

June 19, 2014

## **Executive Summary**

### **Revision to Policy 3120.1, Debt Policy Supplement**

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#### **Summary of Explanation and Background**

The great recession brought about events that were never expected to occur in the financial markets. Bank failures seemed to occur on a daily basis; all types of financial firms and companies seemed to be insolvent and on the brink of closing. Large firms such as American International Group (A.I.G.), Lehman Brothers, First Union, and Citibank, considered immune to negative economic cycles became casualties of the great recession.

The volatility and magnitude of big corporations (considered “too big to fail”) caught everyone by surprise. As a result, the Dodd-Frank Wall Street Reform and Consumer Protection Act (known as the “Dodd-Frank Act”) were enacted. The Dodd-Frank Act is a comprehensive approach to promote the financial stability of the United States by:

- Improved accountability and transparency in the financial system.
- End “too big to fail”.
- Protect the American taxpayer by ending bailout.

Our current Debt Policy Supplement, 3120.1, adopted on March 18, 2013, sub-titled, “Written Policies and Procedures for Tax-Advantaged Bonds” meets most, if not all, of the reporting and protocol provisions. However, new and/or updated pronouncements on Swaps from the Dodd-Frank Act must be incorporated into our policy for compliance.

The red-line section(s) of the attached proposed policy revision addresses the new pronouncements required by the Dodd-Frank Act. The section of most importance is located on the last page (page 11). This section is totally new, requiring a Qualified Independent Representative (“QIR”). Simply, the QIR is the District’s Swap advisor, an independent fiduciary capable of evaluating the transaction and its risks. Currently, the District’s Financial Advisors, Public Financial Management, Inc. (PFM) is the QIR for the District.

The draft of this proposed revised Debt Supplement Policy has been reviewed by:

- The Financial Advisory Committee
- Greenberg Traurig, P. A. , our Bond Counsel
- The Office of the General Counsel

The revisions of this policy were discussed at the May 27, 2014 School Board workshop and at a June 17, 2014 public rule development meeting. This is scheduled to be presented for final adoption at the Regular School Board Meeting on July 22, 2014.