

STANDARD & POOR'S & MOODY'S INVESTOR SERVICE RATINGS FOR MIAMI-DADE COUNTY SCHOOL BOARD

In May 2008, both Standard & Poor's (S&P) and Moody's Investors Service affirmed their underlying ratings of 'A+' and 'A2', respectively on the District's outstanding General Obligation Bonds (GOBs) and 'A' and 'A3' on the District's outstanding Certificates of Participation (COPs). Both rating agencies also affirmed a stable outlook for the District. S&P indicated that the outlook reflects the expectation that the District will maintain balanced operations in light of reduced state aid, the rising costs of attracting and maintaining teaching personnel, and student enrollment fluctuations. Reserves are stable, but are considered just adequate based on the pressures faced by the District. The stable outlook reflects the expectation that management will address growing capital pressures and develop a plan to address its capital improvement plan (CIP) funding needs.

The District's underlying rating for the COPs are based on the following factors:

- The Board's general creditworthiness, as lessee;
- A master-lease structure under which failure to appropriate for one series of lease payments causes the termination of all leases covered by the master agreement;
- An extra property tax levy, not subject to electorate approval, that can be used to pay lease obligations and cover aggregate master-lease debt service requirements;
- The Board's historical use of COPs to finance a large portion of the school district's CIP;
- The essential nature of the pledged assets;
- District's substantial taxable property base that has exhibited good historical growth;
- Ongoing budget pressures due to state cuts, rising costs, declining enrollment;
- Uneven financial performance with narrow reserves and cash; and
- Significant ongoing capital program

The District's underlying rating for the outstanding GOBs are based on the following factors:

- A broad and diverse economy in which international trade, banking services, and tourism are important and expanding components;
- A substantial tax base, resulting from above-average growth rates during the past six years;
- An increasing debt burden that remains moderate; and
- A sizable and rapidly growing CIP, which due to the size and magnitude, is likely to place increased financial and operational pressures on the district

Moody's noted that property tax reform measures could restrict the magnitude of future COP issuances with the Florida legislature reducing the allowable 2-mill capital outlay millage by .25 mills and utilizing those funds to ease state funding requirements for schools. While this measure could produce some short-term cash flow issues, a longer-term dislocation of capital operating funds could have a stronger negative credit implication. In addition to the January 2008 Constitutional Amendment 1 relating to portability of Save Our Homes, the District could also be impacted by a more concerning property tax reform proposal being discussed for subsequent years which eliminates property taxes for the required local effort and substitutes it with a more volatile sales tax proposal.

SUMMARY OF DEBT SERVICE FUNDS 2008-09 TENTATIVE BUDGET

	SBE FUND	COP FUND	MASTER EQUIPMENT LEASE	QUALIFIED ZONE ACADEMY BONDS	GENERAL OBLIGATION BONDS	TOTAL DEBT SERVICE
Revenues						
State	\$ 13,425,770	\$ -	\$ -	\$ -	\$ -	\$ 13,425,770
Local - Property Taxes	-	-	-	-	66,875,495	66,875,495
Other - Interest	-	186,000	15,000	-	971,000	1,172,000
Total Revenues	\$ 13,425,770	\$ 186,000	\$ 15,000	\$ -	\$ 67,846,495	\$ 81,473,265
Transfers From Other Funds	-	165,011,802	28,428,522	2,812,046	-	196,252,370
Fund Balance - Prior Year	2,769,085	499,954	517,099	19,020,327	69,317,526	92,123,991
TOTAL REVENUES & OTHER SOURCES	\$ 16,194,855	\$ 165,697,756	(1) \$ 28,960,621	\$ 21,832,373	\$ 137,164,021	\$ 369,849,626 (1)
Appropriations						
Principal	\$ 8,775,000	\$ 52,195,624	(1) \$ 20,371,968	\$ -	\$ 65,595,000	\$ 146,937,592 (1)
Interest	4,650,770	112,816,177	(1) 8,056,554	-	17,827,165	143,350,666 (1)
Total Appropriations	\$ 13,425,770	\$ 165,011,801	\$ 28,428,522	\$ -	\$ 83,422,165	\$ 290,288,258
Fund Balance - End of Year						
Designated	2,769,085	685,955	532,099	21,832,373	53,741,856	79,561,368
TOTAL APPROPRIATIONS & RESERVES	\$ 16,194,855	\$ 165,697,756	(1) \$ 28,960,621	\$ 21,832,373	\$ 137,164,021	\$ 369,849,626 (1)

Note:

- (1) For 2008-09, it is anticipated that \$57,440,000 Series 2003A COPs will be converted and remarketed or refunded, as authorized by the Board in Agenda Item E-25 on June 18, 2008. Since this transaction is tentatively scheduled for August 2008, current 2008-09 budget estimates do not include the effect of this financing activity (see Note 1 on page 5-5). Final closing entries are projected to be available for September adoption and will be presented as appropriate.

