AGENDA

DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION

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(Contact person: J. Ben Watkins III - 488-4782)
St. Augustine, Florida
September 1, 2015

This meeting is open to the public.

1. Approval of minutes of the meeting of August 5, 2015.

   Attachment #1

2. Reports of award on the following competitive bond sales:

   A. $213,885,000 Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2015A

      Bids were received at the office of the Division of Bond Finance on July 27, 2015. 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 1.9027%. The bonds will be delivered on September 1, 2015.

      The bonds will be issued to refund the Series 2005A and a portion of the Series 2005B Bonds. The average interest rate on the bonds being refunded is 3.91% compared to the interest rate of 1.90% on the refunding bonds. The refunding will generate gross debt service savings of $27.0 million, present value savings of $24.2 million, or 9.7% of the principal amount being refunded.

      A report on the sale and tabulation of bids is attached.

      Attachment #2

   B. $306,645,000, State Board of Education Public Education Capital Outlay Refunding Bonds, 2015 Series E.

      Bids were received at the office of the Division of Bond Finance on August 13, 2015. The bonds were awarded to the low bidder, Citigroup Global Markets Inc., which submitted a bid at an annual true interest cost rate of 3.1489%. The bonds will be delivered on September 10, 2015.

      The bonds will be issued to refund the Public Education Capital Outlay Refunding Bonds, 2006 Series A Bonds. The average interest rate on the bonds being refunded is 4.56% compared to the interest rate of 3.15% on the refunding bonds. The refunding is expected to generate gross debt service savings of $47.4 million, present value savings of $34.5 million, or 10.7% of the principal amount being refunded.

      A report on the sale and tabulation of bids is attached.

      Attachment #3

3. Adoption of a resolution authorizing the solicitation of proposals and the award of a $50,000,000 master equipment financing agreement in connection with the consolidated equipment financing program.

The Division of Bond Finance is authorized to solicit proposals for a credit facility from financial institutions and award a master equipment financing agreement to the low cost provider 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.

(Recommend)

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND CABINET

VOLUME I

CABINET MEMBERS: GOVERNOR RICK SCOTT
ATTORNEY GENERAL PAM BONDI
CHIEF FINANCIAL OFFICER JEFF ATWATER
COMMISSIONER OF AGRICULTURE ADAM PUTNAM

DATE: WEDNESDAY, AUGUST 5, 2015

LOCATION: CABINET MEETING ROOM
LOWER LEVEL, THE CAPITOL
TALLAHASSEE, FLORIDA

REPORTED BY: YVONNE LAFLAMME, FPR
COURT REPORTER and
NOTARY PUBLIC

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I N D E X

DIVISION OF BOND FINANCE

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GOVERNOR SCOTT: So we're going to take this out of order. Ben Watkins with the Division of Bond Finance.

DIRECTOR WATKINS: Good morning, Governor, Cabinet members. Thank you for taking us out of turn.

Item 1 is approval of the minutes of the October -- or April 14th meeting.

GOVERNOR SCOTT: Is there a motion?

ATTORNEY GENERAL BONDI: So moved.

GOVERNOR SCOTT: Second?

CHIEF FINANCIAL OFFICER ATWATER: Second.

GOVERNOR SCOTT: Moved and seconded. Show the minutes as approved without objection.

DIRECTOR WATKINS: Item Number 2 contains four different items, which are reportable award on bond sales. Item 2a is the reportable award on the competitive sale of $258.3 million of PECO Refunding Bonds. The bonds were awarded to the highest bidder in an interest cost rate of 1.28 percent. That allowed us to reduce the interest rate on outstanding PECO bonds from 4.68 percent to 1.28 percent, generating gross debt service savings of 34.2 million;

present value savings of 32.6 million, or 11.2 percent of the principal amount of the bonds being refunded.

Item 2b is competitive sale of $59.6 million for an FSU dormitory revenue bonds. The bonds were awarded at the true interest cost rate of 3.37 percent. It also included a refunding piece as well of $23.3 million. So the combined issue -- the new money issue was 4.93 percent, and the refunding issue was 3.52 percent. So that allowed us to reduce interest rates on outstanding debt from 4.93 percent to the 3.52 percent which generates gross debt service savings of 5.2 million, present savings of three-and-a-half million, or 14 percent of the principal refunded bonds.

Item C is also a refunding. It was a competitive sale of $29.1 million for Florida International University Student Housing Refunding Bonds. The bonds were sold at competitive sale and awarded to the low bidder at a true interest cost of 3.25 percent. That allowed us to reduce the interest rate on outstanding bonds from 4.46 percent to 3.25 percent, generating gross debt service savings of 4 million, present value savings of 3 million, or 10 percent of the principle amount of the bonds being refunded.

