

Executive Summary

November 18, 2013

The Revenue Estimating Conference adopted interest rates for use in the state planning and budgeting process. The adopted interest rates take into consideration current benchmark rates and recent market volatility.

The long-term interest rate is used for bond issues with maturity structures of 20 years or more. The long-term interest rate remains unchanged from the September 2011 forecast at 5.75%. The adopted rate reflected market conditions at that time, which included a benchmark rate of 4.50% and a 125 basis point volatility spread. The current benchmark rate for 30-year bonds is slightly lower at 4.25%, but the market has been more volatile over the most recent 12-month period, with spreads ranging from 75 to 200 basis points. The adopted rate of 5.75% is based on the benchmark rate plus a spread of 150 basis points.

Long-Term Interest Rate

Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Interest Rate	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%

The short-term (or variable) interest rate also remains unchanged from the prior forecast at 2.00%. The average short-term interest rate over the past 12 months was 0.25% and the expected volatility spread is 175 basis points.

Interest rates used for calculating Public Education Capital Outlay (PECO) bonding capacity are determined separately.

Division of Bond Finance
Interest Rate Calculations
Economic Estimating Conference

November 18, 2013

Division of Bond Finance

Calculation of Long-Term Interest Rate

*Long-Term Interest Rate Recommendation**

Current Long -Term Interest Rate ¹	4.25%	4.25%
Plus: Volatility Spread ²	<u>0.75%</u>	<u>2.00%</u>
Recommended Long-Term Interest Rate Range for FY 2013-14:	5.00% to	6.25%

¹ Current general obligation issue interest rate estimated at 4.25% for a 30 year issue based on current yields and credit spreads.

² Uses Bond Buyer 11 GO Bond interest rate volatility of 75 bps and current interest rate volatility from FY 2013 of approximately 200 bps.

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Calculation of Short-Term Interest Rate

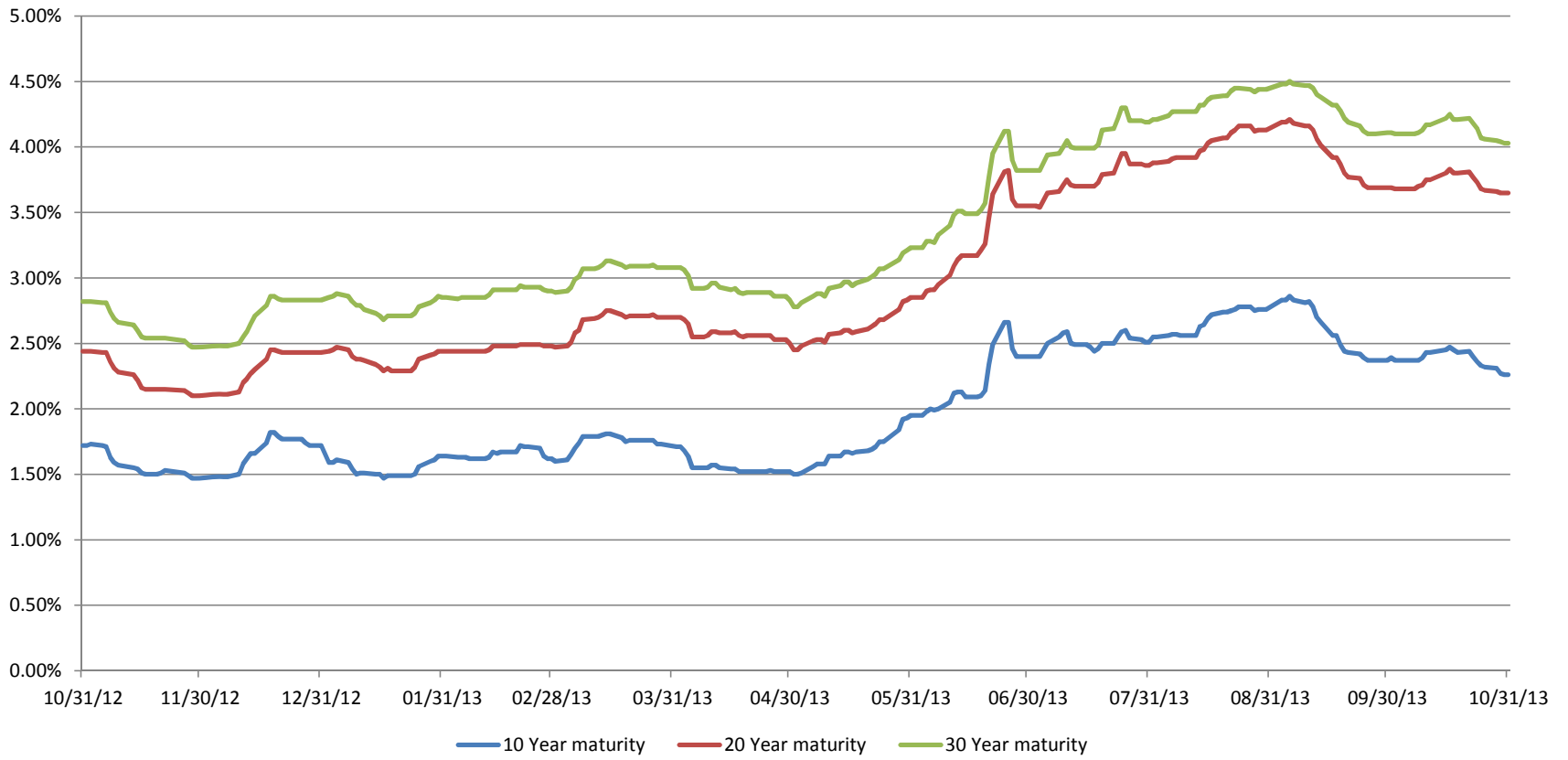
*Short-Term Interest Rate Recommendation**

