

Subject:PRESS RELEASE: Denver School Board members call for transparency in district's interest-rate swaps

Date:Thu, 11 Mar 2010 08:01:10 -0700

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DENVER SCHOOL BOARD MEMBERS CALL FOR TRANSPARENCY IN DISTRICT'S INTEREST-RATE SWAPS

News Advisory - March 11, 2010

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DENVER, CO — On Sunday, March 7, 2010, *The New York Times* published an article entitled “The Swaps That Swallowed Your Town,” about interest rate swaps and their effect on school districts and municipalities. The article is available [here](#).

In short, the story reports on the dramatic effect interest rate swaps are having on the budgets of public institutions and their ability to provide the services we expect from them. It also details the extent to which financial institutions took advantage of public officials and taxpayers in these transactions. Based on our preliminary research, we believe Denver Public Schools is being adversely affected by this kind of deal.

In 2007 DPS began to address pension-related issues and made a decision to raise \$750 million for two primary purposes:

- To refinance pension certificates of participation from bonds issue in prior years, so as to redirect more money into the classroom
- To fully fund the DPS retirement system in anticipation of a merger between the DPS teachers retirement system and PERA, the Colorado retirement system.

DPS entered into negotiations with JP Morgan and CitiGroup, agreeing to issue fixed-rate bonds secured by DPS school buildings and other properties. DPS then began discussion to enter into an interest-rate swap agreement with JP Morgan, Bank of America and the Royal Bank of Canada. We believe that following ensued: DPS entered into a swap transaction, believing that interest rates would stay high. As recent financial news tells us, interest rates fell. We are concerned that this may have translated to a loss of taxpayer dollars.

The *Times* article specifically cites two major concerns with these types of transactions: a lack of understanding on the part of the public institutions and lack of transparency in the transaction as a whole. Because of our fiduciary responsibilities, we ask for a public accounting of these matters.

We, the Board Members of the Denver Public Schools listed below, believe we have a duty to the children and employees of our district, as well as to the taxpayers to make certain that all the facts concerning these transactions are made clear to the public.

Arturo Jimenez

Vice President, Director, District 5

Denver Board of Education

Jeanne Kaplan

Secretary, Director, District 3

Denver Board of Education

Andrea Mérida

Director, District 2

Denver Board of Education