Thank you, sir.

GOVERNOR SCOTT: We've seen the money.

DIRECTOR WATKINS: Absolutely.

Lastly, Item D is sale of Turnpike revenue bonds. The bonds $241-and-a-half million of Turnpike revenue bonds. The bonds were awarded to the low bidder at the true interest cost of 3.58 percent. That was also a combined new money and refunding issue. It was $172-and-a-half-million of new money and $68.9 million in refunding. So the new money piece was sold at a true interest cost of 3.75 percent, and the refunding piece was 2.73 percent. So what that allowed us to do was reduce the interest rate on outstanding bonds from 4.87 percent to 2.73 percent, generating gross debt service of 12.8 million, present value savings of 10-and-a-half million, or 14.1 percent of the principal amount of the bonds being refunded.

So, whenever we have a new money issue and we have a refunding piece that works as well, we combine these two issues to take advantage of the efficiencies gained in doing the one issue rather than two, because it's the same amount of work so we attach a refunding piece to it whenever there's an economically feasible piece to do. So that's why you see these combined issues.

We've been beneficiary and continue to be very

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favorable in attractive rates, and very favorable rates in the municipal market, so we continue to move aggressively, taking advantage of every possible opportunity to lower the interest rate on our outstanding debt and reduce the amount that we have is to pay in interest cost over time.

GOVERNOR SCOTT: Has any statement been able to get better financing costs than us? We have the highest credit rating, right?

DIRECTOR WATKINS: Well, us being a triple-A-rated state, it certainly helps our reputation in the credit markets, reflecting the conservative and prudent physical management of the state. It has been superlative, and so we get very attractive rates on everything that we sell. So as low as it can be Governor. That's our number one mission; that's our focus and that's what we do.

GOVERNOR SCOTT: It's better than Texas, right?
DIRECTOR WATKINS: Yes. Always. And that's a fair comparison because they don't have a personal income tax and neither do we, right? So we they don't have any wind at their back in terms of unfair advantages.
Item Number 3 is the resolution authorizing the solicitation of competitive proposals for a master

equipment financing program for state agencies.
GOVERNOR SCOTT: So we don't -- my concern about this is we don't yet how this money will be spent. It's my understanding the process is the agencies will tell us if they want to use this, so I would rather from a transparency standpoint, rather get that and tell us how it's going to be used before we decide to go spend the money. And then once we do that, then you can go out and solicit the funds.
DIRECTOR WATKINS: Okay.
GOVERNOR SCOTT: That seems like a better process than doing it the other way around.
DIRECTOR WATKINS: Right.
CHIEF FINANCIAL OFFICER ATWATER: May I ask a question?

GOVERNOR SCOTT: Sure.

CHIEF FINANCIAL OFFICER ATWATER: Ben, usually requests are made basically this being the line of credit. I guess probably a gateway to say this, each of those items has already have been approved in the agency's budget; that would be correct?

DIRECTOR WATKINS: Correct.

CHIEF FINANCIAL OFFICER ATWATER: And the expenditure going after that piece of fixed asset, but not as debt.

DIRECTOR WATKINS: Correct. The lease payment would have been approved but not necessarily the entire amount that they're looking to purchase the equipment for.

GOVERNOR SCOTT: So just make sure I understand it right. The item would be approved in the budget, but the fact that they're going to do a leasing transaction has not been approved in the budget, nor the cost of the leasing transaction.

DIRECTOR WATKINS: That is correct. So in other words, the Agency would come forward, they would have included in their budget the annual appropriation for the lease item. That's absolutely essential. So the annual cost has been included in the budget. The cost of the equipment purchase and the financing, not.

So you're both right in order to reconcile these different points of view. I think to the Governor's point is we don't know what this is being used for and no project has been approved. This is how we administered this program previously. It was set up previously to be done as a bond issue.

We converted it to a line of credit to make it very efficient so that we're not drawing down money. We're not incurring the interest cost associated in having this credit available pending its use, then

that was the improvement we do, because there's no sense in spending money on interest for money to sit in the bank and incurring the cost of carry on that.

GOVERNOR SCOTT: So it's a line of credit?

DIRECTOR WATKINS: Sir?

GOVERNOR SCOTT: It's a line of credit?

DIRECTOR WATKINS: It is a line of credit. And our role is statutorily to be in charge of the solicitation process. We're not in charge of administering the program, but because of our expertise in finance and because of the protocols we use in executing transactions, the Legislature embedded the responsibility with us, and so in evaluating this many years ago we said, "Wait a minute. There's a better mouse trap." And that's when we converted it to a line of credit so that the credit facility is available, but there has been no project approval.

