

AGENDA

DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION

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(Contact person: J. Ben Watkins III - 488-4782)
The Capitol
August 6, 2013

This meeting is open to the public.

1. Approval of minutes of the meeting of June 25, 2013.

Attachment #1

2. Report of award on the following competitive bond sale:

\$206,035,000 Department of Transportation Turnpike Revenue Refunding Bonds, Series 2013B

Bids were received at the office of the Division of Bond Finance on July 18, 2013. The bonds were awarded to the low bidder, J.P. Morgan Securities LLC, which submitted a bid at an annual true interest cost rate of 1.5516%. The bonds will be delivered on August 22, 2013.

The bonds are being issued to refund the outstanding Series 2003A Bonds. The average interest rate on the bonds being refunded is 4.71% compared to the interest rate of 1.55% on the refunding bonds. The bond proceeds will be used to redeem the 2003A bonds on August 23, 2013. The refunding will result in gross debt service savings of approximately \$26.8 million and present value savings of approximately \$25.2 million, or 10.7% of the principal amount being refunded.

A report and tabulation of bids is attached.

Attachment #2

3. Overview of Reductions in State Debt and Rating Agency Feedback.

Presentation by the Division of Bond Finance providing an overview of debt outstanding and recent rating agency feedback on the State's financial performance and economic outlook.

4. Adoption of a resolution authorizing the award of a master equipment financing agreement in connection with the consolidated equipment financing program.

The Division of Bond Finance is authorized to expand the consolidated equipment financing program by an additional \$60,000,000 to finance the equipment needs of State agencies. Payments under the master equipment financing agreement will be made solely from amounts appropriated for such purposes annually. The master equipment financing agreement does not pledge the full faith and credit of the State.

Copies of the resolution may be obtained from the Division of Bond Finance upon request.

T H E C A B I N E T
S T A T E O F F L O R I D A

Representing:

ELECTIONS CANVASSING COMMISSION
DIVISION OF BOND FINANCE
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
DEPARTMENT OF REVENUE
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, June 25,
2013, commencing at approximately 9:06 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

* * *

I N D E X

ELECTIONS CANVASSING COMMISSION
(Presented by KEN DETZNER)

ITEM	ACTION	PAGE
1	Approved	5

DIVISION OF BOND FINANCE
(Presented by BEN WATKINS)

ITEM	ACTION	PAGE
1	Approved	6
2	Discussed	6
3	Approved	8

1 GOVERNOR SCOTT: Now I would like to recognize
2 Director Ben Watkins with the Division of Bond
3 Finance to present his agenda. Good morning.

4 MR. WATKINS: Good morning, Governor and
5 Cabinet members.

6 Item number 1 is approval of the minutes of
7 the April 23rd meeting.

8 GOVERNOR SCOTT: Is there a motion to approve?

9 ATTORNEY GENERAL BONDI: So moved.

10 GOVERNOR SCOTT: Is there a second?

11 CFO ATWATER: Second.

12 GOVERNOR SCOTT: Any comments or objections?

13 (No audible response.)

14 GOVERNOR SCOTT: Hearing none, the motion
15 carries.

16 MR. WATKINS: Item number 2 are two reports of
17 award. Item 2A is a report of award on the
18 competitive sale of \$183.1 million in Turnpike
19 refunding bonds. The bonds were sold at
20 competitive sale and awarded to the low bidder at a
21 true interest rate of approximately 1.85 percent.
22 That allowed us to reduce the interest rate on
23 outstanding bonds from 4.91 percent to the 1.85
24 percent, which will generate gross debt service
25 savings of approximate 46.3 million and present

1 value savings of 40.8 million, or 18.8 percent of
2 the principal amount of the bonds being refunded.

3 And item 2B is a report of competitive sale of
4 approximately 297.9 million in Public Education
5 Capital Outlay refunding bonds. The bonds were
6 awarded to the low bidder at a true interest cost
7 of approximately 2.99 percent. That allowed us to
8 reduce the interest rate on outstanding bonds from
9 4.88 percent to 2.99 percent, generating expected
10 debt service savings, gross debt service savings of
11 65.8 million, or on a present value basis,
12 48.9 million, or 15.2 percent of the principal
13 amount of the bonds being refunded.

14 So with those two transactions completed, for
15 the fiscal year, we've sold 10 refunding issues
16 aggregating about \$2 billion, generating gross debt
17 service savings of \$516 million, or on a present
18 value basis, 406 million.

