

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT: PROPOSED AMENDMENT OF BOARD POLICY: INITIAL  
READING 6145 - DEBT MANAGEMENT**

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

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

This item is submitted for consideration by the Board to amend the Debt Management Policies, School Board Rule 6145, *Debt Management*. The proposed revision to Section A of the Debt Management Policies, enhances, clarifies and formalizes staff and Treasury Advisory Committee roles in supporting the Board's debt policy objectives. Section A also formalizes policies related to policy reviews, review of financing proposals, and unsolicited financing proposals.

Additionally, the following areas related to debt management functions of the District are being revised to strengthen internal controls:

- Swap Guidelines
- Disclosure
- Post Issuance Compliance

The Treasury Advisory Committee reviewed the proposed revisions to the Debt Management Policies on November 19, 2012 and on June 13, 2013, and recommended that the Board approve the proposed amendment. Certain revisions also incorporated preliminary recommendations from the Office of Management and Compliance Audits based on their review of Internal Controls over Derivative Instruments.

Attached are the Notice of Intended Action, and the proposed amended rule. Changes from the current rule are indicated by underscoring and highlighting words to be added and ~~striking through~~ words to be deleted.

Authorization of the Board is requested for the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act for the amendment of School Board Policy 6145 - Debt Management.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida, authorize the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to amend School Board Policy 6145 - Debt Management

**E-200**

## NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on September 3, 2013, its intention to amend Board Policy 6145 - Debt Management, at its meeting of October 16, 2013.

**PURPOSE AND EFFECT:** The proposed debt management policies revisions enhance, clarify and formalize staff and Treasury Advisory Committee role in supporting the Board's debt policy objectives and formalize policies related to policy reviews, review of financing proposals, and unsolicited financing proposals. In addition, swap guidelines, disclosure, and post-issuance compliance polices related to the debt management functions of the district are being updated to strengthen internal controls.

**SUMMARY:** The proposed debt management policies revisions strengthen internal controls in the areas of policy reviews, financing proposals, unsolicited financing proposals, swap guidelines, disclosure, and post-issuance compliance related to the debt management functions of 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 16, 2013, 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 September 30, 2013, 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 20, 2013

1 DEBT MANAGEMENT

2 The objectives of the Board's debt policies are to provide for the lowest cost of funds;  
3 maximize proceeds available to fund capital projects by integrating the capital  
4 planning function with the debt financing function; limit debt issuance for capital  
5 investments to targeted debt capacity levels; reduce risks by establishing and  
6 monitoring risk management strategies such as asset liability matching and use of  
7 derivative products to hedge interest rate exposure; maintain the confidence of the  
8 rating agencies, bond insurers, and investor markets; comply with all State and  
9 Federal requirements regarding the sale of debt and the investment and expenditure  
10 of proceeds; maintain the integrity and transparency of the underwriter selection  
11 process and all other outside providers in the debt management process; and/or  
12 monitor the development and market acceptance of new municipal market products  
13 to evaluate suitability to the Board's needs.  
14

15 A. Staff & Treasury Advisory Committee role in supporting the  
16 Board's debt policy objective

17 Treasurer in consultation with the Financial Advisor will review  
18 Debt Management policies at least on an annual basis to  
19 determine if any proposed revisions are warranted. The Treasury  
20 Advisory Committee shall review the Debt Management Policies at  
21 least on an annual basis.

22 Ongoing monitoring of compliance with policies will be directed by  
23 the Treasurer and any exceptions from policy must be reported to  
24 the Committee by the Treasurer via an Exception Report to the file  
25 that includes rationale and proposed action, if needed.

26 Proposed policy revisions or exception from policy will be  
27 forwarded to the Board upon Committee recommendation.  
28 Treasury Advisory Committee Annual Report shall include  
29 activities of review of policy and/or exceptions reports. Any  
30 recommended Board action that necessitates exception from Debt  
31 Management policy shall disclose the rationale for exception from  
32 Board policy in the Board Agenda item.

33 A plan of finance or other Board action item will only be presented  
34 to the Treasury Advisory Committee for review after the Treasurer  
35 in consultation with the Financial Advisor, legal counsel, other  
36 district staff, and/or other financial consultants, as needed, has  
37 reviewed and evaluated financing plan and/or board action to  
38 ensure compliance with Debt Management Policies and suitability.  
39 Proposed financing and/or proposed Board action will be

1 forwarded to the Board upon Committee recommendations.  
2 Pending or lack of Committee recommendation shall be disclosed  
3 in the Board Item. Board item shall summarize salient matters  
4 reviewed by the Committee.

5 The Treasury Advisory Committee Chair shall review the Treasury  
6 Advisory Committee Annual Report prior to submitting the report  
7 for Board approval.

8 Unsolicited financing proposals will only be accepted for review  
9 and evaluation by the Chief Financial Officer and/or Treasurer in  
10 consultation with the District Financial Advisor. Only if a review  
11 by the Treasury Advisory Committee is warranted, will the  
12 proposal be provided to the Committee for review. Key to the  
13 review by staff and/or the Committee, along with review of  
14 financial implications and adherence to Board policies, will be  
15 determining suitability with the Board's debt portfolio,  
16 affordability, legal requirements and potential impact on the  
17 Board's credit rating. Prior to implementing any proposed plan of  
18 finance based on unsolicited proposals, a request for proposal  
19 and/or term sheet will be issued to the Board Authorized  
20 Underwriters and/or any other applicable financial entities to  
21 assure all competitive proposals are reviewed by the Committee  
22 prior to recommending Board action.

23  
24 **BA. Debt Issuance Purpose**

25 The Board will issue debt for the following purposes:

- 26 1. Capital outlay needs including, but not limited to, new school  
27 buildings, renovations, and equipment, such as school buses  
28 and information technology systems.
- 29 2. To fund working capital reserves for operations, as needed.
- 30 3. Large scale investments or funding needs of the Board, as  
31 appropriate.