Abbreviations

SBE - State Board of Education

COP - Certificates of Participation

STATE BOARD OF EDUCATION (SBE) FUND

The State of Florida allocates proceeds from motor vehicle license (MVL) taxes to each district based upon statutory formulas. A portion of a district's share of projected future MVL revenues may be bonded at the request of the District. SBE bonds are issued by the State and the net proceeds are distributed to the District for eligible capital projects.

During the period from 1996-97 through 2007-08, net proceeds from the state sales of SBE bonds on behalf of M-DCPS were \$23.06 million, \$4.72 million, \$3.04 million, \$.88 million, \$.49 million, \$1.93 million, no sale for 2002-03, \$1.27 million, \$5.12 million and no sale for both 2005-06 and 2006-07 and \$8.425 million for 2007-08. These proceeds were deposited into capital outlay funds. A sale for fiscal year 2008-09 is not anticipated.

Information for budget and accounting transactions are provided by the state.

	2006-07 ACTUAL RESULTS	2007-08 PROJECTED RESULTS	2008-09 TENTATIVE BUDGET
REVENUES			
State Sources			
CO & DS Withheld for SBE Bonds	\$ 12,471,223	\$ 12,856,515	\$ 13,425,770
SBE/COBI Bond Interest	89,700	0	0
Sub-Total	\$ 12,560,923	\$ 12,856,515	\$ 13,425,770
FUND BALANCE FROM PRIOR YEAR	4,952,494	2,769,085	2,769,085
TOTAL REVENUES & OTHER SOURCES	\$ 17,513,417	\$ 15,625,600	\$ 16,194,855
APPROPRIATIONS			
Bond Principal	\$ 7,585,000	\$ 8,070,000	\$ 8,775,000
Interest	5,173,360	4,786,515	4,650,770
Other Debt Service	1,985,972	0	0
Sub-Total	\$ 14,744,332	\$ 12,856,515	\$ 13,425,770
FUND BALANCE - END OF YEAR			
Designated	2,769,085	2,769,085	2,769,085
TOTAL APPROPRIATIONS & RESERVES	\$ 17,513,417	\$ 15,625,600	\$ 16,194,855

CERTIFICATES OF PARTICIPATION (COP) FUND

Certificates of Participation (COPs) represent undivided interests in a dedicated revenue stream (i.e., lease-purchase agreement payments).

The Miami-Dade County School Board Foundation, Inc., was created as a tax-exempt organization for the specific purpose of selling Certificates of Participation and using the proceeds to construct or purchase facilities or equipment which would be acquired by the School Board through a lease-purchase agreement with the School Board Foundation. The School Board Foundation is considered part of the reporting entity under generally accepted accounting principles. Therefore, both capital outlay and debt service transactions related to COPs are included in the District's budgets.

Net proceeds from the sales of COPs are budgeted in a COPs Capital Outlay Fund and are used to finance the purchase/construction/renovation of facilities, appurtenant equipment, motor vehicles, buses, and technology. Funds for debt service payments on the COPs are budgeted in a COPs Debt Service Fund. The primary source of funds for required debt service payments are transfers from the Local Optional Millage Levy Capital Outlay Fund.

The first COPs sale of \$50 million was made in 1988 to fund the construction of a high school and was refinanced in 1993 and again in 2003. Subsequently, between 1994 and 2008, approximately \$2.85 billion of COPs including QZABs (net of refundings) have been sold to finance various capital projects identified on pages 6-8 through 6-10, 6-14 and 6-18 of this document. Although the primary source for repayment of COPs is the Local Optional Millage Levy, it was intended that for the Impact Fee COPs Series 2000A, 2001C, 2004A, 2005A and 2006C, impact fees would be earmarked to fully service the debt and to fulfill the financing requirement of the Interlocal Agreement between Miami-Dade County and the District (see page 6-13). In the past two years, however, impact fees have experienced a significant 72% decline and currently collections service approximately 60% of the debt. Total remaining debt service for the Impact Fee COPs Series is approximately \$253 million.