So the CFO's Department of Financial Services administers the program and is responsible for receiving the proposals from the agencies about what they would like to lease. The term of the lease is limited to five years, so it's not long-term debt. It tends to be short-term debt. Well, it is short-term debt. It has to be amortized over a maximum of five

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years. The interest rate is established once that approval is forthcoming.

There is no -- there is a DFS diligence process in terms of the project and making sure that administratively the lender has approved the project and that the appropriations for the annual lease payment is included in the budget. But there's not a critical evaluation of the merits of any particular project and how that may pay, which is more normal in connection with long-term bond issues.

So that's the way the program is administered. We're just doing the solicitation. The line of credit would be in place for a maximum of 50 million. It is not required to be used but is available to agencies as opposed to then doing vender financing, which is what tends to happen. An IBM or Seiman's or some equipment provider comes in and says, "We'll provide you a lease agreement" and they can play with the purchase price and interest rate that way. This assures the absolute lowest cost of financing, because we have a third-party lender who has bid on a line of credit to provide that, so there is no subsequent review of that. I've suggested we build the process and require that before draw-downs are made. We can do that formally or informally, and so that would be

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the best way in my judgment of incorporating oversight on a project-by-project basis before a draw down is made.

CHIEF FINANCIAL OFFICER ATWATER: Governor, I think you're asking a very appropriate question. I think a thread there that was the most valuable on the explanation.

One, I guess I could just acknowledge it's in Statute; we're required to do it by the Legislature to put the facility in place, so it may be a question we want to talk about statutorily. So we're just trying to now execute as our office as to the requirement under the law. But I do think what's important, this number has moved around. We keep this number I would say generally speaking a tight number, and there's unquestionably when agencies choose to utilize a draw down, they're getting a far better rate than going out themselves, on a piece of equipment, by a piece of equipment basis. And so it's a -- it's going to be a more attractive rate that is available for them for something that has been already budgeted for.

GOVERNOR SCOTT: Can I ask a question?

CHIEF FINANCIAL OFFICER ATWATER: Sure.

GOVERNOR SCOTT: So do they -- how do they do this? So our budget just started July 1st; when do

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they come to you to talk about the projects?

CHIEF FINANCIAL OFFICER ATWATER: It could be at any point, if the budget would have been approved by the Legislature and yourself, that someone is going to buy a $3 million piece of equipment, it may be November or it may be January when they present themselves: "It is time the transaction is ready and this is the instrument we wish to use;" that's how that would occur.

GOVERNOR SCOTT: So right now, an agency can go sign a long-term capital lease with no review by anyone?

DIRECTOR WATKINS: That's correct. In terms of a substantive review about the merits or the particular piece of equipment and what purpose it will serve and where the value is in having that.

GOVERNOR SCOTT: So just to make sure I understanding this. So we go through the budget process and we say we're going to allocate "X" dollars for an acquisition. They can change that from buying it to doing some sort of capital transaction -- with an expense that's not approved?

DIRECTOR WATKINS: My understanding, Governor, is -- and this not be accurate; I have to go back and check because I'm not as familiar with the budgetary process on this program as I am on others -- but I believe that what would show up in the budget and pursuant to the budget review process is simply an appropriation for a lease and not the fixed capital outlay that would you normally see in reviewing the budget and other fixed capital projects.

GOVERNOR SCOTT: They can sign, commit to a five-year commitment without getting legislative -- with not going through the legislative budget process. It's only a one-year budget.

DIRECTOR WATKINS: Right. And there probably is an LBC for budget amendment for the fixed capital outlay for the acquisition piece, but I'm not as familiar about that. I can find out the answer and come back to you all on that.

GOVERNOR SCOTT: I've never heard LBC like that; have you?

CHIEF FINANCIAL OFFICER ATWATER: No, not specifically like that.

GOVERNOR SCOTT: I don't know how they would have the authority to do that.

DIRECTOR WATKINS: It's by virtue of having the facility in place in statute that allows them the ability to be able to exercise the option, if you will, statutorily to lease four or five years. So

what they need critically is an appropriation for the annual lease payment with appropriate limitations set forth in statute.

But to your point, Governor, it's well-taken, there's not the rigor of the analysis that may be required of other projects in terms of proving up the merits before they go and request using the facility for the lease purchase and the acquisition of the equipment. And I guess what I'm suggesting is, we can build formally or informally that process and require that prior to an agency accessing credit under the facility, but understand that's informal, not formal. It's not required by statute; we're not necessarily involved in that process. We will be as involved or uninvolved as this board is comfortable being with respect to the oversight of that process for acquiring equipment.

GOVERNOR SCOTT: So I mean, I want to understand. I think this process is a better process than just going out and doing a lease because we don't know what interest rates they're going to give --

CHIEF FINANCIAL OFFICER ATWATER: The vender.

