

The School Board of Miami-Dade County Bylaws & Policies

Unless a specific policy has been amended and the date the policy was revised is noted at the bottom of that policy, the Bylaws and Policies of the Miami-Dade County Public Schools were adopted on May 11, 2011 and were in effect beginning July 1, 2011.

6835 - OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

The Chief Auditor and the Office of Management and Compliance Audits shall report to the School Board. To enhance the objectivity and effectiveness of the internal auditing activities, reports, audit findings and recommendations emanating from the Office are submitted to the Board, the Board's Audit and Budget Advisory Committee and the Superintendent at the same time.

Purpose

Internal auditing is an independent appraisal activity within an organization for the review of operations as a service to management. The objective of internal auditing is to assist the administration, the Audit and Budget Advisory Committee, and the School Board by reviewing and appraising the activities of the school system, the integrity of its records, and the general effectiveness of its operations.

Office of Management and Compliance Audits

The Office of Management and Compliance Audits is responsible for providing the Superintendent, the Audit and Budget Advisory Committee and the School Board with an independent and objective evaluation of the operation of the school system.

- A. Objectives
1. Perform examinations of the financial records in accordance with generally accepted auditing standards.
 2. Ascertain the reliability and adequacy of accounting and reporting systems and procedures.
 3. Perform an independent appraisal of the adequacy and effectiveness of internal controls.
 4. Assure compliance with policies and procedures established by the School Board and the administration, and with state and federal laws and regulations.
 5. Improve the efficiency of the school system's operations by providing recommendations in audit reports.

6. Ascertain the extent to which the assets of the school system are accounted for and safeguarded from loss.

B. Responsibilities

1. Perform examinations of financial records and supporting information for the purpose of determining the accuracy of financial records and conformity with generally accepted accounting principles.
2. Perform investigative audits by applying various audit techniques and procedures for the purpose of detection of fraud or as a deterrent to fraud.
3. Review and evaluate the existence and effectiveness of adequate controls on electronic data processing systems either under development or for existing applications.
4. Undertake comprehensive and constructive examinations of functional units within the school system, including plans and objectives, methods of control and use of human and other resources.
5. Keep the Superintendent, the Audit and Budget Advisory Committee and the Board informed on audit plans and activities and to assist them by providing analyses, pertinent comments and recommendations concerning the activities reviewed.
6. Coordinate internal audit activities so as to best achieve the audit objectives of the school system and the objectives of the Audit and Budget Advisory Committee and the administration.
7. Keep abreast of new developments in the school system by attending the Board meetings and meetings of school system-wide committees.
8. Act as liaison between the school system and external auditors (federal, state and independent auditors). To monitor the responses from school system officials to audit findings and recommendations made by external auditors.
9. Upon receipt, place reports from the Office of the Inspector General (OIG) on the agenda of the Audit and Budget Advisory Committee or the Ethics Advisory Committee. Additionally, forward to the Audit and Budget Advisory Committee and Ethics Advisory Committee any response required by the OIG from the Superintendent or other entity that is the subject of the OIG investigation or audit.

10. Bring to the attention of the Superintendent, the Audit and Budget Advisory Committee, and the Board material matters of concern.

Policies

A. Authority

1. The Office of Management and Compliance Audits shall have access to all records and areas within the school system.
2. The Office shall have direct communication and free access to the Superintendent, members of the Audit and Budget Advisory Committee, School Board members and school system officials to discuss audit findings.
3. The Office shall be accountable as a whole to the School Board through the Chief Auditor in order to ensure an unrestrictive audit coverage and appropriate action in response to audit findings.
4. The Office shall be free of organizational pressures that limit its objectivity in selecting areas to be examined or in evaluating these areas.
5. The Office shall have adequate support from school system officials to perform its auditing activities.

B. Professional Standards

1. The Office staff shall comply with professional standards of conduct.
2. Internal auditing activities shall be performed with proficiency and due professional care.