For 2008-09, it is anticipated that \$57,440,000 Series 2003A COPs will be converted and remarketed or refunded, as authorized by the Board in Agenda Item E-25 on June 18, 2008. Since this transaction is tentatively scheduled for August 2008, the current 2008-09 budget estimates do not include the effect of this financing activity (see Note 1 on page 5-5). Final closing entries are projected to be available for September adoption and will be presented as appropriate.

CERTIFICATES OF PARTICIPATION (COP) FUND (cont'd)

	2006-07 ACTUAL RESULTS	2007-08 PROJECTED RESULTS	2008-09 TENTATIVE BUDGET	
REVENUES				
Local Sources - Interest	\$ 354,971	\$ 287,000	\$ 186,000	
TRANSFERS				
From Capital Outlay Funds	114,603,405	142,813,031	165,011,802	
Sub-Total	\$ 114,958,376	\$ 143,100,031	\$ 165,197,802	
NON-REVENUE SOURCES				
Proceeds of Refunding COPs	\$ 10,570,000	\$ 511,815,000	\$ 0	(1)
Premium from Refunding COPs	980,956	13,584,297	0	(1)
Payments to Refunded Bond Escrow Agent	(11,300,292)	(244,745,701)	0	(1)
FUND BALANCE FROM PRIOR YEAR				
	360,300	212,955	499,954	
TOTAL REVENUES & OTHER SOURCES	\$ 115,569,340	\$ 423,966,582	\$ 165,697,756	(1)
APPROPRIATIONS				
Bond Principal	\$ 43,645,000	\$ 328,080,000	\$ 52,195,624	(1)
Interest	71,469,778	92,495,074	112,816,177	(1)
Cost of Issuance of Refunding COPs	0	2,891,554	0	(1)
Insurance Premium on Refunding COPs	0	0	0	(1)
Underwriters Discount on Refunding COPs	0	0	0	(1)
Other Debt Service	241,607	0	0	(1)
Sub-Total	\$ 115,356,385	\$ 423,466,628	\$ 165,011,801	
FUND BALANCE - END OF YEAR				
Designated	\$ 212,955	\$ 499,954	\$ 685,955	
TOTAL APPROPRIATIONS & RESERVES	\$ 115,569,340	\$ 423,966,582	\$ 165,697,756	(1)

Note:

(1) Current 2008-09 budget estimates do not include the effect of the conversion and remarketing or refunding of the \$57,440,000 Series 2003A COPs, tentatively scheduled for August 2008 and authorized by the Board in Agenda Item E-25 on June 18, 2008. This financing activity and final closing entries are projected to be available in September 2008 for Final Budget Adoption and will be presented as appropriate.

MASTER EQUIPMENT/TECHNOLOGY/ERP LEASE AGREEMENT

In 2005-06, a Master Equipment/Technology Lease Program was implemented as an alternative form of financing to lower the cost of borrowing for significant equipment acquisitions and instructional technology updates, and to provide relief to the collateral requirements of the COPs Program. The Master Equipment Lease is also funding the District's Enterprise Resource Project (ERP). The District traditionally funded technology and equipment acquisitions by including them in COPs.

The term of the project lease schedules will be matched to the useful life of the asset, primarily 5, 7 and 10 years. In addition to providing relief to the COPs Program, the Master Equipment/Technology Lease Program will provide the following benefits:

- Low upfront cost as compared to bond issuance cost
- Easy to increase or reduce program size/Accommodate smaller more frequent borrowing
- Flexible terms (can structure to draw down funds as needed or escrow funds, can use interest only period, balloon/deferred payments, fixed or floating rate, any time call feature)
- No bond insurance required
- Simple documentation, quick execution, and minimal ongoing disclosures

Proceeds for the Master Equipment Lease were \$63 million in fiscal year 2005-06, \$25.2 million in fiscal year 2006-07, and are projected to be approximately \$7.1 million for fiscal year 2007-08. In addition, proceeds of the Master Technology Lease for fiscal year 2006-07 were \$18.3 million and are projected to be approximately \$17.4 million for fiscal year 2007-08. This Master Technology Lease was structured similarly to the Line of Credit with semi-annual reimbursements/draws for funds already spent without additional cost to the District for commitment/unfunded fees. Costs related to credit enhancements and cross default terms applicable to COP financings do not apply as well.