Average Everglades Rate - Past Twelve Months	0.25%	0.25%
Plus: Volatility Spread ³	<u>1.50%</u>	<u>2.00%</u>
Recommended Short-Term Interest Rate Range for FY 2013-14:	1.75% to	2.25%

³ Uses the volatility from 20-year change in SIFMA rates of between 150 bps and 200 bps.

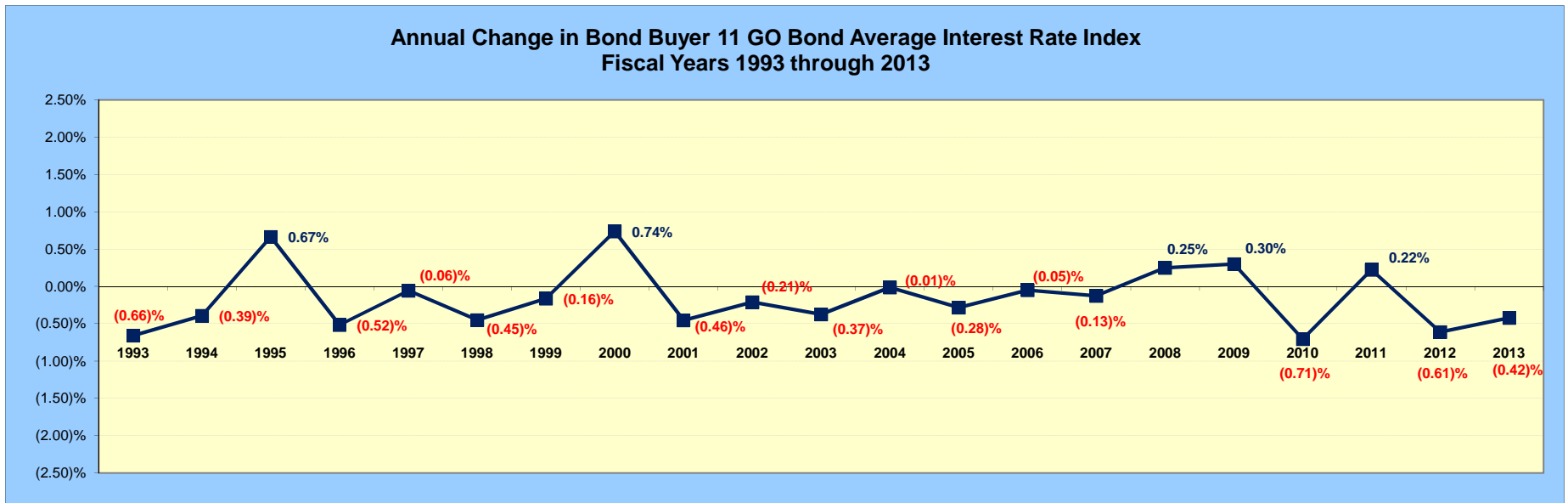
* The Division of Bond Finance has supplied the above interest rates to assist the REC in adopting official rates that would be used by the state agencies for planning and budgetary purposes for Fiscal Year 2013-14, except for PECO interest rates which are adopted through a separate process. There can be no assurance that actual interest rates for any particular bond issue will not exceed the rates shown above.

