

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT: PROPOSED AMENDMENT OF SCHOOL BOARD RULE: FINAL READING 6Gx13- 3A-1.012, TREASURY POLICIES: DEBT MANAGEMENT; FUND BALANCE RESERVE; WARRANTS AND ELECTRONIC TRANSFERS**

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

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

The School Board of Miami-Dade County, Florida announced on September 7, 2010, its intention to amend the document, Debt Management Policies, which is incorporated by reference and made part of the rule School Board Rule 6Gx13- 3A-1.012, Treasury Policies: Debt Management; Fund Balance Reserve; Warrants and Electronic Transfer, at its meeting of October 13, 2010.

The Department of the Treasury – Internal Revenue Service (IRS) has created a Direct Pay Bonds, Compliance Check Questionnaire that the District will need to fill out related to the COP 2010A Qualified School Construction Bonds and the COP 2010B, Build America Bonds. There are specific questions related to formalized policies & procedures for post-issuance compliance for direct pay bonds included in the IRS Questionnaire. Direct pay bonds are part of the ARRA stimulus financing program whereby the district receives interest subsidy payments from the IRS.

The proposed Section XIII has been added to the document, Debt Management Policies, to address the IRS requirements. The Treasury Advisory Committee at its meeting of June 21, 2010, reviewed and recommended that the School Board approve the proposed addition to the Debt Management Policies. The process was a culmination of work performed by the Committee, bond counsel, and financial advisor.

The Notice of Intended Action was published in the *Miami Daily Business Review* on September 13, 2010, posted in various places for public information and mailed to various organizations representing persons affected by the amended rule and to individuals requesting notification.

The time to request a hearing or protest the adoption of this rule has elapsed.

**E-200**

In accordance with provisions of the Administrative Procedure Act, this amended rule is presented to The School Board of Miami-Dade County, Florida, for adoption and authorization to file the rule in the official records of The School Board of Miami-Dade County, Florida.

Attached are the Notice of Intended Action, the rule proposed for amendment, and the document, Debt Management Policies, which is incorporated by reference and made part of this rule. Changes from the current rule are indicated by underscoring words to be added and ~~striking through~~ words to be deleted.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida, adopt amended School Board Rule 6Gx13- 3A-1.012, *Treasury Policies: Debt Management; Fund Balance Reserve; Warrants and Electronic Transfers*, and the document, Debt Management Policies, which is incorporated by reference and is part of this rule, and authorized the Superintendent to file the rule with The School Board of Miami-Dade County, Florida, to be effective October 13, 2010.

## NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on September 7, 2010, its intention to amend School Board Rule 6Gx13- 3A-1.012, Treasury Policies: Debt Management; Fund Balance Reserve; Warrants and Electronic Transfers, and the document, Debt Management Policies, which is incorporated by reference and made part of this rule, at its meeting of October 13, 2010.

**PURPOSE AND EFFECT:** The amended School Board Rule reflect updated Treasury Policies related to Debt Management. The Department of the Treasury – Internal Revenue Service (IRS) has created a Direct Pay Bonds, Compliance Check Questionnaire that the District will need to fill out related to Direct Pay Bonds issued by the District. There are specific questions related to formalized policies & procedures for post-issuance compliance for direct pay bonds included in the IRS Questionnaire. The updated Debt Management Policies address these specific questions.

**SUMMARY:** Amendments to this Board Rule are necessary in order to update Debt Management Policies related to Direct Pay Bonds issued by the District.

**SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED:**  
1001.41(1), (2); 1001.42(25); 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; F.S.; 6A-1.0012 F.A.C.

IF REQUESTED, A HEARING WILL BE HELD DURING THE BOARD MEETING OF October 13, 2010, 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 provide a proposal for a lower cost regulatory alternative as provided by Section 120.541 (1), F.S., must do so, in writing by October 4, 2010, 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 Statute).

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: Dr. Richard H. Hinds  
Date: August 25, 2010

District Budget**TREASURY POLICIES: DEBT MANAGEMENT; FUND BALANCE RESERVE; WARRANTS AND ELECTRONIC TRANSFERS**

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 Polices, 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 thereof. 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

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

#### B. Electronic Funds Transfer (EFT's)

1. 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.
2. 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 3<sup>rd</sup> party payments of an expenditure, advance, or reduction of cash asset.
3. 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.
4. EFT's representing payments processed under the Accounts Payable or Payroll systems will be executed as follows:
  - a. Payments are executed under the rules of the ACH, EDI, or Direct Deposit Agreements.

- b. 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.
  5. 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 preauthorized by the Treasurer and Chief Financial Officer.
  6. EFT's representing 3<sup>rd</sup> 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.
  7. 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 e-mail, fax, and or mail.
- C. Payments under Custodial/Trust Agreements or 3<sup>rd</sup> 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) (25); 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; ~~4043.15~~ F.S.; 6A-1.0012 F.A.C.