	2006-07 ACTUAL RESULTS	2007-08 PROJECTED RESULTS	2008-09 TENTATIVE BUDGET
REVENUES			
Local Sources - Interest	\$ 7,435	\$ 7,000	\$ 15,000
TRANSFERS			
From Capital Outlay Funds	9,578,309	12,161,056	28,428,522
Sub-Total	\$ 9,585,744	\$ 12,168,056	\$ 28,443,522
FUND BALANCE FROM PRIOR YEAR	0	510,099	517,099
TOTAL REVENUES & OTHER SOURCES	\$ 9,585,744	\$ 12,678,155	\$ 28,960,621
APPROPRIATIONS			
Bond Principal	\$ 6,917,563	\$ 9,229,690	\$ 20,371,968
Interest	2,158,082	2,931,366	8,056,554
Sub-Total	\$ 9,075,645	\$ 12,161,056	\$ 28,428,522
FUND BALANCE - END OF YEAR			
Designated	\$ 510,099	\$ 517,099	\$ 532,099
TOTAL APPROPRIATIONS & RESERVES	\$ 9,585,744	\$ 12,678,155	\$ 28,960,621

QUALIFIED ZONE ACADEMY BONDS (QZABs)

In 1997, the Taxpayer Relief Act created the QZAB financial instrument, an interest-free bond that school districts may apply for in order to fund school renovations and repairs. The Florida Department of Education awarded the District \$24.5 million of the state's bonding authority in fiscal year 1999-00, \$15 million in 2000-01 to fund additional technology, capital and vocational projects, \$9.7 million in fiscal year 2003-04 and \$2.6 million in fiscal year 2006-07 to fund technology projects.

Principal on the QZABs is paid by the District, while interest is paid by the U.S. Government in the form of income tax credits to lenders. The terms of the QZABs are thirteen and fifteen years and will be retired through a discounted sinking fund where the annual deposits are invested in a guaranteed investment contract that will yield the additional amount needed to retire the principal at maturity. The primary sources of funds for required debt service payments are transfers from QZAB interest earnings and the Local Optional Millage Levy Capital Outlay Fund.

	2006-07 ACTUAL RESULTS	2007-08 PROJECTED RESULTS	2008-09 TENTATIVE BUDGET
REVENUES			
Local Sources - Interest	\$ 768,102	\$ 0	\$ 0
TRANSFERS			
From Capital Outlay Funds	2,680,407	2,812,046	2,812,046
Sub-Total	\$ 3,448,509	\$ 2,812,046	\$ 2,812,046
FUND BALANCE FROM PRIOR YEAR	<u>12,759,772</u>	<u>16,208,281</u>	<u>19,020,327</u>
TOTAL REVENUES & OTHER SOURCES	<u>\$ 16,208,281</u>	<u>\$ 19,020,327</u>	<u>\$ 21,832,373</u>
APPROPRIATIONS			
Bond Principal	\$ 0	\$ 0	\$ 0
Sub-Total	\$ 0	\$ 0	\$ 0
FUND BALANCE - END OF YEAR			
Designated	<u>\$ 16,208,281</u>	<u>\$ 19,020,327</u>	<u>\$ 21,832,373</u>
TOTAL APPROPRIATIONS & RESERVES	<u>\$ 16,208,281</u>	<u>\$ 19,020,327</u>	<u>\$ 21,832,373</u>

GENERAL OBLIGATION BOND FUND

On March 8, 1988, voters authorized the issuance of \$980 million of General Obligation Bonds for the construction of new schools, additions and renovations to existing schools and equipment. The District sold \$200,000,000 of General Obligation School District Bonds in both fiscal years 1988-89 and 1991-92. As cash requirements dictated, bonds were issued in the amount of \$200 million during 1993-94, \$240 million during 1995-96, and the remaining \$140 million during 1996-97. Net proceeds of these General Obligation Bond sales were recorded in the General Obligation Bond Capital Outlay Fund. All bonds have now been issued. The 1989, 1992, 1994A and 1995 Series were partially refunded during 1993, 1996, and 1998 at considerably lower interest rates. Proceeds from refunding issues were recorded in the debt service fund as were the remarketed General Obligation Bonds in 2003-04, 2004-05 and 2006-07. These proceeds were required by GASB 34 to be reflected as gross proceeds instead of net and generated an additional \$28 million to fund capital projects.