GOVERNOR SCOTT: -- and all of that. But like I understand, I'm surprised you can do that. Business would limit people do this because they can go out and

do the foolish transaction because they're not experienced to it, what processes to go through, what bids would go through.

So if it's all right with you, what I would like to do is withdraw the item at this time and come back, and let's make sure we can understand what they can do and if you can -- if there's a better process for the projects or if you're comfortable and just bring up to speed on how the projects are done.

CHIEF FINANCIAL OFFICER ATWATER: Governor, let us do that. I think we've over time suggested other conceptual ideas for this, as well. And not wanting agencies to think I'm trying to insert myself in decisions that have already been made but just trying to make sure they make the right choice and not incur an additional burden, and that's going to be in the best interest of the taxpayers. So I would be happy to bring it back. I think it's good to bring a conversation here, because we're required to do it.

This one is maturing, it's expiring; there's agencies out there that I am sure would wish to take advantage of if so I'm happy to put it on the next agenda.

Ben, are you okay with that?

DIRECTOR WATKINS: Yes, sir.

CHIEF FINANCIAL OFFICER ATWATER: We would take

the time to be sure we come back with any other recommendations, or you may have a recommendation that we ask the Legislature to revisit the idea.

DIRECTOR WATKINS: I'll be happy to do that and I'll be better prepared on the budgetary process and what the authorization is.

GOVERNOR SCOTT: I mean, you'll come back and you'll explain exactly what they have the authority to do, because it sounds like this is a better program than what they can do on their own. But I'm surprised that they can do it on their own.

DIRECTOR WATKINS: Right.

ATTORNEY GENERAL BONDI: I would love more time on this.

CHIEF FINANCIAL OFFICER ATWATER: That's fine. That's fine.

GOVERNOR SCOTT: So I'll make the motion. Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: And any comments or objections? Hearing none, the motion carries. Thanks.

DIRECTOR WATKINS: Item 4 is adoption of a resolution offering master bond agreement pertaining to the Everglades Restoration Bond Program. The Amendment Number 1 precipitated changes to 201-15,

which is distribution of documentary stamp taxes. We took the opportunity in connection with the implementation of Amendment 1 to clean up that statute, if you will, and to make the payment of debt service a priority, the first priority.

Currently, 63.31 of documentary stamp taxes are pledged to secure the Environmental Bond Program. In rewriting the statute, we have made 100 percent, or the Legislature has made 100 percent of documentary stamp taxes available to pay debt services on bonds, enhancing the credit worthiness of the program and to accommodating the implementation of Amendment Number 1.

So we are making conforming changes to our bond resolutions to incorporate with the statute as it currently exists that was required pursuant to the implementation of Amendment Number 1.

GOVERNOR SCOTT: Is there a motion on the item?

Commissioner?

COMMISSIONER PUTNAM: Given the already attractive rate environment we're operating in, by freeing up 100 percent of the doc revenue stream to pay down debt service, does that save us any money in this rate of environment? Or is that something you see an uptake in rates, this type of reform, would

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save us money?

DIRECTOR WATKINS: Credit spreads are very, very, compressed right now because of the low rate environment, so any enhancement in terms of marketability and market reception will be marginal. But in an entirely different rate environment, that would I've been expecting for the last five years and hasn't occurred, but it will -- even a stopped clock is right twice a day. Just wait -- but in a different rate environment, to answer your question, at higher rates, then it absolutely will enhance and improve market reception and save interest costs.

As a practical matter, we are just formalizing what the State's commitment has been anyways. And what I mean by that is during the height of the boom and bust -- the real estate boom and bust -- documentary stamp taxes collections went from 4 billion to 1 billion. That's not supposed to happen to a tax stream.

When we looked at the revenue estimates going out, we were not going to have enough money. If what the revenue estimating conference was projecting became reality, we would not have enough. With 63.31 percent of doc, we would not have enough money to pay debt service on bonds that were currently outstanding

at that point in time.

We can't allow that to -- we can't jeopardize our credit and reputation, so we went to the Legislature and we showed them that and said, you know, "This is an untenable situation; we need to do something about it." What we did at that point in time, or what the Legislature did with our counsel, was what we call the back stop, which basically said if there's ever a shortfall in the pledged portion of revenues, we're going to first make the remaining revenues available to pay debt service before we use it for any other environmental purpose. So we had, in effect, committed to this anyways, so this formalizes in a way that bond holders can count on being paid first with this revenue stream before the money is used for any other purpose.

But I would point out that debt service on environmental bonds counts for purposes of Amendment 1, so it is included in what the required 33 percent spending of documentary stamp taxes by Amendment 1. So we're just making it a better credit.

COMMISSIONER PUTNAM: Thank you.

GOVERNOR SCOTT: Any questions? Is there a motion?