History

New: 4-4-90

Amended: 1-9-91; 4-3-91; 10-23-02; 1-19-05; 4-18-06

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

# **DEBT MANAGEMENT POLICIES**

**Board Rule 6Gx13- 3A-1.012**

**Approved: ~~April 18, 2006~~**

**Final Reading: October 13, 2010**

**MIAMI-DADE COUNTY SCHOOL BOARD  
OFFICE OF TREASURY MANAGEMENT**

**E-200**

**MIAMI-DADE COUNTY SCHOOL BOARD**

~~Mr. Agustin J. Barrera~~ Dr. Solomon C. Stinson, Chair  
Ms. Perla Tabares Hantman, Vice Chair  
~~Mr. Frank J. Bolaños~~ Mr. Agustin J. Barrera  
~~Ms. Evelyn Langlieb Greer~~ Mr. Renier Diaz de la Portilla  
~~Dr. Robert B. Ingram~~ Dr. Lawrence S. Feldman  
Dr. Wilbert Tee Holloway  
Dr. Martin Karp  
Ms. Ana Rivas Logan  
Dr. Marta Pérez  
~~Dr. Solomon C. Stinson~~

**SUPERINTENDENT OF SCHOOLS**

Rudolph F. Crew, Ed. D. Mr. Alberto M. Carvalho

**DEPUTY ASSOCIATE SUPERINTENDENT**

**BUSINESS OPERATIONS CHIEF FINANCIAL OFFICER, FINANCIAL SERVICES**

~~Ms. Ofelia San Pedro~~ Dr. Richard H. Hinds

**~~CHIEF FINANCIAL OFFICER~~  
~~FINANCIAL OPERATIONS~~**

~~Mr. Martin A. Berkowitz~~

**TREASURER**

Ms. Silvia R. Rojas, C.P.A.



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# The School Board of Miami-Dade County, Florida

## DEBT MANAGEMENT POLICIES

### I. Purpose

The purpose of The School Board of Miami-Dade County, Florida's (Board's) Debt Policies is to provide guidelines for issuing debt and managing the debt portfolio that will ensure the long-term financial strength of the Board.

### II. Objective

The objectives of the Board's debt policies are to:

- A. Provide for the lowest cost of funds.
- B. Maximize proceeds available to fund capital projects by integrating the capital planning function with the debt financing function.
- C. Limit debt issuance for capital investments to targeted debt capacity levels.
- D. Reduce risks by establishing and monitoring risk management strategies such as asset liability matching and use of derivative products to hedge interest rate exposure.
- E. Maintain the confidence of the rating agencies, bond insurers, and investor markets.
- F. Comply with all State and Federal requirements regarding the sale of debt and the investment and expenditure of proceeds.
- G. Maintain the integrity and transparency of the underwriter selection process and all other outside providers in the debt management process.
- H. Monitor the development and market acceptance of new municipal market products to evaluate suitability to the Board's needs.

### III. Debt Issuance Purpose

The Board will issue debt for the following purposes:

- A. Capital outlay needs including, but not limited to, new school buildings, renovations, and equipment, such as school buses and information technology systems.
- B. To fund working capital reserves for operations, as needed.
- C. Large scale investments or funding needs of the Board, as appropriate.

### IV. Debt Affordability Reviews and Policies

The Board will employ the following Debt Affordability Reviews and Policies:

- A. General Obligation debt will be limited to amounts and projects approved by voters in a bond referendum.

- B. Any and all debt supported by the Local Optional Millage Levy (LOML) will be targeted to be less than one half of the annual LOML revenues.
- C. The Capital Plan will be depended on adequate funding and financing.
- D. A debt capacity analysis including proposed debt issuances will be prepared and reviewed by the Treasury Advisory Committee at least annually.
- E. A portfolio risk assessment balancing short and long term investments with a mix of short and long term debt, fixed to variable debt percentages, synthetic to natural debt percentages will be prepared periodically and reviewed by the Treasury Advisory Committee at least annually.
- F. Debt amortization will be targeted to be over 45% in 15 years.
- G. Debt maturities will be equal to or shorter than the useful life of the projects.

#### V. Debt Structures and Instruments

The Board may consider any type of debt structures and instruments that will provide the lowest cost of funds, including but not limited to:

- Short and long term maturities.
- Fixed, variable, and/or stepped coupon debt.
- Zero coupon bonds, capital appreciation bonds, deep discount bonds, or premium bonds.
- Line of credit for interim financing.
- Leased-backed debt.
- Level debt payments or level principal payments or wrap around structuring.
- Short and/or long coupon maturities.
- Mandatory and optional call features.
- Credit enhancements.
- Derivative products.

#### VI. Swap Policy Guidelines

The Board will consider the use of the derivative products under the following Swap Policy guidelines:

- A. The purpose of the Swap Policy is to provide a policy for the Miami-Dade County School Board's ("the Board") use of swaps, cap, floors, collars, options and other derivative financial products (collectively referred to herein as "Swaps") in conjunction with the Board's management of its assets and liabilities. The policy is intended to serve as a source of information and guidance on the implementation and ongoing monitoring of Swaps for the professional staff of the Board, the Board members, and the rating agencies, as well as the general public and financial institutions wishing to do business with the Board.