C. Personnel

1. The Office should be adequately staffed to perform its auditing activities.
2. The Office personnel shall possess adequate technical proficiency, educational background and skills in human relations and communication to adequately perform the internal audit function.

3. Auditors shall maintain their technical competence through continuing education.
4. The Audit and Budget Advisory Committee shall serve as the Committee to provide recommendations on the selection of the Chief Auditor of the Office of Management and Compliance Audits and provide said recommendations to the School Board on the person to fill the position. At the direction of the School Board, the Audit and Budget Advisory Committee shall provide its recommendations on the contractual provisions for the position of Chief Auditor. Prior to negotiation of the employment contract, the School Board shall conduct a workshop to provide guidance to the School Board's designated negotiator. Any recommendation for the removal or transfer of the Chief Auditor and the reasons for such removal or transfer shall be brought before the Audit and Budget Advisory Committee; the Audit and Budget Advisory Committee will then transmit its recommendations to the Board.

Procedures

The Chief Auditor will submit to the Audit and Budget Advisory Committee, the Superintendent, and the Board for review a comprehensive Audit Plan for a year. This plan should identify the overall audit scope of scheduled examinations in both financial and nonfinancial areas. Audit reviews, as requested by the Superintendent, the Board, the Audit and Budget Advisory Committee, and members of the administration, will be included to the degree feasible in the Audit Plan.

A. Scope of Auditing Activities

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and the quality of performance in carrying out assigned responsibilities.

1. The Office shall review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
2. The Office shall review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and shall determine whether the school system is in compliance.
3. The Office shall review the means of safeguarding assets and verify the existence of such assets.
4. The Office shall appraise the economy and efficiency with which resources are employed.

5. The Office shall review business and financial operations and controls to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
6. The Office shall review and evaluate the existence and effectiveness of controls on electronic data processing systems either under development or controls on existing applications.

B. Performance of Auditing Activities and Communication of Results

The Chief Auditor will make an annual report to the Audit and Budget Advisory Committee, to the School Board and to the Superintendent on the results of auditing activities. Periodic reports on the results of the audits will be made at the request of the Audit and Budget Advisory Committee. These reports will contain a concise summary of audit scope and findings and major recommendations not implemented. A comparison with the Audit Plan will be made annually, summarizing the auditing services for the prior year and major variances explained.

The Office will issue an audit report at the conclusion of the performance of an audit or review.

1. The audit report shall be objective, clear, concise, constructive and timely.
2. The audit report will present the purpose, scope, results of the audit and applicable recommendations.
3. The responses from school system officials to the audit findings and recommendations will be presented with the audit report.

An evaluation of compliance with audit recommendations will subsequently be performed and major recommendations not implemented reported to the Audit and Budget Advisory Committee, the School Board, the Superintendent, and administrative personnel. The Audit and Budget Advisory Committee may request periodic reports from audited schools, departments, offices, etc., regarding corrective actions taken to address reported deficiencies and audit recommendations.

Pursuant to F.S. 119.07(3)(y), work papers, notes and preliminary or draft audit reports shall be held confidential and exempt from public records disclosure until the audit is completed and submission of the final draft of the report to the School Board.

F.S. 1001.42(12)(l)

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6145 - DEBT MANAGEMENT

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

A. Staff & Treasury Advisory Committee Role in supporting the Board's Debt Policy Objective

The Treasurer in consultation with the financial advisor, will review debt management policies at least on an annual basis to determine if any proposed revisions are warranted. The Treasury Advisory Committee shall review the debt management policies at least on an annual basis.

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

Proposed policy revisions or exception from policy will be forwarded to the Board upon Committee recommendation. Treasury Advisory Committee Annual Report shall include activities of review of policy and/or exceptions reports. Any recommended Board action that necessitates exception from debt management policy shall disclose the rationale for exception from Board policy in the Board agenda item.