COMMISSIONER PUTNAM: So moved.

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GOVERNOR SCOTT: Is there a second?

CHIEF FINANCIAL OFFICER ATWATER: Second.

GOVERNOR SCOTT: Any comments or objections?

Hearing none, the motion carries.

DIRECTOR WATKINS: Item Number 5 is a resolution authorizing the issuing of competitive sale of $98 million in Florida Forever Revenue Refunding Bonds for debt service savings. It also approves the amendments to the authorizing resolution for Amendment 1 changes to the documentary tax distribution that we just discussed.

GOVERNOR SCOTT: Is there a motion?

CHIEF FINANCIAL OFFICER ATWATER: So moved.

GOVERNOR SCOTT: Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Any comments or objections? Hearing none, the motion carries.

DIRECTOR WATKINS: Item Number 6 is a resolution authorizing the issuance of competitive sale of $65 million in Lottery Revenue Refunding Bonds for debt service savings.

GOVERNOR SCOTT: Is there a motion on the item?

CHIEF FINANCIAL OFFICER ATWATER: So moved.

GOVERNOR SCOTT: Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Any comments or objections? Hearing none, the motion carries.

DIRECTOR WATKINS: And lastly, Item 7, is an adoption of an incentive compensation plan for the

Division of Bond Finance. This is an item that I'm bringing to you. We are part of the SBA and previously approved by the board was an incentive compensation program for them. This incentive compensation plan provides a very modest incentive compensation; a portion of the compensation for the staff of the people who contribute to generating the savings that we're reporting here would be allowed on incentive compensation basis.

With the numbers before you, it's two percent of new money savings, so if we sell at a bond issue at an interest rate below the benchmark interest rate index, we would do the bond math, calculate a present value and it would be two percent of that number.

The second component is for refunding savings and it is 20 basis points of the present value savings that we report to you on a realtime basis as we execute transactions. But to just do the math for you and put it in context, if we save $100 million in refundings, $200,000 would be available for incentive compensation and I think it's entirely appropriate in

terms of moving to a merit-based compensation system.

This is -- all that we do is completely transparent and completely based on quantitative metrics and external benchmarks, so I think it's entirety appropriate in a good way to motivate staff and insure continued production, so I would submit that for your consideration.

GOVERNOR SCOTT: Is there a motion on the item?

COMMISSIONER PUTNAM: I would so move, and add the comment that it's unfortunate this wasn't considered as part of the SBA package, because you are a subset of SBA, albeit with direct reporting response to the Cabinet, but I think it's important to true this up with the best of SBA.

GOVERNOR SCOTT: Is there a second?

CHIEF FINANCIAL OFFICER ATWATER: I'll offer a second.

GOVERNOR SCOTT: Any comments or objections? Hearing none, the motion carries.

DIRECTOR WATKINS: Thank you, sir.

GOVERNOR SCOTT: Thank you.

CHIEF FINANCIAL OFFICER ATWATER: Governor, can I just add one thing? Ben, you're off to New York?

DIRECTOR WATKINS: Yes, sir. We're visiting with the rating agencies tomorrow, Cynthia Kelly, the

Governor's budget direction, and Christian Weiss (phonetic.) His representative of the conferee will do the deep dive on the state's budget with the rating agencies tomorrow.

CHIEF FINANCIAL OFFICER ATWATER: You mentioned the question earlier. I just wanted to reiterate. You never answered how do we stack up to the many of these conversations with Ben, as you have done, and it has been extremely impressive. I know the rating agencies have deeply involved you and the Governor's Office have been -- based upon some historical experiences -- they've been very impressed by that and just continue to express that they have no greater admiration for anyone else in the finance state -- financing than they have for Ben Watkins. So thank you, sir.

DIRECTOR WATKINS: Thank you, sir.

So just a couple of words. I'm just a mouthpiece it's really a reflection of the legislature, the Governor's leadership, and your leadership in terms of how the State is managed, and being conservative makes my job a lot easier in terms of telling the story, so... And my staff and the Governor's staff, so it's a team effort in all regards. So I'm just the mouthpiece, but thanks very much for the recognition.

GOVERNOR SCOTT: And CFO has had the opportunity to meet with rating agencies also, so it explains why we're doing so well.

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GOVERNOR SCOTT: Is there a second?

ATTORNEY GENERAL BONDI: Second.

GOVERNOR SCOTT: Comments or objections?

Hearing none, the motion carries.

Thank you, Ash.

This closes today's meeting. The next will be September 1 in St. Augustine. It's going to be fun.

(Off of the record at 2:30 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)

COUNTY OF LEON)

I, Yvonne LaFlamme, Florida Professional Reporter and Notary Public, certify that I was authorized to and did stenographically report the foregoing proceeding; and that the transcript is a true and complete record of my stenographic notes.