32 **CB. Debt Affordability Reviews and Policies**

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

- 35 1. General obligation debt will be limited to amounts and  
36 projects approved by voters in a bond referendum.

**THE SCHOOL BOARD OF  
MIAMI-DADE COUNTY**

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- 1                    2.    Any and all debt supported by the Local Optional Millage Levy  
2                    (LOML) will be targeted to be less than one half of the annual  
3                    LOML revenues.
  
- 4                    3.    The Capital Plan will be depended on adequate funding and  
5                    financing.
  
- 6                    4.    A debt capacity analysis including proposed debt issuances  
7                    will be prepared and reviewed by the Treasury Advisory  
8                    Committee at least annually.
  
- 9                    5.    A portfolio risk assessment balancing short and long term  
10                    investments with a mix of short and long term debt, fixed to  
11                    variable debt percentages, and synthetic to natural debt  
12                    percentages will be prepared periodically and reviewed by the  
13                    Treasury Advisory Committee at least annually.
  
- 14                    6.    Debt amortization will be targeted to be over forty-five  
15                    percent (45%) in fifteen (15) years.
  
- 16                    7.    Debt maturities will be equal to or shorter than the useful life  
17                    of the projects.

18                    DE.    Debt Structures and Instruments

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

- 22                    1.    Short and long term maturities.
  
- 23                    2.    Fixed, variable, and/or stepped coupon debt. Variable debt  
24                    limited to 20% for long-term variable hedged and unhedged at  
25                    time of issuance.
  
- 26                    3.    Zero coupon bonds, capital appreciation bonds, deep  
27                    discount bonds, or premium bonds.
  
- 28                    4.    Line of credit for interim financing.
  
- 29                    5.    Leased-backed debt.
  
- 30                    6.    Level debt payments or level principal payments or wrap  
31                    around structuring.
  
- 32                    7.    Short and/or long coupon maturities.

- 1                   8.     Mandatory and optional call features.
- 2                   9.     Credit enhancements.
- 3                   10.    Derivative products.

4           ED.   Swap Policy Guidelines

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

- 7                   1.     The purpose of the Swap Policy is to provide a ~~policy~~  
8                   guidelines for the Board's use of swaps, cap, floors, collars,  
9                   options and other derivative financial products ("Swaps") in  
10                  conjunction with the Board's management of its assets and  
11                  liabilities. The ~~policy~~ Swap Policy is intended to serve as a  
12                  source of information and guidance on the implementation  
13                  and ongoing monitoring of Swaps for the professional staff of  
14                  the Board, the Board members, and the rating agencies, as  
15                  well as the general public and financial institutions wishing  
16                  to do business with the Board.
- 17                  2.     The policy describes the circumstances and methods by  
18                  which Swaps will be used, the guidelines to be employed  
19                  when Swaps are used, and who is responsible for carrying out  
20                  these policies.
- 21                  3.     The Board's legal authority for using Swaps is based on the  
22                  Board's general contractual powers and home rule authority.  
23                  Under this authority, the Board may enter into Swaps as  
24                  authorized by the Board in connection with the issuance or  
25                  payment of certain debt obligations, before, concurrently  
26                  with, or after the actual issuance of the debt.
- 27                  4.     Prior to entering, amending, or terminating any swap, the  
28                  Board will consider and meet all applicable regulatory  
29                  requirements for swap transactions in consultation with its  
30                  advisors and legal counsel. The Board will consider relevant  
31                  advisories and maintain full compliance prior to entering,  
32                  amending, or terminating any swap and provide ongoing  
33                  monitoring of compliance with the following entities:  
34                  -     CFTC (Commodity Futures Trading Commission)  
35                  -     GFOA (Government Finance Officers Association)  
36                  -
- 37                  45.    The Board shall consider entering into Swaps based on the  
38                  following analysis:

- 1 a. The appropriateness of the transaction for the Board  
2 based on the balance of risks and rewards presented  
3 by the proposed transaction, including a detailed  
4 description of the transactional structure, a description  
5 of the risks it presents, and risk mitigation measures,  
6 where applicable;
- 7 b. The legal framework for the transaction within the  
8 context of Florida statutes, Board authorization, and  
9 relevant indenture and contractual requirements  
10 (including those contained in credit agreements), as  
11 well as any implications of the transaction under  
12 Federal tax regulations;
- 13 c. The potential effects that the transaction may have on  
14 the credit ratings of any Board obligations assigned by  
15 the rating agencies;
- 16 d. The potential impact of the transaction on any areas  
17 where the Board's capacity is limited, now or in the  
18 future, including the use of variable-rate debt, bank  
19 liquidity facilities or letters of credit, and bond  
20 insurance;
- 21 e. The ability of the Board and its professional staff to  
22 ~~handle~~ manage any administrative burden ~~that may be~~  
23 ~~imposed by~~ associated with the transaction, including  
24 accounting and financial reporting requirements; and
- 25 f. Other implications of the proposed transaction as  
26 warranted.

27  
28  
29 ~~65.~~ 65. ~~Approval to e-~~ Entering into a Swap will be subject to  
30 appropriate legal authorization ("Swap Authorization") from  
31 the Board. The Swap Authorization will authorize the Swap  
32 agreement and its provisions, and establish authorized  
33 parameters for notional amount, Swap maturity, source of  
34 payments, and other relevant provisions. The Swap  
35 Authorization will specify the appropriate Board officials to  
36 whom relevant authority is delegated to carry out the  
37 necessary steps to enter into, monitor and administer the  
38 Swap, and the parameters within which their delegated  
39 authority may function. In the event of a conflict between a  
40 Swap Authorization and this ~~Master~~ Swap Policy, the terms  
41 and conditions of the Swap Authorization will govern.