A plan of finance or other Board action item will only be presented to the Treasury Advisory Committee for review after the Treasurer in consultation with the financial advisor, legal counsel, other district staff, and/or other financial consultants, as needed, has reviewed and evaluated financing plan and/or Board action to ensure compliance with debt management policies and suitability. Proposed financing and/or

proposed Board action will be forwarded to the Board upon Committee recommendations. Pending or lack of Committee recommendation shall be disclosed in the Board item. Board item shall summarize salient matters reviewed by the Committee.

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

Unsolicited financing proposals will only be accepted for review and evaluation by the Chief Financial Officer and/or Treasurer in consultation with the District financial advisor. Only if a review by the Treasury Advisory Committee is warranted, will the proposal be provided to the Committee for review. Key to the review by staff and/or the Committee, along with review of financial implications and adherence to Board policies, will be determining suitability with the Board's debt portfolio, affordability, legal requirements and potential impact on the Board's credit rating. Prior to implementing any proposed plan of finance based on unsolicited proposals, a request for proposal and/or term sheet will be issued to the Board authorized underwriters and/or any other applicable financial entities to assure all competitive proposals are reviewed by the Committee prior to recommending Board action.

B. Debt Issuance Purpose

The Board will issue debt for the following purposes:

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

C. Debt Affordability Reviews and Policies

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

1. General obligation debt will be limited to amounts and projects approved by voters in a bond referendum.
2. 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.

3. The Capital Plan will be depended on adequate funding and financing.
4. A debt capacity analysis including proposed debt issuances will be prepared and reviewed by the Treasury Advisory Committee at least annually.
5. 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.
6. Debt amortization will be targeted to be over forty-five percent (45%) in fifteen (15) years.
7. Debt maturities will be equal to or shorter than the useful life of the projects.

D. 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:

1. Short and long term maturities.
2. Fixed, variable, and/or stepped coupon debt. Variable debt limited to twenty percent (20%) for long-term variable hedged and unhedged at time of issuance.
3. Zero coupon bonds, capital appreciation bonds, deep discount bonds, or premium bonds.
4. Line of credit for interim financing.
5. Leased-backed debt.
6. Level debt payments or level principal payments or wrap around structuring.
7. Short and/or long coupon maturities.

8. Mandatory and optional call features.
9. Credit enhancements.
10. Derivative products.

E. Swap Policy Guidelines

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

1. The purpose of the Swap Policy is to provide guidelines for the Board's use of swaps, cap, floors, collars, options and other derivative financial products ("Swaps") in conjunction with the Board's management of its assets and liabilities. The Swap 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.
2. 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.
3. 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.
4. Prior to entering, amending, or terminating any swap, the Board will consider and meet all applicable regulatory requirements for swap transactions in consultation with its advisors and legal counsel. The Board will consider relevant advisories and maintain full compliance prior to entering, amending, or terminating any swap and provide ongoing monitoring of compliance with the following entities:
 - CFTC (Commodity Futures Trading Commission)
 - GFOA (Government Finance Officers Association)
5. The Board shall consider entering into Swaps based on the following analysis:

- a. 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;
 - b. 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;
 - c. The potential effects that the transaction may have on the credit ratings of any Board obligations assigned by the rating agencies;
 - d. 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;
 - e. The ability of the Board and its professional staff to manage any administrative burden associated with the transaction, including accounting and financial reporting requirements; and
 - f. Other implications of the proposed transaction as warranted.
6. Entering 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 Swap Policy, the terms and conditions of the Swap Authorization will govern.
7. This Swap Policy recognizes that the reasons for use of Swaps may change over time. Among the strategies which the Board will consider in applying Swaps are:
- a. managing the Board's exposure to floating and fixed interest rates, through interest rate swaps, caps, floors, collars, and other option products;

- b. hedging floating rate risk with caps, collars, basis swaps, and other instruments;
- c. locking in fixed rates in current markets for forward date, through the use of forward swaps, swaptions, rate locks, options, and forward delivery products;
- d. reducing the cost of fixed or floating rate debt, through swaps and related products to create "synthetic" fixed or floating rate debt;
- e. managing the Board's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products; and
- f. other applications to enable the Board to 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. Speculative derivatives include transactions, where the intent is solely to profit from movements in markets without an underlying business risk to be hedged. Investment derivatives at the time of issuance are not authorized.