I further certify that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the outcome of this case.

Dated this 21st day of AUGUST 2015.

____

Yvonne LaFlamme, FPR
Court Reporter
Notary Public
State of Florida at Large

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STATE OF FLORIDA

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AS CHAIRMAN

PAM BONDI
ATTORNEY GENERAL

JEFF ATWATER
CHIEF FINANCIAL OFFICER

ADAM H. PUTNAM
COMMISSIONER OF AGRICULTURE

MEMORANDUM

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

FROM: J. Ben Watkins III

DATE: September 1, 2015

SUBJECT: Award of $213,885,000 State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2015A

Pursuant to authorization by the Governor and Cabinet by resolution adopted on March 10, 2015, bids were received for the above referenced bond issue at the office of the Division of Bond Finance at 12:00 p.m. on Monday, July 27, 2015.

Six bids were received with a tabulation of such bids included herein. The low bid was submitted by J.P. Morgan Securities LLC at an annual true interest cost rate of 1.9027%. The annual true interest cost rate using the applicable TM3 Municipal Market Data general obligation benchmark interest rate scale for the day of sale was 1.93%. The bids were reviewed by representatives of the Division of Bond Finance and the bonds were awarded to the low bidder as authorized. The bonds will be delivered on September 1, 2015.

The bonds will be issued to refund the Series 2005A and a portion of the 2005B Bonds. The average interest rate on the bonds being refunded is 3.91% compared to the interest rate of 1.9027% on the refunding bonds. The bond proceeds will be used to redeem the Series 2005A and 2005B refunded bonds on September 2, 2015. The refunding will generate gross debt service savings of $27.0 million, present value savings of $24.2 million, or 9.7% of the principal amount being refunded.

The bonds are dated September 1, 2015, with interest payable on January 1, 2016, and semiannually on each July 1 and January 1 thereafter. The bonds consist of serial bonds maturing on July 1 in the years 2016 through 2026.

The bonds are payable from a first lien pledge of gas taxes, consisting of motor fuel and diesel fuel taxes and are additionally secured by the full faith and credit of the State of Florida. The lien of the bonds on motor fuel and diesel fuel taxes is on a parity with the outstanding Right-of-Way Acquisition and Bridge Construction Bonds Series 2005A through 2012B.

Attachment #2

The bonds have been rated AAA, Aa1 and AAA by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

BID TABULATION

Bidder	Annual True Interest Cost Rate
J.P. Morgan Securities LLC	1.9027%
Wells Fargo Bank, National Association	1.9176%
Citigroup Global Markets Inc.	1.9271%
Morgan Stanley & Co. LLC	1.9346%
Barclays Capital Inc.	1.9483%
Bank of America Merrill Lynch	1.9511%

INTEREST RATES AND YIELDS TO MATURITY FROM THE WINNING BID

Maturity Date	Principal	Coupon	Yield
7/1/16	$15,560,000	4.00%	0.28%
7/1/17	17,295,000	4.00	0.64
7/1/18	18,010,000	5.00	0.90
7/1/19	18,935,000	5.00	1.08
7/1/20	19,915,000	5.00	1.32
7/1/21	20,890,000	5.00	1.58
7/1/22	22,060,000	5.00	1.90
7/1/23	23,210,000	5.00	2.02
7/1/24	24,410,000	5.00	2.15
7/1/25	25,670,000	5.00	2.29
7/1/26	7,930,000	5.00	2.62

STATE OF FLORIDA

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MEMORANDUM

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

FROM: J. Ben Watkins III

DATE: September 1, 2015

SUBJECT: Award of $306,645,000 State of Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, 2015 Series E

Pursuant to authorization by the Governor and Cabinet by a resolution adopted on April 14, 2015, bids were received for the above referenced bond issue at the office of the Division of Bond Finance at 11:00 a.m. on Thursday, August 13, 2015.

Six bids were received with a tabulation of such bids included herein. The low bid was submitted by Citigroup Global Markets Inc. at an annual true interest cost rate of 3.1489%. The annual true interest cost rate using the applicable TM3 Municipal Market Data general obligation benchmark interest rate scale for the day of sale was 3.23%. The bids were reviewed by representatives of the Division of Bond Finance and the bonds were awarded to the low bidder as authorized. The bonds will be delivered on September 10, 2015.

The bonds will be issued to refund the 2006 Series A Bonds. The average interest rate on the bonds being refunded is 4.56% compared to the interest rate of 3.15% on the refunding bonds. The bond proceeds will be invested with the State Treasury until the refunded bonds are redeemed on June 1, 2016. The refunding is expected to generate gross debt service savings of $47.4 million, present value savings of $34.5 million, or 10.7% of the principal amount being refunded.

