

Executive Summary

November 14, 2014

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 was reduced to 5.25% from the 2013 forecast of 5.75%. The adopted rate of 5.25% reflects current market conditions, and is based on the benchmark rate of 4.00% plus a spread of 125 basis points. The current benchmark rate for 30-year bonds is 25 basis points lower than it was at the time of the 2013 conference. The market has also been less volatile over the most recent 12 months, resulting in relatively tighter spreads to the benchmark rate. The 2013 conference long-term rate reflected a benchmark rate of 4.25% and a 150 basis point spread.

Long-Term Interest Rate

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Interest Rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%

The short-term (or variable) interest rate remains unchanged from the prior forecast at 2.00%. The average short-term interest rate over the past 12 months was 0.17% and the volatility spread was between 150 and 200 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 14, 2014

Division of Bond Finance

Calculation of Long-Term Interest Rate

Long-Term Interest Rate Recommendation*

Current Long -Term Interest Rate ¹	4.00%	4.00%
Plus: Volatility Spread ²	0.75%	1.50%
Recommended Long-Term Interest Rate Range for FY 2014-15:	4.75%	5.50%

¹ Current general obligation issue interest rate estimated at 4.00% 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 since Fiscal Year 1994 and current interest rate volatility from the previous 12 months of approximately 150 bps.



Calculation of Short-Term Interest Rate

Short-Term Interest Rate Recommendation*

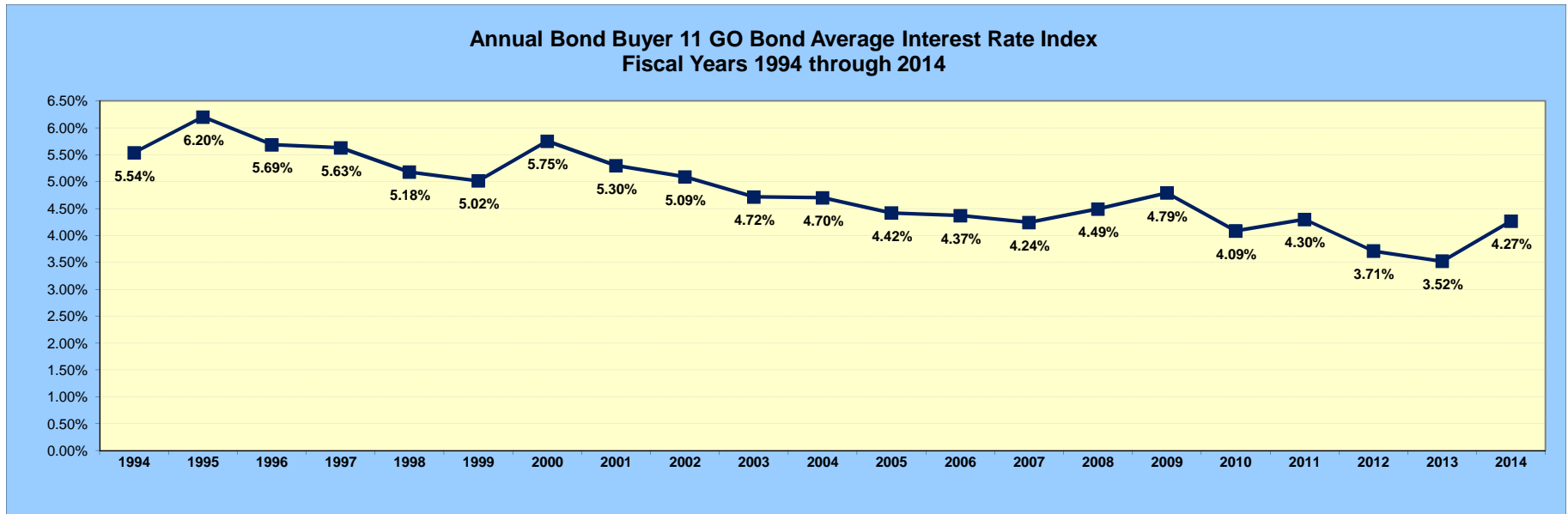
Average Everglades Rate - Past Twelve Months	0.17%	0.17%
Plus: Volatility Spread ³	1.50%	2.00%
Total	1.67%	2.17%
Recommended Short-Term Interest Rate Range for FY 2014-15:	1.70%	2.20%

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 state agencies for planning and budgetary purposes for Fiscal Year 2014-15, 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.