- B. The policy describes the circumstances and methods by which Swaps will be used, the guidelines to be employed when Swaps are used, and who is responsible for carrying out these policies.
- C. The Board's legal authority for using Swaps is based on the Board's general contractual powers and home rule authority. Under this authority, the Board may enter into Swaps as authorized by the Board in connection with the issuance or payment of certain debt obligations, before, concurrently with, or after the actual issuance of the debt.
- D. The Board shall consider entering into Swaps based on the following analysis:
- The appropriateness of the transaction for the Board based on the balance of risks and rewards presented by the proposed transaction, including a detailed description of the transactional structure, a description of the risks it presents, and risk mitigation measures, where applicable;
  - The legal framework for the transaction within the context of Florida statutes, Board authorization, and relevant indenture and contractual requirements (including those contained in credit agreements), as well as any implications of the transaction under federal tax regulations;
  - The potential effects that the transaction may have on the credit ratings of any Board obligations assigned by the rating agencies;
  - The potential impact of the transaction on any areas where the Board's capacity is limited, now or in the future, including the use of variable-rate debt, bank liquidity facilities or letters of credit, and bond insurance;
  - The ability of the Board and its professional staff to handle any administrative burden that may be imposed by the transaction, including accounting and financial reporting requirements; and
  - Other implications of the proposed transaction as warranted.
- E. Approval to enter into a Swap will be subject to appropriate legal authorization ("Swap Authorization") from the Board. The Swap Authorization will authorize the Swap agreement and its provisions, and establish authorized parameters for notional amount, Swap maturity, source of payments, and other relevant provisions. The Swap Authorization will specify the appropriate Board officials to whom relevant authority is delegated to carry out the necessary steps to enter into, monitor and administer the Swap, and the parameters within which their delegated authority may function. In the event of a conflict between a Swap Authorization and this Master Swap Policy, the terms and conditions of the Swap Authorization will govern.
- F. Because of the effects of continual innovation in the financial markets, this Master Swap Policy recognizes that the reasons for use of Swaps may change over time, taking advantage of market developments as they evolve and are tested. Among the strategies which the Board will consider in applying Swaps are:

- Managing the Board's exposure to floating and fixed interest rates, through interest rate swaps, caps, floors, collars, and other option products;
- Hedging floating rate risk with caps, collars, basis swaps, and other instruments;
- Locking in fixed rates in current markets for use at a later date, through the use of forward swaps, swaptions, rate locks, options, and forward delivery products;
- Reducing the cost of fixed or floating rate debt, through swaps and related products to create "synthetic" fixed or floating rate debt;
- More rapidly accessing the capital markets than may be possible with conventional debt instruments;
- Managing the Board's exposure to the risk of changes in the legal and regulatory treatment of tax-exempt bonds, including changes in federal marginal tax rates and other changes in tax laws that may affect the value of tax-exempt bonds relative to other investment alternatives;
- Managing the Board's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products; and
- Other applications to enable the Board to increase income, lower costs, or strengthen the Board's balance sheet.

While the Board may use Swaps to increase or decrease the amount of floating-rate exposure on the Board's balance sheet, the Board will not enter into Swaps for speculative purposes.

- G. The Board will use one of the forms of the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement as a framework for Swap documentation. The Swap agreement between the Board and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the Board, in consultation with its advisors and legal counsel, deems necessary or desirable.
- H. Subject to the provisions contained herein, the terms of any Board Swap agreement shall adhere to the following guidelines:
1. Downgrade provisions triggering termination shall be reflective of the relative credit strength of the Board in comparison with the Swap provider. This comparison should give weight to the prevailing greater credit strength of public sector entities as compared with private sector financial institutions. In no event should the downgrade trigger be worse than those affecting the Swap provider;
  2. The Board will strive to minimize or avoid cross default provisions. The specific indebtedness related to credit events in any Swap agreement should be narrowly defined and refer only to indebtedness of the Board that could have a materially adverse effect on the Board's ability to perform its obligations under the Swap. Debt should only include obligations within the same or superior lien as the Swap obligation;
  3. Collateral thresholds for the Swap provider should be set on a sliding scale reflective of credit ratings. Collateral requirements should be established and based upon the credit ratings of the Swap provider or its guarantor;

4. Eligible collateral should generally be limited to Treasuries and obligations of Federal Agencies where the principal and interest are guaranteed by the United States. At the discretion of the Board, other high-quality obligations of Federal agencies, not secured by the full faith and credit of the U.S. government, may be used as collateral; and
  5. The Board shall have the right to optionally terminate a Swap agreement “at market,” at any time over the term of the agreement. The Swap provider should have no similar right.
- I. Counterparty Credit Standards: Unlike conventional fixed-rate bonds, many Swap products can create for the Board a continuing exposure to the creditworthiness of financial institutions that serve as the Board’s counterparties on Swap transactions. To protect the Board’s interests in the event of a counterparty credit problem, the Board will adhere to the following standards:
1. Use of highly rated counterparties: Standards of creditworthiness, as measured by credit ratings, will determine eligible counterparties. Differing standards may be employed depending on the term, size, and interest-rate sensitivity of a transaction, types of counterparty, and potential for impact on the Board’s credit ratings. As a general rule, the Board will enter into transactions only with counterparties whose obligations are rated in the double-A category or better from at least one nationally recognized rating agency. In cases where the counterparty’s obligations are rated based on a guarantee or specialized structure to achieve the required credit rating, the Board shall thoroughly investigate the nature and legal structure of the guarantee or structure in order to determine that it fully meets the Board’s requirements.
  2. Collateralization on downgrade: If a counterparty’s credit rating is downgraded below the double-A rating category, the Board shall generally require that its exposure to the counterparty be collateralized.
  3. Termination: If a counterparty’s credit is downgraded below a second (lower) threshold, even with collateralization, the Board may exercise a right to terminate the transaction prior to its scheduled termination date. The Board will seek to require, whenever possible, that terminations triggered by a counterparty credit downgrade will occur on the side of the bid-offered spread which is most beneficial to the Board, and which would allow the Board to go back into the market to replace the downgraded party with another suitable counterparty at no out-of-pocket cost to the Board.
  4. Notice: The Board’s Swap counterparties will be required to notify the Board in the event a credit agency takes negative action with regard to the counterparty’s credit rating, including both an actual downgrading of the credit rating as well as the publication of a notice by a rating agency that the counterparty’s rating is in jeopardy of a downgrading (i.e., being placed on Standard & Poor’s Credit Watch or being assigned a negative outlook by Moody’s).
- J. In order to limit the Board’s counterparty risk, the Board will seek to avoid excessive concentration of exposure to a single counterparty or guarantor by diversifying its