42  
43 ~~76.~~ 76. ~~Because of the effects of continual innovation in the financial~~  
44 ~~markets, t-~~ This Master Swap Policy recognizes that the

1 reasons for use of Swaps may change over time, ~~taking~~  
2 ~~advantage of market developments as they evolve and are~~  
3 ~~tested.~~ Among the strategies which the Board will consider in  
4 applying Swaps are:

- 5
- 6 a. managing the Board's exposure to floating and fixed  
7 interest rates, through interest rate swaps, caps, floors,  
8 collars, and other option products;
- 9
- 10 b. hedging floating rate risk with caps, collars, basis  
11 swaps, and other instruments;
- 12 c. locking in fixed rates in current markets for ~~use at a~~  
13 ~~later~~ forward date, through the use of forward swaps,  
14 swaptions, rate locks, options, and forward delivery  
15 products;
- 16
- 17 d. reducing the cost of fixed or floating rate debt, through  
18 swaps and related products to create "synthetic" fixed  
19 or floating rate debt;
- 20 e. ~~more rapidly accessing the capital markets than may~~  
21 ~~be possible with conventional debt instruments;~~
- 22 f. ~~managing the Board's exposure to the risk of changes~~  
23 ~~in the legal and regulatory treatment of tax exempt~~  
24 ~~bonds, including changes in Federal marginal tax rates~~  
25 ~~and other changes in tax laws that may affect the value~~  
26 ~~of tax exempt bonds relative to other investment~~  
27 ~~alternatives;~~
- 28 eg. managing the Board's credit exposure to financial  
29 institutions and other entities through the use of  
30 offsetting swaps and other credit management  
31 products; and
- 32 fh. other applications to enable the Board to ~~increase~~  
33 ~~income~~, lower costs, or strengthen the Board's balance  
34 sheet.

35 While the Board may use Swaps to increase or decrease the  
36 amount of floating-rate exposure on the Board's balance  
37 sheet, the Board will **not** enter into Swaps for speculative  
38 purposes. Speculative derivatives include transactions,  
39 where the intent is solely to profit from movements in  
40 markets without an underlying business risk to be hedged.



1 Investment derivatives at the time of issuance are not  
2 authorized.

3  
4 87. The Board will use one of the forms of the International Swap  
5 and Derivatives Association, Inc. ("ISDA") Master Agreement  
6 ~~as a framework~~ for Swap documentation. The Swap  
7 agreement between the Board and each counterparty shall  
8 include payment, term, security, collateral, default, remedy,  
9 termination, and other terms, conditions, provisions and  
10 safeguards as the Board, in consultation with its advisors and  
11 legal counsel, deems necessary or desirable.

12  
13 98. Subject to the provisions of this Swap pPolicy, the terms of  
14 any Board Swap agreement shall adhere to the following  
15 guidelines:

16  
17 a. Downgrade provisions triggering termination shall be  
18 reflective of the relative credit strength of the Board in  
19 comparison with the Swap provider. ~~This comparison~~  
20 ~~should give weight to the prevailing greater credit~~  
21 ~~strength of public sector entities as compared with~~  
22 ~~private sector financial institutions. In no event should~~  
23 ~~the downgrade trigger be no worse with respect to the~~  
24 Board than those affecting the Swap provider.

25  
26 b. The Board will strive to minimize or avoid cross default  
27 provisions. The ~~specified~~ indebtedness related to  
28 credit events in any Swap agreement should be  
29 narrowly defined and refer only to indebtedness of the  
30 Board that could have a materially adverse effect on  
31 the Board's ability to perform its obligations under the  
32 Swap. Debt should only include obligations within the  
33 same or superior lien as the Swap obligation.

34  
35 c. Collateral thresholds ~~for the Swap provider~~ should be  
36 set on a sliding scale reflective of credit ratings.  
37 ~~Collateral requirements should be established and~~  
38 ~~based upon the credit ratings of the Swap provider or~~  
39 ~~its guarantor. The Board should not agree to post~~  
40 collateral.

41  
42 d. Eligible collateral should generally be limited to cash  
43 and Treasury Securities and obligations of Federal  
44 agencies where the principal and interest are  
45 guaranteed by the United States. At the discretion of  
46 the Board, other high-quality obligations of Federal

1 agencies, not secured by the full faith and credit of the  
2 U.S. government, may be used as collateral.

- 3  
4 e. The Board shall have the right to optionally terminate  
5 a Swap agreement "at market," at any time over the  
6 term of the agreement. The Swap provider should have  
7 no similar right.

8 109. Counterparty Credit Standards: ~~Unlike conventional fixed-~~  
9 ~~rate bonds, many~~ Swap products can create for the Board a  
10 continuing exposure to the creditworthiness of financial  
11 institutions that serve as the Board's counterparties on Swap  
12 transactions. To protect the Board's interests in the event of a  
13 counterparty credit problem, the Board will adhere to the  
14 following standards:

- 15  
16 a. Use of highly rated counterparties: Standards of  
17 creditworthiness, as measured by long-term credit  
18 ratings, will determine eligible counterparties.  
19 Differing standards may be employed depending on the  
20 term, size, and interest-rate sensitivity of a  
21 transaction, types of counterparty, and potential for  
22 impact on the Board's credit ratings. As a general rule,  
23 the Board will enter into transactions only with  
24 counterparties whose obligations are rated in the  
25 double-A category or better from at least one nationally  
26 recognized rating agency. In cases where the  
27 counterparty's obligations are rated based on a  
28 guarantee or specialized structure to achieve the  
29 required credit rating, the Board shall thoroughly  
30 investigate the nature and legal structure of the  
31 guarantee or structure in order to determine that it  
32 fully meets the Board's requirements.

