



**Date:** January 25, 2010  
**To:** Board of Commissioners  
**From:** John Janney-CFO/CRO  
**Re:** Interest Rate Swap Monitoring Report for the Period Ending December 31, 2009

In accordance with the District's Interest Rate Hedge Policy, the Interest Rate Swap Monitoring Report for the period ending December 31, 2009 is attached. The report sets forth, for each interest rate swap or related transactions listed below, the market value and other related information as of the end of the reporting period. The transactions are:

<b>Counterparty</b>	<b>Notional Amount</b>	<b>Series</b>
Bear Stearns Capital Markets, Inc.	\$64,365,000	2007A/2008B
The Bank of New York Mellon	\$27,585,000	2007A/2008B
JPMorgan Chase Bank, NA	\$30,355,000	2009
The Bank of New York Mellon	\$30,355,000	2009 Reversal
Goldman Sachs Mitsui Marine Derivative Products, LP	\$78,375,000	2011
Goldman Sachs Mitsui Marine Derivative Products, LP	\$28,815,000	2013

On June 1, 2009, the 2009 swap became effective. At that time, due to market conditions and the limited availability and high cost of bank liquidity facilities, the original plan of issuing variable rate debt in conjunction with the forward starting swap was financially impractical. Alternately, the termination cost associated with cancellation of the swap was equally impractical. The lowest cost solution was to issue fixed rate notes (2009AB Notes) with a five year maturity and enter into a floating-for-fixed (pay floating) swap, 2009 Reversal, that helped to offset the variable portion of the payments due on the 2009 swap. The issuance of the Notes and 2009 Reversal allows the District time for market conditions to improve and reassess the future issuance of variable debt associated with the 2009 swap.

The 2007A/2008B swap is cancelable at no cost to the District, at the District's option, with the bond and swap insurer's approval in a minimum exercise amount of \$1,000,000 on any date after July 1, 2017. The District also has the right to cancel the outstanding swap prior to July 1, 2017 at the prevailing market price for swaps. The 2009, 2011 and 2013 swaps do not have a call option, however they are cancelable anytime at the prevailing market price for swaps. Funds will be accumulated and reserved in the event a termination payment is necessary.

Currently, there are no new proposed swaps. Staff will continue to evaluate refunding and interest rate swap opportunities to reduce the District's overall debt service costs and present the opportunities to the Board as they arise.

# Swap Transaction Detail

as of December 31, 2009

	2007A/2008B Swap		2009 Swap	2009 Reversal Swap	2011 Swap	2013 Swap
Counterparty:	Bear Stearns Capital Markets, Inc.	The Bank of New York Mellon	JPMorgan Chase Bank, NA	The Bank of New York Mellon	Goldman Sachs Mitsui Marine Derivative Products, LP	Goldman Sachs Mitsui Marine Derivative Products, LP
Guarantor:	JPMorgan Chase & Co.	The Bank of New York Mellon	JPMorgan Chase Bank, NA	The Bank of New York Mellon	The Goldman Sachs Group, Inc.	The Goldman Sachs Group, Inc.
Counterparty Credit Rating: (1)	Aa3/A+/AA-	Aaa/AA/AA-	Aa1/AA-/AA-	Aaa/AA/AA-	Aa1/AAA/NR	Aa1/AAA/NR
Insurer:	Syncora Guarantee, Inc.	None	Financial Security Assurance	None	Financial Security Assurance	Financial Security Assurance
Insurer Credit Rating:	Ca/R/NA	None	Aa3/AAA/AA	None	Aa3/AAA/AA	Aa3/AAA/AA
Notional Amount:	\$64,365,000	\$27,585,000	\$30,355,000	\$30,355,000	\$78,375,000	\$28,815,000
Liquidity Support:	Standby Bond Purchase Agrmt	Standby Bond Purchase Agrmt	None	None	None	None
Expiration/Annual Fees:	March 1, 2013/15bps	March 1, 2013/15bps	None	None	None	None
Execution Date of the Swap:	8/3/2005	10/17/2008	4/13/2006	7/8/2009	4/13/2006	4/13/2006
Effective Date of the Swap:	5/31/2007	10/17/2008	6/1/2009	7/22/2009	6/1/2011	5/30/2013
Maturity:	7/1/2032	7/1/2032	7/1/2034	7/1/2014	1/1/2036	7/1/2032
Refunding Bonds:	Series 1996ABCD & 1997A	Series 1996ABCD & 1997A	Series 1999AB		Series 2001B	Series 2003A
Average Life:	15.89 years	15.89 years	24.59 years	4.58 years	24.58 years	19.09 years
Type of Swap:	Floating to fixed	Floating to fixed	Floating to fixed	Fixed to floating	Floating to fixed	Floating to fixed
District Pays:*	3.752%	3.752%	4.031%	70% of one-month LIBOR	4.058%	4.085%
District Receives:*	70% of one-month LIBOR	70% of one-month LIBOR	70% of one-month LIBOR	1.76%	70% of one-month LIBOR	70% of one-month LIBOR
Projected NPV Savings: (2)	\$16,898,354		\$8,359,721	N/A	\$13,327,058	\$5,810,240
Savings as a % of Par:	11.72%	5.01%	27.54%	N/A	17.00%	19.74%
Actual Cumulative Savings:	\$2,839,477		(\$251,761)		None	None
Projected Payments for Swap:	\$9,166,839		\$994,319		None	None
Actual Payments for Swap:	\$10,211,804		\$996,622		None	None
Estimated Termination Value:	(\$3,449,499)	(\$1,478,350)	(\$4,291,277)	(\$128,299)	(\$7,581,545)	(\$1,673,352)
Total Termination Receipt (Payment) Value:	(\$4,927,849)		(\$4,291,277)	(\$128,299)	(\$7,581,545)	(\$1,673,352)
Collateral Posted:	None	None	None	None	None required	None required
Result of a 100 bps (1.00%) Increase in Swap Curve: (3)	(\$1,311,535)		(\$1,041,597)	(\$994,811)	\$778,656	\$645,024
Result of a 100 bps (1.00%) Decrease in Swap Curve: (3)	(\$12,699,705)		(\$8,262,748)	\$778,268	(\$17,963,536)	(\$4,584,329)

(1) Since the last report as of May 29, 2009, the following changes have occurred:

2007A/2008B- The ratings for Syncora were lowered from Ca/D/NA to Ca/R/NA.

2009 Swap Reversal- Added to offset portion of payment on the 2009 swap

2009/2011/2013- The insurer, FSA, had its credit rating changed from Aa3/AAA/AAA to Aa3/AAA/AA.

(2) Original estimate

(3) The result of a 100 bps shift in the swap curve is shown as termination value. Past reports have shown the *change* in termination value.

\* LIBOR = London Inter-bank Offered Rate.