counterparty exposure over time. Exposure to any counterparty will be measured based on the termination value of any Swap contracts entered into with the Counterparty, as well as such other measurements as the Board may deem suitable to measure potential changes in exposure, such as "value at risk" or "peak exposure." Termination value will be determined at least annually, based on a mark-to-market calculation of the cost of terminating the Swap contract given the market conditions on the valuation date. Aggregate Swap termination value for each counterparty should take into account netting of offsetting transactions (i.e., fixed-to-floating vs. floating-to-fixed). As a matter of general principle, the Board may require counterparties to provide regular mark-to-market valuations of Swaps they have entered into with the Board, and may also seek independent valuations from third party professionals.

- K. Method of Procurement: The Board will choose counterparties for entering into Swap contracts on either a negotiated or competitive basis. As a general rule, a competitive selection process will be used whenever reasonable, if the product is relatively standard, if it can be broken down into standard components, if two or more providers have proposed a similar product to the Board, or if competition will not create market pricing effects that would be detrimental to the Board's interests. Negotiated procurement may be used for original or proprietary products, for original ideas of applying a specified product to a Board need, to avoid market-pricing effects that would be detrimental to the Board's interests, or on a discretionary basis in conjunction with other business purposes. Consideration may be given in negotiated transactions to those counterparties who have demonstrated their willingness to participate in competitive transactions and have performed well. If it is determined that a Swap should be competitively bid, the Board may employ a hybrid structure to reward unique ideas or special effort by reserving a specified percentage of the Swap to the firm presenting the ideas on the condition that the firm match or improve upon the best bid.
- L. To provide safeguards on negotiated transactions, the Board should generally secure outside professional advice to assist in the process of structuring, documenting and pricing the transaction, and to render an opinion that a fair price was obtained. In all transactions, regardless of procurement method, the counterparty shall be required to disclose all payments to third parties (including lobbyists, consultants and attorneys) who had any involvement in assisting the counterparty in securing business with the Board.
- M. Risk Management: As a general rule, the Board will manage the risks of its Swap exposure on an enterprise-wide or "macro" basis, and will evaluate individual transactions within the larger context of their impact across the enterprise. Because of the size and complexity of the assets and liabilities of the Board and its established financial systems and controls, the Board will manage the risks and rewards of a Swap program alongside its overall financial risks and rewards. As part of its risk

management process, the Board will evaluate the aggregate risk of its Swap exposure as measured by value at risk, peak exposure, and/or realistic worst case scenarios.

N. Among the risks that the Board will monitor, evaluate, and seek to mitigate, are:

<b>Type of Risk</b>	<b>Description</b>	<b>Evaluation Methodology</b>	<b>Mitigation</b>
Counterparty Risk	The risk of a failure of one of the Board's Swap providers to perform as required under a Swap contract.	The Board will evaluate the Swap providers' credit ratings and existing exposure on other transactions.	The Board will diversify its exposure, impose minimum credit rating standard and require protective documentation provisions. (See above Sec. I, "Counterparty Credit Standards")
Termination Risk	The risk that a Swap may be terminated prior to its scheduled maturity due to factors outside the Board's control.	The Board will review potential sources of early termination, including those resulting from documentation provisions and the likelihood of credit downgrade that could precipitate an early termination.	The Board will use protective documentation provisions and will evaluate sources of liquidity and market access that could be used in the event a termination payment were required to be made.
Interest Rate Risk	The risk that the Board's costs associated with variable-rate exposure increase and negatively affects budgets, coverage ratios and cash flow margins. Variable-rate exposure may be created by a Swap from fixed to floating, or a Swap that otherwise creates some type of floating-rate liability. The interest rate risk presented by such a Swap may be increased as interest rates increase generally, as intra-market relationships change, or because of credit concerns relating to the Board or a credit enhancer.	Prior to taking on interest rate risk, the Board will measure its capacity for floating rate exposure, based on policy targets for its mix of fixed and floating rate debt and taking into consideration future variable rate needs.	The Board will maintain floating rate exposure within policy limits, and will make selected use of interest rate hedges, like caps and collars.
Basis Risk	The risk that the floating rate on the Swap fails to offset the floating rate on the underlying asset or	The Board will measure and review the historic variation between the floating rate index used	The Board will consider mitigation techniques as warranted, including maintaining a cushion