- 33 b. Collateralization on downgrade: If a counterparty's  
34 credit rating is downgraded below the double-A rating  
35 category, the Board shall ~~generally~~ require that its  
36 exposure to the counterparty be collateralized.

- 37 c. Termination: If a counterparty's credit rating is  
38 downgraded below a second (lower) threshold, even  
39 with collateralization, the Board may exercise a right to  
40 terminate the transaction prior to its scheduled  
41 termination date. The Board will seek to require,  
42 whenever possible, that terminations triggered by a  
43 counterparty credit downgrade will occur on the side of  
44 the bid-offered spread which is most beneficial to the  
45 Board, and which would allow the Board to go back

1 into the market to replace the downgraded party with  
2 another suitable counterparty at no out-of-pocket cost  
3 to the Board.

- 4 d. Notice: The Board's Swap counterparties will be  
5 required to notify the Board in the event a credit  
6 agency takes negative action with regard to the  
7 counterparty's credit rating, including both an actual  
8 downgrading of the credit rating as well as the  
9 publication of a notice by a rating agency that the  
10 counterparty's rating is in jeopardy of a downgrading  
11 (i.e., being placed on Standard & Poor's Credit Watch  
12 or being assigned a negative outlook by Moody's).

13 ~~110. In order to limit the Board's counterparty risk, the~~ The Board  
14 will seek to avoid excessive concentration of exposure to a  
15 single counterparty or guarantor by diversifying its  
16 counterparty exposure over time. Exposure to any  
17 counterparty will be measured based on the termination  
18 value of any Swap contracts entered into with the  
19 Counterparty, ~~as well as such o~~ Other measurements as the  
20 Board may deem suitable to measure potential changes in  
21 exposure, such as "value at risk" or "peak exposure." may  
22 also be used. Termination value will be determined at least  
23 monthly ~~annually~~, based on a mark-to-market calculation of  
24 the cost of terminating the Swap contract given the market  
25 conditions on the valuation date. Aggregate Swap termination  
26 value for each counterparty should ~~take into account netting~~  
27 ~~of offsetting transactions (i.e., fixed-to-floating vs. floating-to-~~  
28 ~~fixed). As a matter of general principle, the Board may shall~~  
29 require counterparties to provide regular mark-to-market  
30 valuations of Swaps they have entered into with the Board,  
31 and ~~may shall~~ also seek independent valuations from third  
32 party professionals.

33  
34 ~~121..~~ Method of Procurement: The Board will choose counterparties  
35 for entering into Swap contracts on either a negotiated or  
36 competitive basis. ~~As a general rule, a~~ A competitive selection  
37 process will be used whenever reasonable, if the product is  
38 relatively standard, if it can be broken down into standard  
39 components, if two (2) or more providers have proposed a  
40 similar product to the Board, or if competition will not create  
41 market pricing effects that would be detrimental to the  
42 Board's interests. Negotiated procurement may be used for  
43 original or proprietary products, for original ideas of applying  
44 a specified product to a Board need, to avoid market-pricing  
45 effects that would be detrimental to the Board's interests, or  
46 on a discretionary basis in conjunction with other business

1 purposes. Consideration may be given in negotiated  
2 transactions to those counterparties who have demonstrated  
3 their willingness to participate in competitive transactions  
4 and have performed well. If it is determined that a Swap  
5 should be competitively bid, the Board may employ a hybrid  
6 structure to reward unique ideas or special effort by reserving  
7 a specified percentage of the Swap to the firm presenting the  
8 ideas on the condition that the firm match or improve upon  
9 the best bid.

10  
11 132.. To provide safeguards on negotiated transactions, the Board  
12 should generally secure outside independent professional  
13 advice to assist in the process of structuring, documenting  
14 and pricing the transaction, and to render an opinion that a  
15 fair price was obtained. In all transactions, regardless of  
16 procurement method, the counterparty shall be required to  
17 disclose all payments to third parties (including lobbyists,  
18 consultants and attorneys) who had any involvement in  
19 assisting the counterparty in securing business with the  
20 Board.

21 143. Risk Management: ~~As a general rule, t~~The Board will manage  
22 the risks of its Swap exposure on an enterprise-wide or  
23 "macro" basis, and will evaluate individual transactions  
24 within the larger context of their impact across the enterprise.  
25 Because of the size and complexity of the assets and liabilities  
26 of the Board and its established financial systems and  
27 controls, the Board will manage the risks and rewards of a  
28 Swap program alongside its overall financial risks and  
29 rewards. ~~As part of within its overall risk management~~  
30 ~~process, t~~The Board will evaluate the aggregate risk of its  
31 Swap exposure as measured by value at risk, peak exposure,  
32 and/or realistic worst case scenarios.

33 154. Among the risks that the Board will monitor, evaluate, and  
34 seek to mitigate, are:  
35

1 2	Type of Risk	Description	Evaluation Methodology	Mitigation
3 4 5 6 7 8 9 10 11	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 the transactions.	The Board will diversify its exposure, impose minimum credit rating standard and require protective documentation provisions. (See above Sec. 10, "Counterparty Credit Standards")
12 13 14 15 16 17 18 19 20	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.
21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39	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 short-term 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 and fixed-payer swaps to manage exposure to floating rates.