- 8. The Board will use one of the forms of the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement 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.
- 9. Subject to the provisions of this Swap Policy, the terms of any Board Swap agreement shall adhere to the following guidelines:
 - a. Downgrade provisions triggering termination shall be no worse with respect to the Board than those affecting the Swap provider.
 - b. The Board will strive to minimize or avoid cross default provisions. The specified 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.
- c. Collateral thresholds should be set on a sliding scale reflective of credit ratings of the Swap provider or its guarantor. The Board should not agree to post collateral.
 - d. Eligible collateral should be limited to cash and Treasury Securities 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.
 - e. 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.
10. Counterparty Credit Standards: Swap products can create 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:
- a. 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.
 - b. Collateralization on downgrade: If a counterparty's credit rating is downgraded below the double-A rating category, the Board shall require that its exposure to the counterparty be collateralized.
 - c. Termination: If a counterparty's credit rating 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.

- d. 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).
11. 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. Other measurements as the Board may deem suitable to measure potential changes in exposure, such as "value at risk" or "peak exposure" may also be used. Termination value will be determined at least monthly, 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 net offsetting transactions (i.e., fixed-to-floating vs. floating-to-fixed). The Board shall require counterparties to provide regular mark-to-market valuations of Swaps they have entered into with the Board, and shall also seek independent valuations from third party professionals.
 12. Method of Procurement: The Board will choose counterparties for entering into Swap contracts on either a negotiated or competitive basis. 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 (2) 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.

13. To provide safeguards on negotiated transactions, the Board should secure outside independent 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.
14. Risk Management: 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 Swap program within its overall 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.
15. Among the risks that the Board will monitor, evaluate, and seek to mitigate, are:

Type of Risk	Description	Evaluation Methodology	Mitigation
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. 10, "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	The Board will use protective documentation provisions and will evaluate sources of

documentation provisions and the likelihood of credit downgrade that could precipitate an early termination.

liquidity and market access that could be used in the event a termination payment were required to be made.

Type of Risk	Description	Evaluation Methodology	Mitigation
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. The interest rate risk presented by such a Swap may be increased as short-term interest rates increase.	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.
Type of Risk	Description	Evaluation Methodology	Mitigation
Basic Risk	The risk that the floating rate received by the Board on the fixed-payer Swap does not equal the floating rate on the underlying liability. The floating-rate index for a swap should have a high expected correlation with the floating rate on the underlying instrument. A common type of basic risk on Swaps used in conjunction	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	The Board will consider mitigation techniques as warranted, including maintaining a budgetary cushion between the floating rate swap index and the expected trading level of the floating rate debt, creating a reserve to cover potential basis risk mismatches,

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 caused by a change in the marginal income tax rate.

evaluated in comparison with degree of benefit expected.

and including provisions for optional termination.

Type of Risk	Description	Evaluation Methodology	Mitigation
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, in the bond documents; and, staggering the maturity dates of different liquidity facility programs to diversify points of market re-entry.
Type of Risk	Description	Evaluation Methodology	Mitigation
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 reasonable pricing cannot be ascertained. Where it meets Board objectives

(as outlined above in item 12 "Method of Procurement"), it will use a competitive process. For negotiated transactions, it will seek independent price verification through appropriate independent professional advice.

16. 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:
 - a. 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.
 - b. 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.
 - c. The amount of exposure that the Board has to each specific counterparty, as measured by aggregate mark-to-market value.
 - d. The long-term credit ratings of each counterparty (or guarantor, if applicable) and any changes in the credit rating since the last reporting period.
 - e. Any collateral posting as a result of Swap agreement requirements.
 - f. In addition, the Board will perform such monitoring and reporting as is required by the rating agencies or for compliance with GASB requirements.
 - g. 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, including the hedge debt.