<b>Type of Risk</b>	<b>Description</b>	<b>Evaluation Methodology</b>	<b>Mitigation</b>
	<p>liability. Because Swaps are generally based on a floating-rate index, the chosen index should correlate with the floating rate on the underlying instrument, but may not correlate exactly. A common type of basis risk on Swaps used in conjunction with floating-rate tax-exempt debt is often referred to as “tax risk”, or the risk of a mismatch between the floating rate on the tax-exempt debt and a Swap index, such as one based on a taxable index like LIBOR. The correlation between the LIBOR-based rate and the floating rate on the debt may change based on changes in tax law or other market events.</p>	<p>in the Swap and the underlying floating rate debt it is hedging. In the absence of a sufficient history of underlying debt, it will use relevant comparable floating rate debt. The degree of risks should be evaluated in comparison with degree of benefit provided.</p>	<p>between the floating rate index and the expected trading level of the floating rate debt, creating a reserve to cover potential basis risk mismatches, and including provisions for optional termination.</p>
<p>Rollover Risk</p>	<p>When a Swap is used in conjunction with underlying puttable floating-rate debt, bank facility rollover risk exists if the term of a needed liquidity or credit facility on the debt is shorter than the term of the Swap. The Board is at risk as to both the availability and the price of successive bank facilities.</p>	<p>The Board will evaluate the likelihood of unavailability of bank facilities based on the underlying credit of the debt as well as the general market for liquidity facilities.</p>	<p>The Board may use any of the following mitigation techniques: purchasing longer term facilities for credits where rollover risk is greatest; including alternative floating rate mechanisms, like auction rate securities, in the bond documents; and, staggering the maturity dates of different liquidity facility programs to diversify points of market re-entry.</p>
<p>Pricing Risk</p>	<p>The risk that the Swap may not be priced competitively in comparison to the market for comparable Swap transactions.</p>	<p>Prior to entering into a Swap, the Board will make a determination that the transaction can be priced with reasonable transparency and confidence.</p>	<p>The Board will not enter into overly complex or illiquid transactions where competitive pricing cannot be ascertained. Where it meets Board objectives (as outlined above in</p>

Type of Risk	Description	Evaluation Methodology	Mitigation
			Section K “Method of Procurement”), it will use a competitive process. For negotiated transactions, it will seek independent price verification through appropriate professional advice.

The Board will measure and evaluate the effect of leverage contained within any Swap on the magnitude of any of the above-mentioned risks.

O. Reporting: The Board will track and regularly report on the financial implications of the Swaps it enters into. An annual report will be prepared for the Board including:

1. A summary of key terms of the agreements, including notional amounts, interest rates, maturity and method of procurement, including any changes to Swap agreements since the last reporting period;
2. The mark-to-market value (termination value) of its Swaps, as measured by the economic cost or benefit of terminating outstanding contracts at specified intervals;
3. The amount of exposure that the Board has to each specific counterparty, as measured by aggregate mark-to-market value, netted for offsetting transactions;
4. The credit ratings of each counterparty (or guarantor, if applicable) and any changes in the credit rating since the last reporting period; and
5. Any collateral posting as a result of Swap agreement requirements.
6. In addition, the Board will perform such monitoring and reporting as is required by the rating agencies or for compliance with GASB requirements.
7. In so much as the Board is hedging its risk exposure by having entered into the swap transaction(s), the effectiveness of each hedge will be measured by preparing a cash flow analysis comparing the payments received against the payments made.

#### VII. Method of Sale for Debt Issuance

The method of sale for debt issuance will be determined based on the following parameters;

- A. Competitive sale will be utilized, whenever possible, for the issuance of General Obligation new money.
- B. Competitive sale will be used for the sale of the Board’s short term debt instruments, including Revenue Anticipation Notes (RANs), Tax Anticipation Notes (TANs), and Bond Anticipation Notes (BANs).

- C. Negotiated sales may be utilized for the sale of debt that is of a size and complexity such that a negotiated process will likely result in a lower cost of funds, such as for Certificates of Participation (COPs) or refunding issues.
- D. The Board's Treasurer will coordinate all sales, however, issuing of request for bids and receipt of bids will be processed by the Board's Financial Advisor(s), unless electronic sealed bids through an internet auction service provider will be utilized.

#### VIII. Refunding Strategies

Whenever possible the Board will employ refunding strategies that provide for a lower cost of funds at target savings levels that are consistent with the following factors:

- A. The refunding will result in net savings to the Board.
- B. The refunding will not increase the Board's risk exposure.
- C. The refunding will not extend the original term of the existing debt.

#### IX. Debt Type / Parameters

The Board has issued the following types of debt and has utilized the following parameters including methods of sale:

**General Obligation Debt (GOB):** In compliance with State Statutes, the Board generally utilizes a competitive sale method.

- To maximize market demand for the Board's General Obligation Debt, Board staff and Financial Advisor do pre-marketing and investor calls.
- Results of the sale are compared with MMD for the day of sale and with the results of similarly rated issues on the same sale date.
- Proceeds of the Sales are invested in a separate portfolio account, segregated from other School Board funds.
- GO remarketings may be utilized when the bonds become callable and generate additional proceeds.
- GO refundings or remarketings, based on complexity or size, may be sold by negotiation.
- All proceeds from GO remarketings or refundings are used to fund eligible capital projects.