The bonds are dated September 10, 2015, with interest payable on December 1, 2015, and semi-annually on each June 1 and December 1 thereafter. The bonds consist of serial bonds maturing on June 1 in the years 2017 through 2036.

The bonds are payable from the gross receipts taxes and are additionally secured by a pledge of the full faith and credit of the State. The lien of the bonds on gross receipts taxes is on a parity with the outstanding Public Education Capital Outlay Bonds, 1999 Series D through 2015 Series D.

Attachment #3

The bonds have been rated AAA, Aa1 and AAA by Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

BID TABULATION

Bidder	Annual True Interest Cost Rate
Citigroup Global Markets Inc.	3.1489%
Morgan Stanley & Co. LLC	3.1577
J.P. Morgan Securities LLC	3.1590
Bank of America Merrill Lynch	3.1595
Wells Fargo Bank, National Association	3.1700
Barclays Capital Inc.	3.2094

INTEREST RATES AND YIELDS TO MATURITY FROM WINNING BID

Maturity Date	Principal	Coupon	Yield
6/1/2017	$ 9,680,000	5.00%	0.62%
6/1/2018	10,170,000	5.00	0.97
6/1/2019	10,675,000	5.00	1.13
6/1/2020	11,210,000	5.00	1.40
6/1/2021	11,770,000	5.00	1.68
6/1/2022	12,360,000	5.00	1.95
6/1/2023	12,975,000	5.00	2.08
6/1/2024	13,630,000	5.00	2.19
6/1/2025	14,305,000	5.00	2.30
6/1/2026	15,020,000	5.00	2.61
6/1/2027	15,775,000	3.00	2.92
6/1/2028	16,245,000	3.10	3.10
6/1/2029	16,755,000	3.00	3.10
6/1/2030	17,255,000	3.00	3.18
6/1/2031	17,770,000	5.00	3.46
6/1/2032	18,655,000	4.00	3.55
6/1/2033	19,405,000	4.00	3.60
6/1/2034	20,180,000	4.00	3.64
6/1/2035	20,985,000	4.00	3.67
6/1/2036	21,825,000	4.00	3.70

A RESOLUTION OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION AUTHORIZING THE SOLICITATION OF PROPOSALS AND A RECOMMENDATION TO THE CHIEF FINANCIAL OFFICER FOR THE AWARD OF A $50,000,000 MASTER EQUIPMENT FINANCING AGREEMENT IN CONNECTION WITH THE STATE OF FLORIDA CONSOLIDATED EQUIPMENT FINANCING PROGRAM, TO FINANCE THE PURCHASE OF EQUIPMENT BY OR ON BEHALF OF THE STATE OR ANY AGENCIES THEREOF, PURSUANT TO SECTION 287.064, FLORIDA STATUTES; PROVIDING FOR CERTAIN REQUIREMENTS IN CONNECTION THEREWITH AND 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 ON BEHALF OF THE CHIEF FINANCIAL OFFICER OF THE STATE OF FLORIDA:

ARTICLE I
AUTHORITY AND DEFINITIONS

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Sections 215.57-215.83, Florida Statutes, the State Bond Act; Section 287.064, Florida Statutes, and other applicable provisions of law.

SECTION 1.02. DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

"Agency" shall mean any of the various State departments, boards, commissions, divisions, bureaus and councils and any other unit of organization, however designated, of the executive branch of State government, and the legislative branch and the judicial branch of State government, State community colleges and universities, and any State governmental entity succeeding to the powers and duties of any of the foregoing pursuant to law or governmental reorganization.

"Agreement" or "Master Equipment Financing Agreement" shall mean the agreement to be executed pursuant to Section 287.064, Florida Statutes, for the purpose of implementing a consolidated financing program for the acquisition of equipment by deferred-payment, installment sale or lease purchases made by or on behalf of the State of Florida or any Agencies thereof, pursuant to Section 287.064, Florida Statutes.

"Chief Financial Officer" shall mean the Chief Financial Officer of the State of Florida, and any successor to the powers and duties of the Chief Financial Officer pursuant to law or governmental reorganization.

"Director" shall mean the Director of the Division of Bond Finance.

"Division of Bond Finance" shall mean the Division of Bond Finance of the State Board of Administration.

“Governing Board” shall mean the governing board of the Division of Bond Finance composed of the Governor and Cabinet of the State of Florida.