Historical MMD - AAA Constant Maturity Yields



Change in Bond Buyer 11 GO Bond Average Annual Interest Rates Year to Year Fiscal Year 1993 through 2013

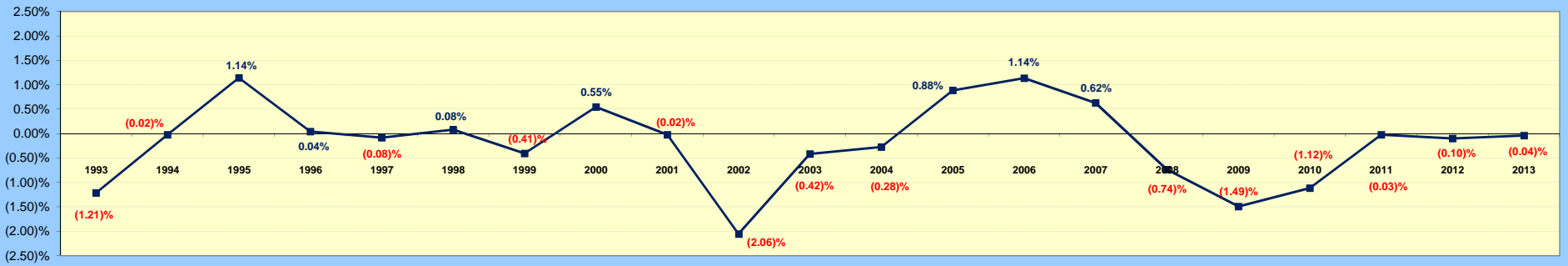
Fiscal Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Avg. All yrs
BB 11 GO Average	5.93%	5.54%	6.20%	5.69%	5.63%	5.18%	5.02%	5.75%	5.30%	5.09%	4.72%	4.70%	4.42%	4.37%	4.24%	4.49%	4.79%	4.09%	4.31%	3.70%	3.28%	4.88%
Change from Prior Year	(0.66)%	(0.39)%	0.67%	(0.52)%	(0.06)%	(0.45)%	(0.16)%	0.74%	(0.46)%	(0.21)%	(0.37)%	(0.01)%	(0.28)%	(0.05)%	(0.13)%	0.25%	0.30%	(0.71)%	0.22%	(0.61)%	(0.42)%	(0.16)%



Change in SIFMA Average Annual Interest Rates Year to Year Fiscal Year 1993 through 2013

Fiscal Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Avg all yrs
BMA Average	2.46%	2.44%	3.58%	3.62%	3.54%	3.62%	3.21%	3.76%	3.73%	1.67%	1.26%	0.98%	1.86%	3.00%	3.62%	2.89%	1.39%	0.28%	0.25%	0.15%	0.11%	2.26%
Change from Prior Year	(1.21)%	(0.02)%	1.14%	0.04%	(0.08)%	0.08%	(0.41)%	0.55%	(0.02)%	(2.06)%	(0.42)%	(0.28)%	0.88%	1.14%	0.62%	(0.74)%	(1.49)%	(1.12)%	(0.03)%	(0.10)%	(0.04)%	(0.17)%

Annual Change in SIFMA Average Index Fiscal Years 1993 through 2013



Division of Bond Finance
Calculation of Short-Term Interest Rate
Average Everglades Bonds Variable Rate - Past 12 Months

<u>Date</u>	<u>Rate</u>
10/31/2012	0.27
11/7/2012	0.26
11/14/2012	0.26
11/21/2012	0.22
11/28/2012	0.20
12/5/2012	0.16
12/12/2012	0.15
12/19/2012	0.16
12/26/2012	0.16
1/2/2013	0.12
1/9/2013	0.11
1/16/2013	0.12
1/23/2013	0.35
1/30/2013	0.32
2/6/2013	0.23
2/13/2013	0.23
2/20/2013	0.22
2/27/2013	0.19
3/6/2013	0.17
3/13/2013	0.16
3/20/2013	0.15
3/27/2013	0.16
4/3/2013	0.20
4/10/2013	0.27
4/17/2013	0.31
4/24/2013	0.31
5/1/2013	0.30
5/8/2013	0.34
5/15/2013	0.35
5/22/2013	0.33
5/29/2013	0.31
6/5/2013	0.30
6/12/2013	0.28
6/19/2013	0.25
6/26/2013	0.24
7/3/2013	0.22
7/10/2013	0.21
7/17/2013	0.22
7/24/2013	0.25
7/31/2013	0.29
8/7/2013	0.29
8/14/2013	0.30
8/21/2013	0.30
8/28/2013	0.30
9/4/2013	0.29
9/11/2013	0.29
9/18/2013	0.31
9/25/2013	0.31
10/2/2013	0.29
10/9/2013	0.28
10/16/2013	0.27
10/23/2013	0.26

12-month Average:	0.25	0.25
Plus: volatility spread	1.50	2.00
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Recommendation:	<u>1.75%</u>	to <u>2.25%</u>

Everglades Series 2007A-B Variable Rate Bonds Tracking