#### **Certificates of Participation (COP):**

- A competitive selection process, through a Request for Proposal (RFP) process and selection committee, is used for the selection of underwriters.
- The COPs are issued under a Master Trust Agreement whereby the Trustee holds in separate accounts each COP series acquisition fund (project funds), lease payment, cost of issuance and rebate accounts.
- The Board has utilized both fixed rate and variable rate (auction rate notes) and multi-modal (put bonds) for outstanding COPs.

- The Board has issued Qualified Zone Academy Bonds (QZABs) whereby investors are compensated with federal tax credits.
- The Board continuously monitors outstanding debt for appropriate refunding opportunities.
- The Board utilizes short term financing to allow for the delay in the issuance of COPs until a significant amount of the funding is required. Upon the issuance of COPs, the short term instruments are retired.

**Revenue Anticipation Notes (RANs):**

The Board has sold RANs competitively in advance of future COP issues to fund the planning and initial phases of new projects and to delay the issuance of new COP debt until a substantial amount of proceeds are needed. The Board benefits from usually lower short-term interest rates. This process has been further developed to include the issuance of RANs, in the form of a Line of Credit, which allows contracts to be let and encumbered without drawing on the Line of Credit until funds are actually expended. The RANs can be rolled over for five years. Proceeds from RANs sales can be invested in Pooled Cash funds or separately.

**Tax Anticipation Notes (TANs):**

The Board has competitively issued TANs, to the extent allowed by Federal and State law, to fund working capital reserves. TANs are issued at the beginning of the fiscal year, for a period of less than 365 days, and invested for a commensurate time period. To mitigate any risk associated with the issuance, the Board purchases investments concurrent with the sale of the TANs with a like maturity date. Proceeds from the sale can be invested in Pooled Cash funds or invested separately.

**X. Periodic Communications**

The Chief Financial Officer and Treasurer shall maintain ongoing and periodic communications with the Rating Agencies, Bond Insurers and Investor Community, as needed.

**XI. General Policies and Practices**

- A. Arbitrage calculations are done on an ongoing basis to monitor compliance with Federal Arbitrage Rebate Regulations.
- B. Credit Enhancements such as insurance and letters of credit are used when the reduction in interest expense exceeds the cost of the credit enhancement.
- C. Digital Assurance Certification LLC (DAC) is employed to handle all continuing disclosure bond covenants

## XII. Request For Proposals Guidelines

Underwriters, Bond Counsel, Disclosure Counsel, and Financial Advisor(s) will be selected via a Request for Proposal process under the following guidelines:

- A. All guidelines delineated in Board Rule 6Gx13- 3F-1.021, governing Request for Proposals and Professional Services Contracts, process will be adhered to.
- B. The Chief Financial Officer, the Treasurer, a representative from Facilities, and at least one member of the Treasury Advisory Committee or their designee will compose the voting members of the Selection Committee, along with any other members required under Board Rule 6Gx13- 3F-1.021.
- C. Each of the participants of the Selection Committee must adhere to applicable conflict of interest policies and must recuse themselves from the selection process if they, the company or business they represent or work for has an interest or ownership, and or receive benefits from any of the proposers to the Request for Proposal.
- D. Other providers in the debt issuance process may be selected via competitive bids, i.e. bond insurers, escrow agent, etc. Bids will be issued and received by the Board's Financial Advisor or agent such as Bond Counsel to complete the debt issuance in a timely and cost effective manner.

## XIII. Procedures For Post-Issuance Compliance With Applicable Internal Revenue Code Requirements (Direct-Pay Bonds)

The Board will comply with the policies and procedures provided in this Section XIII in order to ensure compliance with the requirements of the Internal Revenue Code (the "Code") that are applicable to the issuance of "Build America Bonds" that are "qualified bonds" within the meaning of Section 54AA thereof ("Direct-Pay BABs") that are eligible for interest subsidy payments. These policies and procedures, coupled with requirements contained in the Arbitrage and Tax Certificate (the "Tax Certificate") executed at the time of issuance of the Bonds, are intended to constitute written procedures for compliance with the Federal tax requirements applicable to the Bonds and for timely identification of violations of such requirements.

### A. General Matters.

1. Responsible Officer: The Treasurer will have overall responsibility for ensuring that the ongoing requirements described in this Section XIII are met with respect to the Bonds (the "Responsible Officer").
2. Establishment of Procedures: Procedures will be reviewed by the Treasury Advisory Committee, recommended to the School Board for approval and documented in Treasury Management's Procedural Manual for the items contained in this Section XIII.

3. Identify Additional Responsible Employees: The Treasurer shall identify any additional employees who will be responsible for each of the procedures described in this Section XIII, notify the current holder of that office of the responsibilities, and provide that person a copy of the procedures. (For each procedure, this may be the Treasurer or another person who is assigned the particular responsibility.)
  - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the procedures and ensure they understand the importance of the procedures.
  - b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all procedures have been appropriately assigned.
4. Periodic Review: The Treasurer or other responsible employees should periodically review compliance with these procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be remedied through the “remedial action” regulations (Treasury Regulation §1.141-12) or the Voluntary Closing Agreement Program described in Internal Revenue Service (“IRS”) Notice 2008-31 (or successor guidance).
5. Change in Bond Terms: If any changes to the terms of the Bonds are contemplated, bond counsel will be consulted. Such modifications could result in a reissuance, i.e., a deemed refunding, of the Bonds and thereby jeopardize the status of the Bonds as Direct-Pay BABs.

