation changes, state level budget cuts and overall economic declines. They have had to deal with unprecedented panic in the investment markets that have frozen investment funds and caused the Federal Reserve and Treasury Department to initiate record amounts of support to prevent a global financial market debacle. They have had to refinance existing bonds and issue new bonds, facing a market where there are many sellers and no buyers, and facing ratings agencies that were cynical about MDCPS' debt service abilities in the context of state funding cuts, property tax referendums, and a declining economy. And they got the job done! They have been insightful and pro-active in their refinancing in order to tap into scarce funding while it was still available.

How have they been able to get through this period? During the good times, the Finance Team developed strong relationships with advisers and investment bankers nationwide who could execute with unquestioning excellence. They developed credibility with the ratings agencies. And despite the fiscal pressure to optimize cash levels and profits, they avoided the "snake oil" deals such as speculative derivatives aimed to provide upfront cash in exchange for unquantifiable future financial risks. For sure, the Finance Team has demonstrated discipline, focus on the risk management, and excellent judgment. They encourage debate, opposing views and rigor among themselves and our Committee, with the ultimate goal of making the most informed decisions possible.

We believe that the Finance Team is ably directed by Silvia Rojas; that they have sound decision making processes, and that they are committed to excellent execution of your capital plans and strategies. It is our hope that you will acknowledge their professional excellence, and feel assured in these difficult times that your finances are being well managed. We are most proud of the Finance Team, and we are proud to be members of their Advisory Committee.

Respectfully Submitted,

  
Susan M. Racher, Chair