1 2	Type of Risk	Description	Evaluation Methodology	Mitigation
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	Basic Risk	The risk that the floating rate received by the Board on the <del>fixed-payer Swap fails to</del> <u>does not offset equal</u> the floating rate on the underlying asset or liability. <del>Because Swaps are generally based on a The</del> floating-rate index, <del>the chosen index for a swap should have a</del> <u>high expected correlation</u> e with the floating rate on the underlying instrument, <del>but may not correlate exactly.</del> 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 <u>caused by a</u>	The Board will measure and review the historic variation between the floating rate index used 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 <u>expected</u> provided.	The Board will consider mitigation techniques as warranted, including maintaining a <u>budgetary</u> cushion between the floating rate <u>swap</u> 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.
26 27 28 29 30 31 32		<u>change in the marginal income tax rate.</u> <del>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.</del>		

1 2	Type of Risk	Description	Evaluation Methodology	Mitigation
3 4 5 6 7 8 9 10 11 12 13 14 15	Rollover Risk	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.	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.	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, <del>like auction-rate securities,</del> in the bond documents; and, staggering the maturity dates of different liquidity facility programs to diversify points of market re-entry.
16 17 18 19 20 21 22 23 24 25 26 27 28 29	Pricing Risk	The risk that the Swap may not be priced competitively in comparison to the market for comparable Swap transactions.	Prior to entering into a Swap, the Board will make a determination that the transaction can be priced with reasonable transparency and confidence.	The Board will not enter into overly complex or illiquid transactions where <del>competitive</del> <u>reasonable</u> pricing cannot be ascertained. Where it meets Board objectives (as outlined above in Section <del>K-12</del> "Method of Procurement"), it will use a competitive process. For negotiated transactions, it will seek independent price verification through appropriate <u>independent</u> professional advice.

1                   ~~The Board will measure and evaluate the effect of leverage~~  
2                   ~~contained within any Swap on the magnitude of any of the~~  
3                   ~~above mentioned risks.~~  
4

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

8                   a.        A summary of key terms of the agreements, including  
9                   notional amounts, interest rates, maturity and method  
10                  of procurement, including any changes to Swap  
11                  agreements since the last reporting period.

12                b.        The mark-to-market value (termination value) of its  
13                  Swaps, as measured by the economic cost or benefit of  
14                  terminating outstanding contracts at specified  
15                  intervals.

16                c.        The amount of exposure that the Board has to each  
17                  specific counterparty, as measured by aggregate net  
18                  mark-to-market value, ~~netted for offsetting~~  
19                  ~~transactions.~~

20                d.        The long-term credit ratings of each counterparty (or  
21                  guarantor, if applicable) and any changes in the credit  
22                  rating since the last reporting period.

23                e.        Any collateral posting as a result of Swap agreement  
24                  requirements.

25                f.        In addition, the Board will perform such monitoring  
26                  and reporting as is required by the rating agencies or  
27                  for compliance with GASB requirements.

28                g.        In so much as the Board is hedging its risk exposure  
29                  by having entered into the swap transaction(s), the  
30                  effectiveness of each hedge will be measured by  
31                  preparing a cash flow analysis comparing the  
32                  payments received against the payments made,  
33                  including the hedge debt

34                FE.    Method of Sale for Debt Issuance

35                The method of sale for debt issuance will be determined based on  
36                the following parameters:



- 1                   1.     Competitive sale will be utilized, whenever possible, for the  
2                             issuance of General Obligation new money.  
3
- 4                   2.     Competitive sale will be used for the sale of the Board's short  
5                             term debt instruments, including Revenue Anticipation Notes  
6                             (RANs), Tax Anticipation Notes (TANs), and Bond Anticipation  
7                             Notes (BANs).
- 8                   3.     Negotiated sales may be utilized for the sale of debt that is of  
9                             a size and complexity such that a negotiated process will  
10                            likely result in a lower cost of funds, such as for Certificates  
11                            of Participation (COPs) or refunding issues.
- 12                  4.     The Board's Treasurer will coordinate all sales, however,  
13                             issuing of request for bids and receipt of bids will be  
14                             processed by the Board's Financial Advisor(s), unless  
15                             electronic sealed bids through an internet auction service  
16                             provider will be utilized.

17                  GF.   Refunding Strategies

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

- 21                            1.     The refunding will result in net savings to the Board.
- 22                            2.     The refunding will not increase the Board's risk exposure.
- 23                            3.     The refunding will not extend the original term of the existing  
24                            debt.

25                  HG.   Debt Type/Parameters

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

- 28                            1.     General Obligation Debt (GOB): In compliance with State  
29                            statutes, the Board generally utilizes a competitive sale  
30                            method.
  - 31                            a.     To maximize market demand for the Board's General  
32                            Obligation Debt, Board staff and Financial Advisor do  
33                            pre-marketing and investor calls.
  - 34                            b.     Results of the sale are compared with MMD for the day  
35                            of sale and with the results of similarly rated issues on  
36                            the same sale date.

- 1 c. Proceeds of the Sales are invested in a separate  
2 portfolio account, segregated from other Board funds.
- 3 d. GO remarketings may be utilized when the bonds  
4 become callable and generate additional proceeds.
- 5 e. GO refundings or remarketings, based on complexity  
6 or size, may be sold by negotiation.
- 7 f. All proceeds from GO remarketings or refundings are  
8 used to fund eligible capital projects.
- 9 2. Certificates of Participation (COP):
- 10 a. A competitive selection process, through a Request for  
11 Proposal (RFP) process and selection committee, is  
12 used for the selection of underwriters.
- 13 b. The COPs are issued under a Master Trust Agreement  
14 whereby the Trustee holds in separate accounts each  
15 COP series acquisition fund (project funds), lease  
16 payment, cost of issuance and rebate accounts.
- 17 c. The Board has utilized both fixed rate and variable rate  
18 (auction rate notes) and multi-modal (put bonds) for  
19 outstanding COPs.
- 20 d. The Board has issued Qualified Zone Academy Bonds  
21 (QZABs) whereby investors are compensated with  
22 Federal tax credits.
- 23 e. The Board continuously monitors outstanding debt for  
24 appropriate refunding opportunities.
- 25 f. The Board utilizes short term financing to allow for the  
26 delay in the issuance of COPs until a significant  
27 amount of the funding is required. Upon the issuance  
28 of COPs, the short term instruments are retired.