F. Method of Sale for Debt Issuance

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

1. Competitive sale will be utilized, whenever possible, for the issuance of General Obligation new money.
2. 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).
3. 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.
4. 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.

G. 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:

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

H. Debt Type/Parameters

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

1. General Obligation Debt (GOB): In compliance with State statutes, the Board generally utilizes a competitive sale method.
 - a. To maximize market demand for the Board's General Obligation Debt, Board staff and Financial Advisor do pre-marketing and investor calls.
 - b. 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.
 - c. Proceeds of the Sales are invested in a separate portfolio account, segregated from other Board funds.
 - d. GO remarketings may be utilized when the bonds become callable and generate additional proceeds.
 - e. GO refundings or remarketings, based on complexity or size, may be sold by negotiation.
 - f. All proceeds from GO remarketings or refundings are used to fund eligible capital projects.

2. Certificates of Participation (COP):
 - a. A competitive selection process, through a Request for Proposal (RFP) process and selection committee, is used for the selection of underwriters.
 - b. 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.
 - c. The Board has utilized both fixed rate and variable rate (auction rate notes) and multi-modal (put bonds) for outstanding COPs.
 - d. The Board has issued Qualified Zone Academy Bonds (QZABs) whereby investors are compensated with Federal tax credits.
 - e. The Board continuously monitors outstanding debt for appropriate refunding opportunities.

- f. 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.

3. 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.

4. 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.

- I. 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.

- J. General Policies and Practices

1. Arbitrage calculations are done on an ongoing basis to monitor compliance with Federal Arbitrage Rebate Regulations.
2. Credit Enhancements such as insurance and letters of credit are used when the reduction in interest expense exceeds the cost of the credit enhancement.
3. Primary Disclosure – Official Statements: The Board shall employ a disclosure counsel to prepare official statements and advise on disclosure issues. Board financial information included

in all issuance documents will be supported by documentation provided by the originating departments. The Treasurer shall identify the appropriate staff member responsible for providing complete and timely documentation and coordinate the preparation of the official statement with disclosure counsel.

K. 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:

1. 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 policies.
2. 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.
3. 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.

L. Procedures For Post-Issuance Compliance

The Board will comply with the policies and procedures provided in this section 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 or applicable to any other debt issuance. 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.

1. General Matters
 - a. Responsible Officer: The Treasurer will have overall

responsibility for ensuring that the ongoing requirements described in this item L are met with respect to the bonds (the "responsible officer").

- b. Establishment of Procedures: Procedures will be reviewed by the Treasury Advisory Committee, recommended to the Board for approval and documented in Treasury Management's Procedural Manual for the items contained in this item L.
 - c. Identify Additional Responsible Employees: The Treasurer shall identify any additional employees who will be responsible for each of the procedures described in this section, 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.)
 - 1) Upon employee or officer transitions, new personnel should be advised of responsibilities under the procedures and ensure they understand the importance of the procedures.
 - 2) If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all procedures have been appropriately assigned.
 - d. 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).
 - e. 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.
2. Issue Price and Premium Limit
- a. Involving Bond Counsel Pre-pricing: Consult with bond counsel to ensure that:

- 1) 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.
 - 2) 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 two percent (2%) of the sale proceeds of the bond issue.
- b. 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 foregoing 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>.)

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

3. IRS information Return Filings

- a. 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.
- b. 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).

- 1) 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.
- 2) 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.