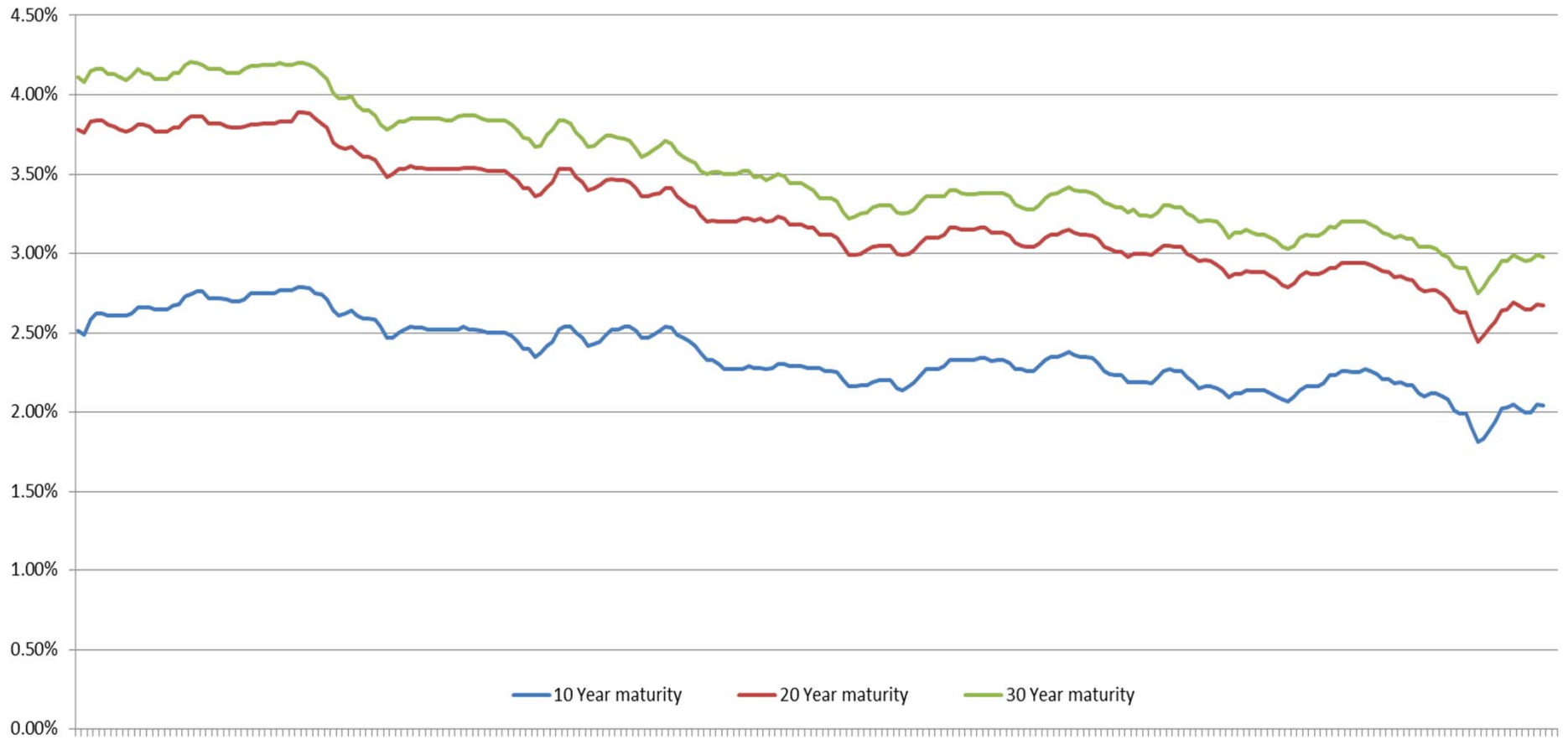
Change in Bond Buyer 11 GO Bond Average Annual Interest Rates Year to Year Fiscal Year 1994 through 2014

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg. All Years	
BB 11 GO Average	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%	4.30%	3.71%	3.52%	4.27%	4.81%	
Change from Prior Year		(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)%	0.21%	(0.59)%	(0.19)%	0.75%	(0.08)%



- The maximum change in the Bond Buyer 11-Bond Index over the last 20 fiscal years is approximately 75 bps