1                   3.     Revenue Anticipation Notes (RANs):

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

13                  4.     Tax Anticipation Notes (TANs):

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

23                  IH.   Periodic Communications

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

27                  JI.   General Policies and Practices

- 28                  1.     Arbitrage calculations are done on an ongoing basis to  
29                  monitor compliance with Federal Arbitrage Rebate  
30                  Regulations.
- 31                  2.     Credit Enhancements such as insurance and letters of credit  
32                  are used when the reduction in interest expense exceeds the  
33                  cost of the credit enhancement.

- 1           3.    ~~Digital Assurance Certification LLC (DAC) is employed to~~  
2                    ~~handle all continuing disclosure bond covenants.~~

3  
4                    Primary Disclosure – Official Statements: The Board shall  
5                    employ a Disclosure Counsel to prepare Official Statements  
6                    and advise on disclosure issues. Board financial information  
7                    included in all issuance documents will be supported by  
8                    documentation provided by the originating departments. The  
9                    Treasurer shall identify the appropriate staff member  
10                   responsible for providing complete and timely documentation  
11                   and coordinate the preparation of the Official Statement with  
12                   Disclosure Counsel.

13  
14           KJ.   Request For Proposals Guidelines

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

- 18                   1.    The Chief Financial Officer, the Treasurer, a representative  
19                        from Facilities, and at least one member of the Treasury  
20                        Advisory Committee or their designee will compose the voting  
21                        members of the Selection Committee, along with any other  
22                        members required under Board policies.
- 23                   2.    Each of the participants of the Selection Committee must  
24                        adhere to applicable conflict of interest policies and must  
25                        recuse themselves from the selection process if they, the  
26                        company or business they represent or work for has an  
27                        interest or ownership, and or receive benefits from any of the  
28                        proposers to the Request for Proposal.
- 29                   3.    Other providers in the debt issuance process may be selected  
30                        via competitive bids, i.e. bond insurers, escrow agent, etc.  
31                        Bids will be issued and received by the Board's Financial  
32                        Advisor or agent such as Bond Counsel to complete the debt  
33                        issuance in a timely and cost effective manner.

34           LK.   ~~Procedures For Post-Issuance Compliance With Applicable Internal~~  
35                    ~~Revenue Code Requirements (Direct Pay Bonds)~~

36                   The Board will comply with the policies and procedures provided in  
37                   this section in order to ensure compliance with the requirements of  
38                   the Internal Revenue Code (the "Code") that are applicable to the  
39                   issuance of "Build America Bonds" that are "qualified bonds" within  
40                   the meaning of Section 54AA thereof ("Direct-Pay BABs") that are  
41                   eligible for interest subsidy payments or applicable to any other debt  
42                   issuance. These policies and procedures, coupled with requirements

1 contained in the Arbitrage and Tax Certificate (the "Tax Certificate")  
2 executed at the time of issuance of the Bonds, are intended to  
3 constitute written procedures for compliance with the Federal tax  
4 requirements applicable to the Bonds and for timely identification of  
5 violations of such requirements.  
6

7 1. General Matters

8 a. Responsible Officer: The Treasurer will have overall  
9 responsibility for ensuring that the ongoing  
10 requirements described in this Section LXIII are met  
11 with respect to the Bonds (the "Responsible Officer").

12 b. Establishment of Procedures: Procedures will be  
13 reviewed by the Treasury Advisory Committee,  
14 recommended to the Board for approval and  
15 documented in Treasury Management's Procedural  
16 Manual for the items contained in this Section LXIII.

17 c. Identify Additional Responsible Employees: The  
18 Treasurer shall identify any additional employees who  
19 will be responsible for each of the procedures described  
20 in this section, notify the current holder of that office of  
21 the responsibilities, and provide that person a copy of  
22 the procedures. (For each procedure, this may be the  
23 Treasurer or another person who is assigned the  
24 particular responsibility.)

25 1) Upon employee or officer transitions, new  
26 personnel should be advised of responsibilities  
27 under the procedures and ensure they  
28 understand the importance of the procedures.

29 2) If employee or officer positions are restructured  
30 or eliminated, responsibilities should be  
31 reassigned as necessary to ensure that all  
32 procedures have been appropriately assigned.

33 d. Periodic Review: The Treasurer or other responsible  
34 employees should periodically review compliance with  
35 these procedures and with the terms of the Tax  
36 Certificate to determine whether any violations have  
37 occurred so that such violations can be remedied  
38 through the "remedial action" regulations (Treasury  
39 Regulation §1.141-12) or the Voluntary Closing  
40 Agreement Program described in Internal Revenue  
41 Service ("IRS") Notice 2008-31 (or successor guidance).

- 1 e. Change in Bond Terms: If any changes to the terms of
- 2 the Bonds are contemplated, bond counsel will be
- 3 consulted. Such modifications could result in a
- 4 reissuance, (i.e., a deemed refunding), of the Bonds
- 5 and thereby jeopardize the status of the Bonds as
- 6 Direct-Pay BABs.
  
- 7 2. Issue Price and Premium Limit
  
- 8 a. Involving Bond Counsel Pre-pricing: Consult with
- 9 bond counsel to ensure that:
  
- 10 1) Premium on each maturity of the Bonds (stated
- 11 as a percentage of principal amount) does not
- 12 exceed one-quarter of one-percent (0.25%)
- 13 multiplied by the number of complete years to
- 14 the earlier of final maturity of the Bond or,
- 15 generally, the earliest call date of the Bond.
  
- 16 2) The excess of the Issue Price of the Bond issue
- 17 over the price at which the Bond issue is sold to
- 18 the underwriter or placement agent, when
- 19 combined with other Issuance Costs paid from
- 20 Proceeds of the Bond issue, does not exceed two
- 21 percent (2%) of the Sale Proceeds of the Bond
- 22 issue.
  