The General Obligation Bond Debt Service Fund is used to record principal and interest payments. The ad valorem millage is levied annually in an amount to cover the debt service requirements. Fund balance at the end of each year must be sufficient to make debt service payments due during July and August of the next fiscal year, before tax revenues are collected. The recommended millage rate for fiscal year 2008-09 is .274 mills, which is .104 mills lower than 2007-08.

	2006-07 ACTUAL RESULTS	2007-08 PROJECTED RESULTS	2008-09 TENTATIVE BUDGET
REVENUES			
Local Sources			
District School Tax	\$ 83,330,930	\$ 88,856,906	\$ 66,875,495
Interest Revenue	1,485,304	997,000	971,000
Net Increase(Decrease) in Fair Value of Investments	69,363	0	0
Sub-Total	\$ 84,885,597	\$ 89,853,906	\$ 67,846,495
TRANSFERS			
From Capital Outlay Funds	168,099,350	0	0
Total Revenues	\$ 252,984,947	\$ 89,853,906	\$ 67,846,495
FUND BALANCE FROM PRIOR YEAR	58,804,884	62,837,299	69,317,526
TOTAL REVENUES AND BALANCES	\$ 311,789,831	\$ 152,691,205	\$ 137,164,021
APPROPRIATIONS			
Bond Principal	\$ 223,215,000	\$ 62,440,000	\$ 65,595,000
Interest	25,737,532	20,933,679	17,827,165
Sub-Total	\$ 248,952,532	\$ 83,373,679	\$ 83,422,165
FUND BALANCE - END OF YEAR			
Designated	62,837,299	69,317,526	53,741,856
TOTAL APPROPRIATIONS & RESERVES	\$ 311,789,831	\$ 152,691,205	\$ 137,164,021

**DEBT SERVICE AS A PERCENTAGE
OF TOTAL TAXABLE ASSESSED VALUE OF PROPERTY
(000's)**

	2008-09 DEBT SERVICE PAYMENTS *	TOTAL REMAINING DEBT SERVICE *
State Board of Education Bonds (Series 1999A, 2000A, 2001A, 2002A, 2003A, 2004A, 2005A, and 2005B)	\$ 13,426	\$ 125,671
Certificates of Participation (Series 2008B)	25,329	1,007,988
Certificates of Participation (Series 2008A)	7,196	352,082
Certificates of Participation (Series 2007C)	4,541	213,864
Certificates of Participation (Series 2007B)	5,007	175,456
Certificates of Participation (Series 2007A)	15,745	560,246
Certificates of Participation (Series 2006D)**	510	16,512
Certificates of Participation (Series 2006C)	5,018	70,288
Certificates of Participation (Series 2006B)	14,246	341,928
Certificates of Participation (Series 2006A)	13,870	332,934
Certificates of Participation (Series 2005A)	4,879	45,403
Certificates of Participation (Series 2004A)**	4,589	120,105
Certificates of Participation (Series 2003D)	9,815	272,975
Certificates of Participation (Series 2003C)**	4,741	4,741
Certificates of Participation (Series 2003B)**	9,014	203,627
Certificates of Participation (Series 2003A)**	4,048	98,481
Certificates of Participation (Series 2002B)	4,528	98,034
Certificates of Participation (Series 2002A)	4,593	97,818
Certificates of Participation (Series 2001C)	1,966	7,858
Certificates of Participation (Series 2001B)	3,511	85,918
Certificates of Participation (Series 2000A)	4,545	9,067
Certificates of Participation (Series 1998C)**	4,186	8,696
Certificates of Participation (Series 1998A)**	11,822	23,644

* Includes principal and interest payments only for debt outstanding as of June 30, 2008.