#### B. Issue Price and Premium Limit

1. Involving Bond Counsel Pre-pricing: Consult with bond counsel to ensure that:
  - a. Premium on each maturity of the Bonds (stated as a percentage of principal amount) does not exceed one-quarter of one-percent (0.25%) multiplied by the number of complete years to the earlier of final maturity of the Bond or, generally, the earliest call date of the Bond.
  - b. The excess of the Issue Price of the Bond issue over the price at which the Bond issue is sold to the underwriter or placement agent, when combined with other Issuance Costs paid from Proceeds of the Bond issue, does not exceed 2% of the Sale Proceeds of the Bond issue.
2. Working with Financial Advisor: Ensuring that a party other than the underwriter or placement agent (referred to herein as “underwriter”), such as a financial advisor, reviews the market trading activity of the Bonds after their Sale Date but before their Issuance Date, provides market data with respect to market pricing of the Bonds, provides summaries of the market data and reports of market conditions for the period of the market data, provides reports of any unsold balances of the Bonds, and answers any questions of the District and produces

additional reports, consistent with the forgoing to provide information to help the District determine whether the market pricing of the Bonds appears consistent with the Issue Price reported by the underwriter of the Bonds as of their Sale Date. (Market trading information is generally available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (EMMA) (<http://www.emma.msrb.org>.)

a. Records of reports produced, including copies of the market trading information, should be maintained.

#### C. IRS Information Return Filings

1. 8038-B: Ensuring that IRS Form 8038-B is timely filed with respect to each Bond issue, including the required debt service schedule and other required schedules and attachments; requesting a date-stamped copy of the filed form from the IRS and maintain it as part of the transcript for the Bond issue.

2. 8038-CP: Timely filing IRS Form 8038-CP with respect to each interest payment date or each quarter (in the case of certain variable rate bond issues).

a. Monitoring the amount of interest payable on each interest payment date to ensure that the proper amount of direct payment is requested on each Form 8038-CP.

b. If the payments to be made by the Federal government with respect to the Bonds will be paid to a person other than the Issuer (e.g., the Bond trustee or the state or local government on whose behalf an authority issued the Bonds), obtaining and recording the contact information of that person, and ensuring that it is properly shown on Form 8038-CP so that the direct payment will be made to the proper person.

#### D. Use of Proceeds

1. Consistent Accounting Procedures: Clear accounting procedures for tracking investment and expenditures of Bond Proceeds, including Investment Proceeds.

2. Reimbursement Allocations at Closing: At or shortly after issuance of a Bond issue, for the allocation of Proceeds of the Bond issue to reimbursement of prior expenditures, as appropriate.

3. Cost of Issuance: Ensuring that no more than 2% of the Sale Proceeds of a Bond issue are used to pay Issuance Costs.

4. Capital Expenditures: Ensuring that 100% of all Sale Proceeds and Investment Proceeds, other than Sale Proceeds used to pay Issuance Costs (up to the 2% limit described above) or deposited in a reasonably required reserve fund, are allocated to Capital Expenditures.

5. Requisitions: Ensuring that requisitions are used to draw Bond Proceeds and making sure the requisitions contain the information needed to show what and how Bond Proceeds were spent; reviewing them carefully before submission to ensure proper use of Bond Proceeds to minimize need for reallocations.
6. Final Allocation: Ensuring that a final allocation of Bond Proceeds (including Investment Proceeds) to qualifying expenditures is made if Bond Proceeds are to be allocated to project expenditures on a basis other than "direct tracing" (direct tracing means treating the Bond Proceeds as spent as shown in the accounting records for bond draws and project expenditures). An allocation other than on the basis of "direct tracing" is often made to reduce the Private Business Use (see E., below) of Bond Proceeds that would otherwise result from "direct tracing" of Bond Proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the Issuance Date of the Bonds or 60 days after the Bond issue is retired.* Bond counsel can assist with the final allocation of Bond Proceeds to project costs.
7. Record Retention: Maintaining careful records of all project and other costs (e.g., Issuance Costs, credit enhancement and capitalized interest) and uses (e.g., deposit to reserve fund) for which Bond Proceeds were spent or used. These records should be maintained separately for each issue of Bonds.

#### E. Monitoring Private Business Use

1. Review of Contracts with Private Persons: Reviewing all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as "Private Persons") with respect to the Bond-financed facilities which could result in Private Business Use of the Bond-Financed facilities:
  - a. Sales of Bond-financed facilities.
  - b. Leases of Bond-financed facilities.
  - c. Management or service contracts relating to Bond-financed facilities.
  - d. Research contracts under which a Private Person sponsors research in Bond-financed facilities.
  - e. Any other contracts involving "special legal entitlements" (such as naming rights or exclusive provider arrangements) granted to a Private Person with respect to Bond-financed facilities.
2. Bond Counsel Review of New Leases, Management, Research and Other Contracts: Before amending an existing agreement with a Private Person or entering into any new lease, management, service, or research agreement with a



Private Person, engaging bond counsel to review such amendment or agreement to determine whether it results in private business use.

