

Financial Services
Richard H. Hinds, Chief Financial Officer

**SUBJECT: ISSUANCE OF A REQUEST FOR MARKET QUOTATION AND
REPLACEMENT BID AND EXECUTION OF \$57,440,000 INTEREST
RATE SWAP FOR EXISTING SWAP ASSOCIATED WITH THE COP
SERIES 2008C UPDATE & APPROVAL OF RESOLUTION 12-034**

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY

The School Board approved the issuance of a Request for Market Quotation and Replacement Bid and execution of \$57,440,000 Interest Rate Swap associated with the COP Series 2008C on December 14, 2011 under Agenda Item E-25. Over the past two months the District's Derivative Advisor has explored the replacement of the 2008C Swap under substantially similar terms with a new creditworthy counterparty. Due to current market conditions and the favorable terms under the existing swap other options are available to the School Board, which require additional authorization to provide for a negotiated transaction and or alternative options that are considered to be in the District's best interest.

Under the current swap terms, the District has the optional right to terminate the swap and authorize the replacement of the swap with a new creditworthy counterparty when the counterparty is "downgraded to or below either A3 or A-" by Moody's and S&P, respectively. Banks today have heightened concern about their own creditworthiness to be subject to this term. In addition, there was additional concern about the unilateral requirement to have the counterparty (not the school board) post collateral, as well as appropriation risk related to a termination payment by the School Board.

As such only Royal Bank of Canada (RBC) the current COP 2002A&B, swap counterparty has indicated that they would be willing to replace Merrill Lynch Capital Services (MLCS) in the 2008C swap under the same terms of the COP 2002A&B on an uninsured basis, which are similar to the 2008C swap terms. The main difference is that the termination trigger for the 2002A&B is one notch below for both Moody's and S&P than the 2008C trigger at "downgraded to below A3 and A-".

E-25

At the time the district entered into both the RBC & MLCS swaps in 2006, RBC was higher rated by one notch than MLCS by both Moody's and S&P. Currently RBC is higher rated by Moody's at Aa1, than they were in 2006 at Aa2, while they have the same rating as in 2006 by S&P, which is AA-. The principal risk to the district in negotiating with RBC is that it will increase the district's swap exposure with RBC. However, RBC is one of the highest rated banks in the world and high on the list of approved bidders.

The Treasury Advisory Committee reviewed all options available to the district at the February 6, 2012 meeting and recommended that the School Board approve Resolution 12-034 that provides for negotiating terms with RBC and or allowing alternative options that are in the best interest of the District to be pursued in the replacement of the existing swap associated with the COP Series 2008C.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, approve Resolution 12-034, amending Resolution 11-139 authorizing the termination and replacement of the current swap associated with the COP Series 2008C.

RESOLUTION NO. 12-034

A RESOLUTION OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, AMENDING RESOLUTION NO. 11-139, AUTHORIZING TERMINATION AND REPLACEMENT OF THE CURRENT INTEREST RATE EXCHANGE AGREEMENT RELATED TO THE SERIES 2008C CERTIFICATES OF PARTICIPATION; AUTHORIZING THE INCURRENCE OF OBLIGATIONS AND THE EXPENDITURE OF FUNDS IN CONNECTION WITH THE TERMINATION AND REPLACEMENT OF THE CURRENT INTEREST RATE EXCHANGE AGREEMENT; PROVIDING FOR INCIDENTAL ACTION; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, The School Board of Miami-Dade County, Florida (the "School Board") as the governing body of the School District of Miami-Dade County, Florida (the "District"), adopted Resolution No. 11-139 on December 14, 2011 (the "Prior Resolution"); and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Prior Resolution; and

WHEREAS, the Prior Resolution provided for the termination of the Current Series 2008C Interest Rate Exchange Agreement and its replacement with an interest rate exchange agreement with the successful bidder based on criteria set forth in the Swap Term Sheet; and

WHEREAS, there was insufficient interest from potential providers willing to enter into an interest rate exchange agreement with respect to the Series 1998B Lease and Series 2008C Certificates (the "Replacement Series 2008C Interest Rate Exchange Agreement") on substantially similar terms as the existing Current Series 2008C Interest Rate Exchange Agreement to proceed with a competitive bidding process; and

WHEREAS, the School Board has considered various proposals for a Replacement Series 2008C Interest Rate Exchange Agreement, including a proposal from the Royal Bank of Canada ("RBC") which offers an interest rate exchange agreement based on an uninsured version of the terms and conditions of the interest rate exchange agreements between RBC and the School Board entered into in 2006 in connection with the Series 2002A Certificates of Participation and the Series 2002B Certificates of Participation ; and

WHEREAS, because of the volatility of the market and the necessity for the provider of the Replacement Series 2008C Interest Rate Exchange Agreement to hedge its agreement

immediately, it is necessary to delegate the authority to determine the provider of the Replacement Series 2008C Interest Rate Exchange Agreement and the terms thereof, subject to certain restrictions;

NOW THEREFORE, BE IT RESOLVED BY THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA THAT:

Section 1. The School Board hereby authorizes and directs the Superintendent to enter into the Replacement Series 2008C Interest Rate Exchange Agreement subject to the conditions set forth in Section 2 hereof.

Section 2. The Superintendent, upon the advice of the School Board's Derivatives Advisor, Financial Advisor and Special Tax Counsel, is hereby directed to negotiate the terms of the Replacement Series 2008C Interest Rate Exchange Agreement with RBC or with providers of new arrangements that are in the best interests of the District and which are not inconsistent with the terms of this Resolution, applicable law and other applicable agreements.

Section 3. The Chair, Vice Chair, Superintendent, Chief Financial Officer and Treasurer are each further authorized to identify the details of the Replacement Series 2008C Interest Rate Exchange Agreement for purposes of Treasury Regulation §1.148-4(h)(2)(viii), by executing an Identification of Hedge.

Section 4. The Chair, Vice Chair, Secretary, Superintendent, Chief Financial Officer, Treasurer, and School Board Attorney are each authorized and directed to execute and deliver all additional documents, contracts, instruments and certificates, including, without limitation, amendments, supplements, restatements or other modifications to the Series 1998B Lease, the Series 2008C Supplemental Trust Agreement and any other documents related to the Series 2008C Certificates and to take all actions and steps, which are necessary or desirable in connection with the execution and delivery of the Replacement Series 2008C Interest Rate Exchange Agreement, and which are not inconsistent with the terms and provisions of this Resolution.

Section 5 It is hereby found and determined that all formal actions of the School Board concerning and relating to the adoption of this Resolution and the consummation of the transactions contemplated by this Resolution were adopted in open meetings of the School Board, and that all deliberations of the School Board that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements.

Section 6 If any section, paragraph, clause or provision of this Resolution shall be held invalid by any court of competent jurisdiction, such holding shall not affect any other section, paragraph, clause or provision of this Resolution.

Section 7 All resolutions or portions thereof previously adopted by the School Board, including, without limitation, the Prior Resolution, which are inconsistent with the provisions of this Resolution are hereby repealed to the extent of such inconsistency.

Section 8. This Resolution shall take effect immediately upon its adoption.

Adopted this 15th day of February, 2012.

Chair, The School Board of Miami-Dade County,
Florida

Attest:

Secretary, The School Board
of Miami-Dade County, Florida

Approved as to form:

School Board Attorney