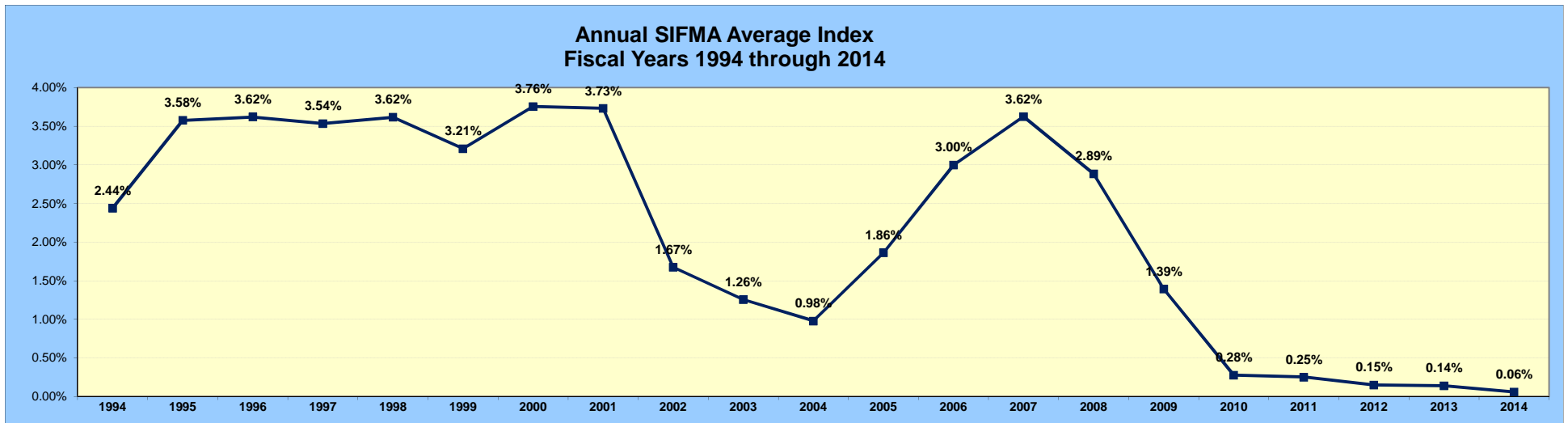
Historical MMD - AAA Constant Maturity Yields
11/06/2013 through 10/30/2014



- The maximum change in the MMD AAA interest rates over the past 12 months is approximately 150 bps

Change in SIFMA Average Annual Interest Rates Year to Year Fiscal Year 1994 through 2014

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg.
BMA Average	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%	0.14%	0.06%	2.14%
Change from Prior Year	(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)%	(0.01)%	(0.08)%	(0.11)%



- The maximum change in the SIFMA Index over the last 20 fiscal years is approximately 200 bps

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

<u>Date</u>	<u>Rate</u>
10/16/2013	0.27
10/23/2013	0.26
10/30/2013	0.24
11/6/2013	0.22
11/13/2013	0.21
11/20/2013	0.20
11/27/2013	0.22
12/4/2013	0.23
12/11/2013	0.24
12/18/2013	0.23
12/25/2013	0.26
1/1/2014	0.24
1/8/2014	0.22
1/15/2014	0.24
1/22/2014	0.23
1/29/2014	0.23
2/5/2014	0.21
2/12/2014	0.21
2/19/2014	0.20
2/26/2014	0.20
3/5/2014	0.20
3/12/2014	0.20
3/19/2014	0.20
3/26/2014	0.20
4/2/2014	0.19
4/9/2014	0.20
4/16/2014	0.20
4/23/2014	0.20
4/30/2014	0.19
5/7/2014	0.19
5/14/2014	0.19
5/21/2014	0.18
5/28/2014	0.18
6/4/2014	0.15
6/11/2014	0.16
6/18/2014	0.16
6/25/2014	0.14
7/2/2014	0.14
7/9/2014	0.11
7/16/2014	0.11
7/23/2014	0.12
7/30/2014	0.11
8/6/2014	0.10
8/13/2014	0.10
8/20/2014	0.09
8/27/2014	0.09
9/3/2014	0.08
9/10/2014	0.08
9/17/2014	0.08
9/24/2014	0.08
10/1/2014	0.07
10/8/2014	0.07
10/15/2014	0.07

12-month Average:	0.17	0.17
Plus: volatility spread	<u>1.50</u>	<u>2.00</u>
	1.67%	2.17%

Recommendation: 1.70% to 2.20%

Everglades Series 2007A-B Variable Rate Bonds Tracking