3. Establish Procedures to Ensure Proper Use: Establishing procedures to ensure Bond financed facilities are identified and are not used for private use without written approval of Responsible Officer.
4. Analyze Use: Analyzing any private business use of Bond-financed facilities and, for each issue of Bonds, determining whether the 10% limit on private business use (5% in the case of “unrelated or disproportionate” private business use) is exceeded, and contacting bond counsel or other tax advisors if either of these limits is exceeded.
5. Record Retention: Retaining copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with Private Persons for the period indicated in G. below.

#### F. Arbitrage and Rebate

1. Yield: Recording the “Yield” of the Bond issue, as shown on the Form 8038-B.
2. Temporary Period: Reviewing the Tax Certificate to determine the “Temporary Periods” for the Bond issue, during which periods various categories of Gross Proceeds of the Bond issue may be invested without Yield restriction.
3. Post-Temporary Period Investments: Ensuring that Proceeds of the Bond issue are not invested in investments with a Yield above the Bond Yield following the end of the applicable Temporary Period identified in F.2. unless Yield reduction payments may be made (see Tax Certificate).
4. Monitoring Temporary Period Compliance: Monitoring expenditures of Bond Proceeds, including Investment Proceeds, against Issuance Date expectations for satisfaction of three-year or five-year Temporary Period from Yield restriction on investment of Bond Proceeds and to avoid “hedge bond” status.
5. Establishing Fair Market Value of Investments: Ensuring that investments acquired with Bond Proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors.
6. Debt Service, Credit Enhancement and Sinking Funds: Consulting with bond counsel before engaging in credit enhancement or hedging transactions in respect of a Bond issue, and before creating separate funds that are reasonably expected to be used to pay Debt Service on the Bonds.
7. Document Retention: Maintaining copies of all contracts and certificates relating to credit enhancement and hedging transactions.

8. Donations: Before beginning a capital campaign that may result in gifts that are restricted to Bond-financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consulting bond counsel to determine whether Replacement Proceeds may result.
9. Bona Fide Debt Service Fund: Even after all Proceeds of a given Bond issue have been spent, ensuring that the debt service fund meets the requirements of a "Bona Fide Debt Service Fund," i.e., one used primarily to achieve a proper matching of revenues with Debt Service that is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding Bond Year; or (ii) one-twelfth of the Debt Service on the issue for the immediately preceding Bond Year. To the extent that a debt service fund qualifies as a Bona Fide Debt Service Fund for a given Bond Year, the investment of amounts held in that fund is not subject to Yield restriction for that year.
10. Debt Service Reserve Fund: Ensuring that amounts invested in any reasonably required debt service reserve fund do not exceed the least of: (i) 10% of the stated principal amount of the Bonds (or the Sale Proceeds of the Bond issue if the Bond issue has original issue discount or original issue premium that exceeds 2% of the stated principal of the Bond issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual Debt Service on the Bond issue; or (iii) 125% of average annual Debt Service on the Bond issue.
11. Rebate Requirement: Reviewing the Arbitrage Rebate covenants attached to Tax Certificate. Subject to the exceptions described below, investment earnings on Bond Proceeds at a Yield in excess of the Bond Yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a Temporary Period exception from Yield restriction allowed the earning of positive arbitrage.
  - a. Ensuring that rebate calculations will be timely performed and payment of Rebate Amounts, if any, will be timely made; such payments are generally due 60 days after the fifth anniversary of the Issuance Date of the Bond issue, then in succeeding installments every five years; the final rebate payment for a Bond issue is due 60 days after retirement of the last Bond of the issue; hiring a rebate consultant if necessary.
  - b. Reviewing the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the Bond issue.
  - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Arbitrage Rebate covenants attached to the Tax Certificate) may apply to the Bonds, ensuring that the spending of Proceeds is monitored prior to semi-annual spending dates for the applicable exception.

d. Timely making rebate and Yield reduction payments and filing Form 8038-T.

e. Even after all other Proceeds of a given Bond issue have been spent, ensuring compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants attached to the Tax Certificate).

12. Record Retention: Maintaining records of investments and expenditures of Proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and Yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions.

G. Record Retention

Maintain all records and documents described in these procedures while any of the Bonds of the issue are outstanding and during the three-year period following the final maturity or redemption of the Bond issue or, if later, while any bonds that refund (or re-refund) Bonds of that original issue are outstanding and for the three year period following the final maturity or redemption date of the latest refunding Bond issue.

The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, and strives affirmatively to provide equal opportunity for all as required by:

**Title VI of the Civil Rights Act of 1964** - prohibits discrimination on the basis of race, color, religion, or national origin.

**Title VII of the Civil Rights Act of 1964**, as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

**Title IX of the Education Amendments of 1972** - prohibits discrimination on the basis of gender.

**Age Discrimination in Employment Act of 1967 (ADEA)**, as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

**The Equal Pay Act of 1963**, as amended - prohibits sex discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

**Section 504 of the Rehabilitation Act of 1973** - prohibits discrimination against the disabled.

**Americans with Disabilities Act of 1990 (ADA)** - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

**The Family and Medical Leave Act of 1993 (FMLA)** - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

**The Pregnancy Discrimination Act of 1978** - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

**Florida Educational Equity Act (FEEA)** - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

**Florida Civil Rights Act of 1992** - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

**School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10** - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

*Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.*

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