- 23
- 24 b. Working with Financial Advisor: Ensuring that a party
- 25 other than the underwriter or placement agent
- 26 (referred to herein as "underwriter"), such as a
- 27 financial advisor, reviews the market trading activity of
- 28 the Bonds after their Sale Date but before their
- 29 Issuance Date, provides market data with respect to
- 30 market pricing of the Bonds, provides summaries of
- 31 the market data and reports of market conditions for
- 32 the period of the market data, provides reports of any
- 33 unsold balances of the Bonds, and answers any
- 34 questions of the District and produces additional
- 35 reports, consistent with the forgoing to provide
- 36 information to help the District determine whether the
- 37 market pricing of the Bonds appears consistent with
- 38 the Issue Price reported by the underwriter of the
- 39 Bonds as of their Sale Date. (Market trading
- 40 information is generally available through the
- 41 Municipal Securities Rulemaking Board's Electronic
- 42 Municipal Market Access System (EMMA)
- 43 (<http://www.emma.msrb.org>.)

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

3 3. IRS information Return Filings

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

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

13 1) Monitoring the amount of interest payable on  
14 each interest payment date to ensure that the  
15 proper amount of direct payment is requested  
16 on each Form 8038-CP.

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

26 4. Use of Proceeds

27 a. Consistent Accounting Procedures: Clear accounting  
28 procedures for tracking investment and expenditures  
29 of Bond Proceeds, including Investment Proceeds.

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

34 c. Cost of Issuance: Ensuring that no more than two  
35 percent (2%) of the Sale Proceeds of a Bond issue are  
36 used to pay Issuance Costs.

37 d. Capital Expenditures: Ensuring that 100% of all Sale  
38 Proceeds and Investment Proceeds, other than Sale

1 Proceeds used to pay Issuance Costs (up to the two  
2 percent (2%) limit described above) or deposited in a  
3 reasonably required reserve fund, are allocated to  
4 Capital Expenditures.

5 e. Requisitions: Ensuring that requisitions are used to  
6 draw Bond Proceeds and making sure the requisitions  
7 contain the information needed to show what and how  
8 Bond Proceeds were spent; reviewing them carefully  
9 before submission to ensure proper use of Bond  
10 Proceeds to minimize need for reallocations.

11 f. Final Allocation: Ensuring that a final allocation of  
12 Bond Proceeds (including Investment Proceeds) to  
13 qualifying expenditures is made if Bond Proceeds are  
14 to be allocated to project expenditures on a basis other  
15 than "direct tracing" (direct tracing means treating the  
16 Bond Proceeds as spent as shown in the accounting  
17 records for bond draws and project expenditures). An  
18 allocation other than on the basis of "direct tracing" is  
19 often made to reduce the Private Business Use (see E.,  
20 below) of Bond Proceeds that would otherwise result  
21 from "direct tracing" of Bond Proceeds to project  
22 expenditures. This allocation must be made within  
23 eighteen (18) months after the later of the date the  
24 expenditure was made or the date the project was  
25 placed in service, but not later than five years and  
26 sixty (60) days after the Issuance Date of the Bonds or  
27 sixty (60) days after the Bond issue is retired. Bond  
28 counsel can assist with the final allocation of Bond  
29 Proceeds to project costs.

30 g. Record Retention: Maintaining careful records of all  
31 project and other costs (e.g., Issuance Costs, credit  
32 enhancement and capitalized interest) and uses (e.g.,  
33 deposit to reserve fund) for which Bond Proceeds were  
34 spent or used. These records should be maintained  
35 separately for each issue of Bonds for the periods  
36 indicated in Section 7 below.

37  
38 5. Monitoring Private Business Use

39  
40 a. Board shall employ outside bond counsel and or  
41 service to assist staff in the review of Contracts with  
42 Private Persons: By preparing questionnaire and  
43 guidelines to assess overall exposure, as well as  
44 reviewing all—of the following contracts or  
45 arrangements with non-governmental persons or



1 organizations or the Federal government (collectively  
2 referred to as "Private Persons"), as needed, with  
3 respect to the Bond-financed facilities which could  
4 result in Private Business Use of the Bond-Financed  
5 facilities:

- 6  
7 1) Sales of Bond-financed facilities.  
8 2) Leases of Bond-financed facilities.  
9 3) Management or service contracts relating to  
10 Bond-financed facilities.  
11 4) Research contracts under which a Private  
12 Person sponsors research in Bond-financed  
13 facilities.  
14 5) Any other contracts involving "special legal  
15 entitlements" (such as naming rights or  
16 exclusive provider arrangements) granted to a  
17 Private Person with respect to Bond-financed  
18 facilities.

19 b. ~~Bond Counsel~~ Review of New Leases, Management,  
20 Research and Other Contracts: Before amending an  
21 existing agreement with a Private Person or entering  
22 into any new lease, management, service, or research  
23 agreement with a Private Person, ~~engaging bond~~  
24 ~~counsel to~~ review such amendment or agreement to  
25 determine whether it results in private business use.

26 c. Establish Procedures to Ensure Proper Use:  
27 Establishing procedures to ensure Bond financed  
28 facilities are identified and are not used for private use  
29 ~~without written approval of Responsible Officer.~~

30 d. Analyze Use: Analyzing any private business use of  
31 Bond-financed facilities and, for each issue of Bonds,  
32 determining whether the ten percent (10%) limit on  
33 private business use (five percent (5%) in the case of  
34 "unrelated or disproportionate" private business use) is  
35 exceeded, and contacting bond counsel or other service  
36 ~~tax~~ advisors if either of these limits is exceeded.

37 e. Record Retention: Retaining copies of all of the above  
38 contracts or arrangements (or, if no written contract  
39 exists, detailed records of the contracts or

arrangements) with Private Persons for the period indicated in Section 7 G. below.