4. Use of Proceeds

- a. Consistent Accounting Procedures: Clear accounting procedures for tracking investment and expenditures of bond proceeds, including investment proceeds.
- b. 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.
- c. Cost of Issuance: Ensuring that no more than two percent (2%) of the sale proceeds of a bond issue are used to pay issuance costs.
- d. Capital Expenditures: Ensuring that 100% of all sale proceeds and investment proceeds, other than sale proceeds used to pay issuance costs (up to the two percent (2%) limit described above) or deposited in a reasonably required reserve fund, are allocated to Capital Expenditures.
- e. 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.
- f. 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 eighteen (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 (5) years and sixty (60) days after the issuance date of the bonds or sixty (60) days after the bond issue is retired. Bond counsel can assist with the final allocation of bond proceeds to project costs.

- g. 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 for the periods indicated in item 7 below.

5. Monitoring Private Business Use

- a. The Board shall employ outside bond counsel and/or service to assist staff in the review of contracts with private persons: by preparing a questionnaire and guidelines to assess overall exposure, as well as reviewing the following contracts or arrangements with non-governmental persons or organizations or the Federal government (collectively referred to as "private persons"), as needed, with respect to the bond-financed facilities which could result in private business use of the bond-financed facilities:
 - 1) Sales of bond-financed facilities.
 - 2) Leases of bond-financed facilities.
 - 3) Management or service contracts relating to bond-financed facilities.
 - 4) Research contracts under which a private person sponsors research in bond-financed facilities.
 - 5) 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.

- b. 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, review such amendment or agreement to determine whether it results in private business use.
 - c. Establish Procedures to Ensure Proper Use: Establishing procedures to ensure bond financed facilities are identified and are not used for private use.
 - d. Analyze Use: Analyzing any private business use of bond-financed facilities and, for each issue of bonds, determining whether the ten percent (10%) limit on private business use (five percent (5%) in the case of "unrelated or disproportionate" private business use) is exceeded, and contacting bond counsel or other service advisors if either of these limits is exceeded.
 - e. 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 item 7 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.
- g. Document Retention: Maintaining copies of all contracts and certificates relating to credit enhancement and hedging transactions for the periods indicated in item 7 below.
- h. 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.
- i. 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.
- j. Debt Service Reserve Fund: Ensuring that amounts invested in any reasonably required debt service reserve fund do not exceed the least of: (i) ten percent (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 two percent (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.

- k. 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.
 - 1) Ensuring that rebate calculations will be timely performed and payment of rebate amounts, if any, will be timely made; such payments are generally due sixty (60) days after the fifth anniversary of the issuance date of the bond issue, then in succeeding installments every five (5) years; the final rebate payment for a bond issue is due sixty (60) days after retirement of the last bond of the issue; hiring a rebate consultant if necessary.
 - 2) Reviewing the rebate section of the tax certificate to determine whether the "small issuer" rebate exception applies to the bond issue.
 - 3) If the six (6) month, eighteen (18) month, or twenty-four (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.
 - 4) Timely making rebate and yield reduction payments and filing Form 8038-T.
 - 5) 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).
- l. 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.

7. 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 (3) 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.

8. Continuing Disclosure Requirements

- a. The Treasurer will coordinate with the Chief Financial Officer, Superintendent or Superintendent designee, and/or Board Attorney to decide when developments are material and require disclosure and when updating or correcting of information is appropriate. In all instances the Treasurer and the Chief Financial Officer are to be apprised of all developments which could be material in order to evaluate, discuss and determine the appropriateness and timing of release of information.
- b. The Treasurer shall have responsibility for being the primary spokesperson for financial information, and events disclosures as it relates to investor relations. The Chief Financial Officer is designated alternative spokesperson and from time to time the Superintendent or Chief Financial Officer will designate other spokespersons to respond to specific inquiries.
- c. The District shall employ a disclosure-dissemination agent to ensure its annual financial report, financial information, and event notice requirements are filed timely and provide support to the Treasurer for assuring all continuing disclosure bond covenants are adhered to. The disclosure-dissemination agent, under the direction of the Treasurer will provide continuing disclosure documents and related information to the Municipal Securities Rulemaking Board's EMMA (a regulator) website.

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

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