19 GOVERNOR SCOTT: That's great.

20 MR. WATKINS: Lastly, item 3 is a resolution
21 authorizing the issuance and competitive sale of
22 245 million in Turnpike revenue refunding bonds.
23 And these bonds are also being authorized to and
24 refunded to achieve debt service savings.

25 GOVERNOR SCOTT: Is there a motion to approve

1 this item?

2 ATTORNEY GENERAL BONDI: So moved.

3 COMMISSIONER PUTNAM: Second.

4 GOVERNOR SCOTT: Any comments or objections?

5 (No audible response.)

6 GOVERNOR SCOTT: Hearing none, the motion
7 carries. Thank you, Ben.

8 MR. WATKINS: Thank you, sir.

9 GOVERNOR SCOTT: Ben, how much money have we
10 paid down on debt in the last -- since we were
11 inaugurated?

12 MR. WATKINS: Well, it's been \$3 billion over
13 the last two fiscal years, so that's the amount the
14 aggregate state debt outstanding overall has been
15 reduced.

16 GOVERNOR SCOTT: That's great.

17 MR. WATKINS: And about 3-1/2 billion over the
18 last three years.

19 GOVERNOR SCOTT: That's great.

20 Congratulations.

21 MR. WATKINS: Thank you, sir.

22

23

24

25

CERTIFICATE OF REPORTER

STATE OF FLORIDA:

COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 50 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 9th day of July, 2013.

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STATE OF FLORIDA

DIVISION OF BOND FINANCE
OF THE STATE BOARD OF ADMINISTRATION

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RICK SCOTT
GOVERNOR
AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL
AS SECRETARY


JEFF ATWATER
CHIEF FINANCIAL OFFICER
AS TREASURER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

J. BEN WATKINS III
DIRECTOR

MEMORANDUM

TO: Governor and Cabinet, as the Governing Board of the Division of Bond Finance

FROM: J. Ben Watkins III 

DATE: August 6, 2013

SUBJECT: Award of \$206,035,000 State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2013B

Pursuant to authorization by the Governor and Cabinet by resolution adopted on March 19, 2013, bids were received for the above referenced bond issue at the office of the Division of Bond Finance at 12:00 noon. on Thursday, July 18, 2013.

Eight bids were received with a tabulation of such bids included herein. The low bid was from J.P. Morgan Securities LLC at an annual true interest cost rate of 1.5516%. The annual true interest cost rate using the applicable Bloomberg Benchmark Revenue Yield Curve for the day of the sale was 1.6504%. The bids were reviewed by representatives of the Division of Bond Finance and the bonds were awarded to such low bidder as authorized. The bonds will be delivered on August 22, 2013.

The bonds are being issued to refund the Series 2003A Bonds. The average interest rate on the bonds being refunded is 4.71% compared to the interest rate of 1.55% on the refunding bonds. The bond proceeds will be used to redeem the 2003A bonds on August 23, 2013. The refunding will result in gross debt service savings of approximately \$26.8 million and present value savings of approximately \$25.2 million, or 10.7% of the principal amount being refunded.

The bonds are dated August 22, 2013, with interest payable January 1, 2014, and semiannually on each July 1 and January 1 thereafter. The bonds consist of serial bonds maturing on July 1 in the years 2014 through 2022.

Debt service payments for the bonds are secured by the net revenues derived from the operation of the turnpike system and are on a parity with the outstanding Turnpike Revenue Bonds, Series 2004A through 2013A. The bonds are not secured by the full faith and credit of the State of Florida.

Attachment #2

The bonds have been rated AA-, Aa3 and AA- by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

BID TABULATION

<u>Bidder</u>	<u>Annual True Interest Cost Rate</u>
J.P. Morgan Securities LLC	1.5516%
Wells Fargo Bank, National Association	1.5517%
Citigroup Global Markets Inc.	1.5539%
Bank of America Merrill Lynch	1.5675%
Goldman, Sachs & Co.	1.5686%
Jefferies LLC	1.5829%
Barclays Capital Inc.	1.5901%
Morgan Stanley & Co., LLC	1.5937%