ARTICLE II
AUTHORIZATION, DESCRIPTION, BASIS OF AWARD, EXECUTION, AND REPORT OF AWARD

SECTION 2.01. AUTHORIZATION OF THE MASTER EQUIPMENT FINANCING AGREEMENT. Subject and pursuant to the provisions of this Resolution, the Division of Bond Finance is authorized on behalf of the Chief Financial Officer to publicly solicit offers to provide financing pursuant to a Master Equipment Financing Agreement for the purpose of financing the acquisition of equipment by or on behalf of the State or any Agencies thereof, pursuant to Section 287.064, Florida Statutes. Notice of the intent to solicit offers to provide financing pursuant to the Agreement shall be published in such financial publications or by such other means as are determined to be advisable and proper by the Director of the Division of Bond Finance to effectively reach institutions which engage in tax-exempt financings. Selection of the lowest bidder for award of the Agreement shall take place at the offices of the Division of Bond Finance in Tallahassee, Florida. The amount financed during the term of the Agreement shall be determined for each Fiscal Year based upon the equipment needs of the Agencies, as determined by the Chief Financial Officer in consultation with the Agencies, and is anticipated to be approximately $50,000,000 for the term of the Agreement.

SECTION 2.02. DESCRIPTION OF THE MASTER EQUIPMENT FINANCING AGREEMENT. As authorized pursuant to Section 287.064, Florida Statutes, the Agreement shall provide for the financing of equipment acquisition by deferred-payment, installment sale, or lease purchases by or on behalf of the State or any Agencies thereof. Any Agreement awarded pursuant to this Resolution shall provide financing, by deferred-payment, installment sale or lease purchases, of equipment acquired during a period of not more than three years from the date on which the Agreement is executed (or such longer period allowed by law).

The Agreement shall expire annually but shall automatically be renewed each year for a maximum total term of three years, subject to appropriations, deferred-payment schedules, and the limitation on the equipment acquisition period under the Agreement provided for in this Resolution, and subject to termination by either party upon certain conditions. Repayment of any of the funds drawn under the Agreement may extend beyond the three year limit on the equipment acquisition period; however, the period of time for which any item is financed under the Agreement shall not exceed the lesser of five (5) years or the useful life of the item financed. In addition, the Agreement is subject to termination if, upon a request from the contract provider for a revision of an interest rate formula, the parties cannot reach mutual agreement thereon. The Division is authorized to engage the services of a financial advisor in connection with any such interest rate formula revision.

SECTION 2.03. BASIS OF AWARD OF THE MASTER EQUIPMENT FINANCING AGREEMENT. The Director of the Division of Bond Finance is authorized to select the lowest bidder for award of the Agreement, or to reject all bids. The lowest bidder shall be the qualified financial institution(s) which agrees to supply financing at interest rates determined by the Director of the Division of Bond Finance, in consultation with the Chief Financial Officer, to provide the lowest cost to the State, such interest rates to be determined based upon an interest rate index acceptable to the State and calculated on a true interest cost basis.

The determination of whether a particular interest rate index is acceptable to the State shall be made by the Director of the Division of Bond Finance in consultation with the Chief Financial Officer. An index shall be qualified for use in determining interest rates paid for financing under the Agreement based upon an examination of various factors, including but not limited to, the expected economic conditions during the term of the Agreement, the anticipated volatility of the various possible interest rate indices and industry custom.

SECTION 2.04. EXECUTION OF THE MASTER EQUIPMENT FINANCING AGREEMENT. The Agreement may be awarded and executed by the Chief Financial Officer after selection of the lowest qualified bidder by the Division of Bond Finance. The Agreement shall not take effect unless executed by the Chief Financial Officer.

The Director of the Division of Bond Finance is authorized to present the proposed Agreement to the Chief Financial Officer for award and execution without further action by the Governing Board. Execution of the Agreement by the Chief Financial Officer shall constitute award thereof, without further action by the Chief Financial Officer.

SECTION 2.05. REPORT OF AWARD OF THE MASTER EQUIPMENT FINANCING AGREEMENT. The results of the award of the Agreement or the rejection of all bids shall be reported at a subsequent meeting of the Governing Board.

ARTICLE III
SECURITY FOR THE MASTER EQUIPMENT FINANCING AGREEMENT

SECTION 3.01. SECURITY FOR THE MASTER EQUIPMENT FINANCING AGREEMENT.

(A) The payment of principal and interest under the Agreement shall be secured by appropriated revenues in the manner provided for in the Agreement.

(B) Neither the amounts due nor any other liabilities arising under the Agreement shall constitute a debt, general obligation, or, except with respect to appropriated revenues pledged in the Agreement, a liability of the State, or any Agency, department or political subdivision of the State, within the meaning of any constitutional or statutory provision or limitation. Neither the faith and credit nor taxing power of the State, or any Agency, department or political subdivision of the State is pledged to the payment of the amounts due or any other liabilities arising under the Agreement.

ARTICLE IV
MISCELLANEOUS

SECTION 4.01. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Resolution or of the Agreement and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Resolution or of the Agreement.

SECTION 4.02. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED September 1, 2015.