** Issued to refund a previously issued COP Series.

**DEBT SERVICE AS A PERCENTAGE
OF TOTAL TAXABLE ASSESSED VALUE OF PROPERTY (cont'd)
(000's)**

	2008-09 DEBT SERVICE PAYMENTS *	TOTAL REMAINING DEBT SERVICE *
Master Equipment Lease (ERP)	\$ 1,947	\$ 9,085
Master Equipment Lease (Technology-Sun Trust)	11,074	55,368
Master Equipment Lease (Buses 2005-06)	2,924	23,390
Master Equipment Lease (PC Technology 2005-06)	1,098	3,293
Master Equipment Lease (HVAC 2005-06)	2,636	21,088
Master Equipment Lease (Security Cameras 2005-06)	2,418	7,254
Master Equipment Lease (Buses 2006-07)	3,085	27,769
North Miami Florida Educational Facilities Construction Note	0	124,000
Qualified Zone Academy Bonds (Series 2000)	0	24,508
Qualified Zone Academy Bonds (Series 2001)	0	15,000
Qualified Zone Academy Bonds (Series 2003)	0	9,744
Qualified Zone Academy Bonds (Series 2006)	0	2,599
General Obligation Bonds (Series 1998)	23,312	181,588
General Obligation Bonds (Series 1997)	11,140	101,400
General Obligation Bonds (Series 1996)	17,857	71,811
General Obligation Bonds (Series 1994)	11,676	81,944
General Obligation Bonds (Series 1993)	19,437	19,437
TOTAL DEBT OUTSTANDING JUNE 30, 2008	<u>\$ 285,729</u>	<u>\$ 5,052,614</u>
DEBT SERVICE AS A PERCENT OF TOTAL ASSESSED VALUE OF TAXABLE PROPERTY	<u>.111%</u>	<u>1.96%</u>
TOTAL TAXABLE ASSESSED VALUE		<u>\$ 257,726,238</u>

* Includes principal and interest payments only for debt outstanding as of June 30, 2008.

FUTURE DEBT SERVICE REQUIREMENTS *
(000's)

Year Ended June 30:	SBE	COPs	MEL/MTL	NORTH MIAMI NOTE	QZABs	GOB	TOTAL
2009	\$ 13,426	\$ 163,699	\$ 25,182	\$ 0	\$ 0	\$ 83,422	\$ 285,729
2010	13,601	170,221	24,532	124,000	0	64,035	396,389
2011	13,639	173,949	24,532	0	0	64,018	276,138
2012	13,672	172,678	21,017	0	0	64,135	271,502
2013	13,694	172,430	21,017	0	0	46,129	253,270
AFTER 2014	57,639	3,294,688	30,967	0	51,851	134,441	3,569,586
Total	\$ 125,671	\$4,147,665	\$ 147,247	\$ 124,000	\$ 51,851	\$ 456,180	\$ 5,052,614

* Includes principal and interest payments only for debt outstanding as of June 30, 2008.

Note: The above debt service schedules and total future debt service obligations differ from those listed in the 2007-08 Executive Summary due to the refunding of various series, changes in variable interest rates and issuance of additional debt.

Abbreviations

SBE	State Board of Education
COPs	Certificates of Participation
MEL/MTL	Master Equipment Lease/Master Technology Lease
NORTH MIAMI NOTE	North Miami Florida Educational Facilities Construction Note
QZABs	Qualified Zone Academy Bonds
GOB	General Obligation Bonds

**ESTIMATED LEGAL DEBT MARGIN ON BONDED DEBT
AS OF JUNE 30, 2008
(\$ Millions)**

The Florida State Board of Education Administrative Rule 6A-1.037 (2) establishes a parameter on bonded indebtedness for school districts. Limits are computed as a stated percentage of the assessed value of taxable property as of the most current year.

Limit of bonded indebtedness:

10% of the net assessed value of taxable property in 2007 (approximately \$257,726 million)		\$25,772.60
Gross bonded debt *	\$ 479.09	
Less amounts available in Debt Service Funds**	<u>(61.31)</u>	
Total amount applicable to debt limit		<u>417.78</u>
Legal debt margin on bonded debt		<u>\$25,354.82</u>

* Includes outstanding bonds issued by the District and bonds issued by the state on behalf of the District and repaid from the District's share of Florida Motor Vehicle License taxes.

** Includes estimated cash on hand available on June 30, 2008.