INTEREST RATES AND YIELDS TO MATURITY FROM WINNING BID

<u>Maturity Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>
07/01/14	22,930,000	2.00%	0.19%
07/01/15	28,255,000	4.00	0.48
07/01/16	29,390,000	5.00	0.82
07/01/17	37,615,000	5.00	1.15
07/01/18	41,955,000	5.00	1.50
07/01/19	22,945,000	5.00	1.82
07/01/20	7,265,000	5.00	2.15
07/01/21	7,660,000	5.00	2.44
07/01/22	8,020,000	5.00	2.70

Recent Developments In State Debt



August 06, 2013

Moody's Special Comment

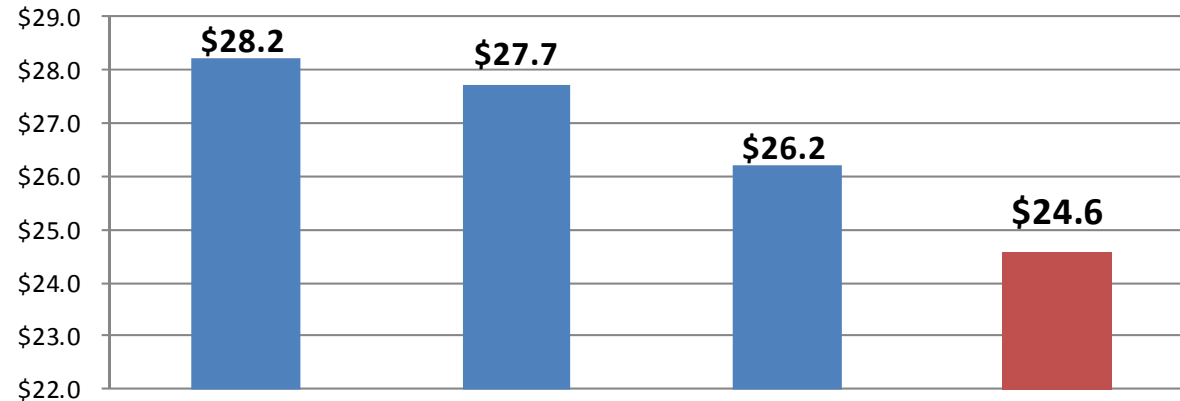
“Florida Back on Track”

- “Current financial and economic strengths underscore Florida’s resilience and ***sound fiscal management***”
- “***Reserves are being rebuilt*** to provide cushion against future downturns”
- “***Revenues are growing and the economy is improving***, although recovery in the housing sector is still very slow”
- “Florida remains exposed to revenue volatility as well as hurricane risk”

Debt Outstanding Decreased

Historical Debt Outstanding

(In Billions of Dollars)

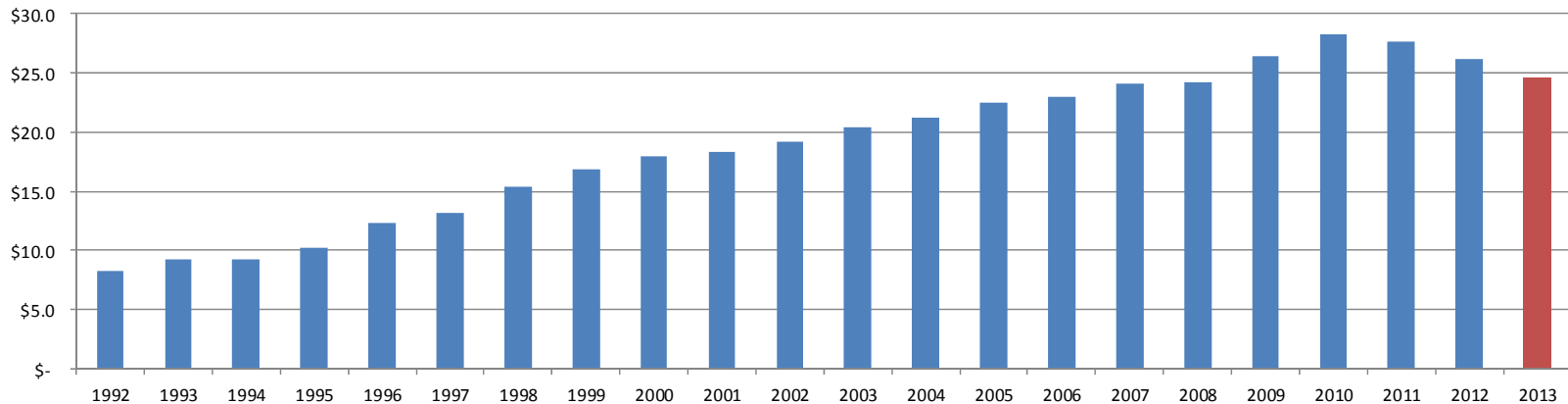


Fiscal Year	2010	2011	2012	2013
Debt Outstanding (In Millions)	\$28,167.8	\$27,677.4	\$26,228.0	\$24,613.9
Decrease in Debt	na	(\$490.4)	(\$1,449.5)	(\$1,614.1)