6. Arbitrage and Rebate

- a. Yield: Recording the "Yield" of the Bond issue, as shown on the Form 8038-B.
- b. 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.
- c. 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).
- d. Monitoring Temporary Period Compliance: Monitoring expenditures of Bond Proceeds, including Investment Proceeds, against Issuance Date expectations for satisfaction of three (3) year or five (5) year Temporary Period from Yield restriction on investment of Bond Proceeds and to avoid "hedge bond" status.
- e. 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.
- f. 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.

- 1 g. Document Retention: Maintaining copies of all  
2 contracts and certificates relating to credit  
3 enhancement and hedging transactions for the periods  
4 indicated in Section 7 below.
- 5 h. Donations: Before beginning a capital campaign that  
6 may result in gifts that are restricted to Bond-financed  
7 projects (or, in the absence of such a campaign, upon  
8 the receipt of such restricted gifts), consulting bond  
9 counsel to determine whether Replacement Proceeds  
10 may result.
- 11  
12 i. Bona Fide Debt Service Fund: Even after all Proceeds  
13 of a given Bond issue have been spent, ensuring that  
14 the debt service fund meets the requirements of a  
15 "Bona Fide Debt Service Fund," i.e., one used primarily  
16 to achieve a proper matching of revenues with Debt  
17 Service that is depleted at least once each Bond Year,  
18 except for a reasonable carryover amount not to exceed  
19 the greater of: (i) the earnings on the fund for the  
20 immediately preceding Bond Year; or (ii) one-twelfth of  
21 the Debt Service on the issue for the immediately  
22 preceding Bond Year. To the extent that a debt service  
23 fund qualifies as a Bona Fide Debt Service Fund for a  
24 given Bond Year, the investment of amounts held in  
25 that fund is not subject to Yield restriction for that  
26 year.
- 27 j. Debt Service Reserve Fund: Ensuring that amounts  
28 invested in any reasonably required debt service  
29 reserve fund do not exceed the least of: (i) ten percent  
30 (10%) of the stated principal amount of the Bonds (or  
31 the Sale Proceeds of the Bond issue if the Bond issue  
32 has original issue discount or original issue premium  
33 that exceeds two percent (2%) of the stated principal of  
34 the Bond issue plus, in the case of premium,  
35 reasonable underwriter's compensation); (ii) maximum  
36 annual Debt Service on the Bond issue; or (iii) 125% of  
37 average annual Debt Service on the Bond issue.
- 38 k. Rebate Requirement: Reviewing the Arbitrage Rebate  
39 covenants attached to Tax Certificate. Subject to the  
40 exceptions described below, investment earnings on  
41 Bond Proceeds at a Yield in excess of the Bond Yield  
42 (i.e., positive arbitrage) generally must be rebated to  
43 the U.S. Treasury, even if a Temporary Period

1 exception from Yield restriction allowed the earning of  
2 positive arbitrage.

3 1) Ensuring that rebate calculations will be timely  
4 performed and payment of Rebate Amounts, if  
5 any, will be timely made; such payments are  
6 generally due sixty (60) days after the fifth  
7 anniversary of the Issuance Date of the Bond  
8 issue, then in succeeding installments every  
9 five (5) years; the final rebate payment for a  
10 Bond issue is due sixty (60) days after  
11 retirement of the last Bond of the issue; hiring a  
12 rebate consultant if necessary.

13 2) Reviewing the rebate section of the Tax  
14 Certificate to determine whether the "small  
15 issuer" rebate exception applies to the Bond  
16 issue.

17 3) If the six (6) month, eighteen (18) month, or  
18 twenty-four (24) month spending exceptions  
19 from the rebate requirement (as described in the  
20 Arbitrage Rebate covenants attached to the Tax  
21 Certificate) may apply to the Bonds, ensuring  
22 that the spending of Proceeds is monitored prior  
23 to semi-annual spending dates for the  
24 applicable exception.

25 4) Timely making rebate and Yield reduction  
26 payments and filing Form 8038-T.

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

34 I. Record Retention: Maintaining records of investments  
35 and expenditures of Proceeds, rebate exception  
36 analyses, rebate calculations, Forms 8038-T, and  
37 rebate and Yield reduction payments, and any other  
38 records relevant to compliance with the arbitrage  
39 restrictions.  
40

1  
2           7.     Record Retention

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

11  
12           8.     Continuing Disclosure Requirements

13  
14           a.     The Treasurer will coordinate with the Chief Financial  
15                   Officer, Superintendent or Superintendent Designee,  
16                   and/or Board Attorney to decide when developments are  
17                   material and require disclosure and when updating or  
18                   correcting of information is appropriate. In all instances  
19                   the Treasurer and the Chief Financial Officer are to be  
20                   apprised of all developments which could be material in  
21                   order to evaluate, discuss and determine the  
22                   appropriateness and timing of release of information.

23  
24           b.     The Treasurer shall have responsibility for being the  
25                   primary spokesperson related to CAFR, other for financial  
26                   information reports, and events disclosures as it relates to  
27                   investor relations. The Chief Financial Officer is  
28                   designated alternative spokesperson and from time to time  
29                   the Superintendent or Chief Financial Officer will  
30                   designate other spokespersons to respond to specific  
31                   inquiries.

32  
33           c.     The District shall employ a Disclosure-Dissemination  
34                   Agent to ensure its annual financial report, financial  
35                   information, and event notice requirements are filed timely  
36                   and provide support to the Treasurer for assuring all  
37                   continuing disclosure bond covenants are adhered to. The  
38                   Disclosure Dissemination Agent, under the direction of the  
39                   Treasurer will provide continuing disclosure documents  
40                   and related information to the Municipal Securities  
41                   Rulemaking Board's EMMA (a regulator) website.

42  
43     F.S. 1010.40, 1011.12, 1011.13, 1011.14, 1011.20, 1011.71