- State debt outstanding has been reduced by a total \$3.5 billion over the past three fiscal years from \$28.2 billion in 2010 to \$24.6 billion in 2013
- State debt outstanding has been reduced by \$1.6 billion over the last fiscal year
- The decrease in debt during 2013 is primarily due to payments of principal exceeding new debt issuance during the year

Historical Debt Outstanding

State of Florida
 Historical Debt Outstanding
 Fiscal Years 1992 through 2013
 (In Billions of Dollars)



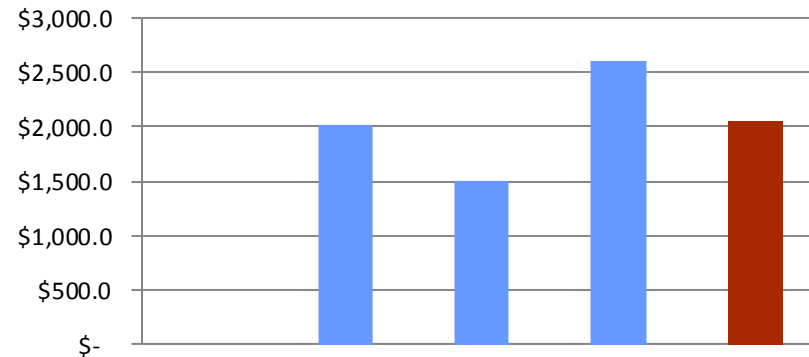
Debt Outstanding	\$ 8.3	\$ 9.2	\$ 9.2	\$ 10.2	\$ 12.3	\$ 13.2	\$ 15.4	\$ 16.8	\$ 18.0	\$ 18.3	\$ 19.2	\$ 20.4	\$ 21.2	\$ 22.5	\$ 23.0	\$ 24.1	\$ 24.2	\$ 26.4	\$ 28.2	\$ 27.7	\$ 26.2	24.6
Change in Debt	\$ -	\$ 0.9	\$ 0.0	\$ 1.0	\$ 2.1	\$ 0.9	\$ 2.2	\$ 1.4	\$ 1.2	\$ 0.3	\$ 0.9	\$ 1.2	\$ 0.8	\$ 1.3	\$ 0.5	\$ 1.1	\$ 0.1	\$ 2.2	1.8	(0.5)	(1.5)	(1.6)

- State debt outstanding increased annually and more than tripled from 1992 through 2010 before decreasing in each of the past three fiscal years
- Decreases in the last three fiscal years reverses a long-term trend of increasing State debt

Refinancing Activity

Historical Refinancing Activity Fiscal Years 2009 through 2013

(In Millions of Dollars)



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
Number of Transactions	0	12	12	20	10	54
Refunding Par	\$ -	\$ 2,020.0	\$ 1,491.1	\$ 2,595.0	\$ 2,049.4	\$ 8,155.5
Refunding Savings:						
Gross Savings	\$ -	\$ 258.1	\$ 193.3	\$ 450.9	\$ 515.6	\$ 1,417.9
Present Value Savings	\$ -	\$ 211.6	\$ 162.4	\$ 366.2	\$ 406.1	\$ 1,146.3

- Refunding bonds issued over the last five fiscal years totaled nearly \$8.2 billion
- The refundings resulted in significant savings on debt service as follows:
 - Gross debt service savings of \$1.4 billion
 - Present value debt service savings of \$1.1 billion

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE EXPANSION OF THE CONSOLIDATED EQUIPMENT FINANCING PROGRAM TO INCREASE THE AMOUNT AVAILABLE TO STATE AGENCIES; PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA:

1. The Chief Financial Officer is authorized to expand the consolidated equipment financing program by an additional \$60 million to finance the equipment needs of state agencies. The Chief Financial Officer shall determine the manner of expansion of the program in order to meet the financing needs of state agencies.

2. This Resolution shall take effect immediately upon its adoption.

ADOPTED AUGUST 6, 2013.