



# School District of Broward County, Florida

## Financial Advisory Committee Meeting

February 21, 2020

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PFM Financial Advisors LLC

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## Agenda

- I. Market Update
- II. Recent Transactions & Opportunities
- III. Certificates of Participation

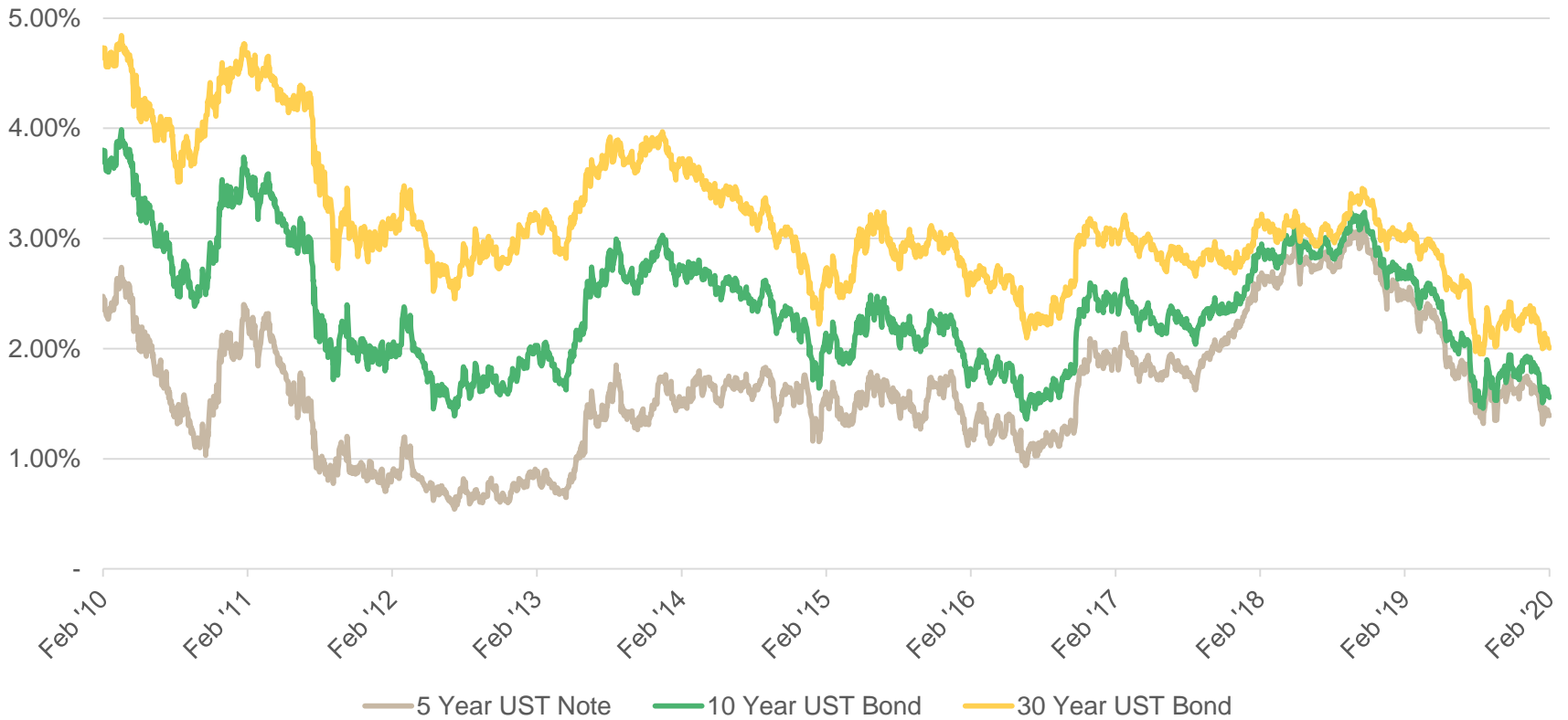


# I. Market Update



# Taxable Interest Rates

## Treasury Yields During Past 10 Years



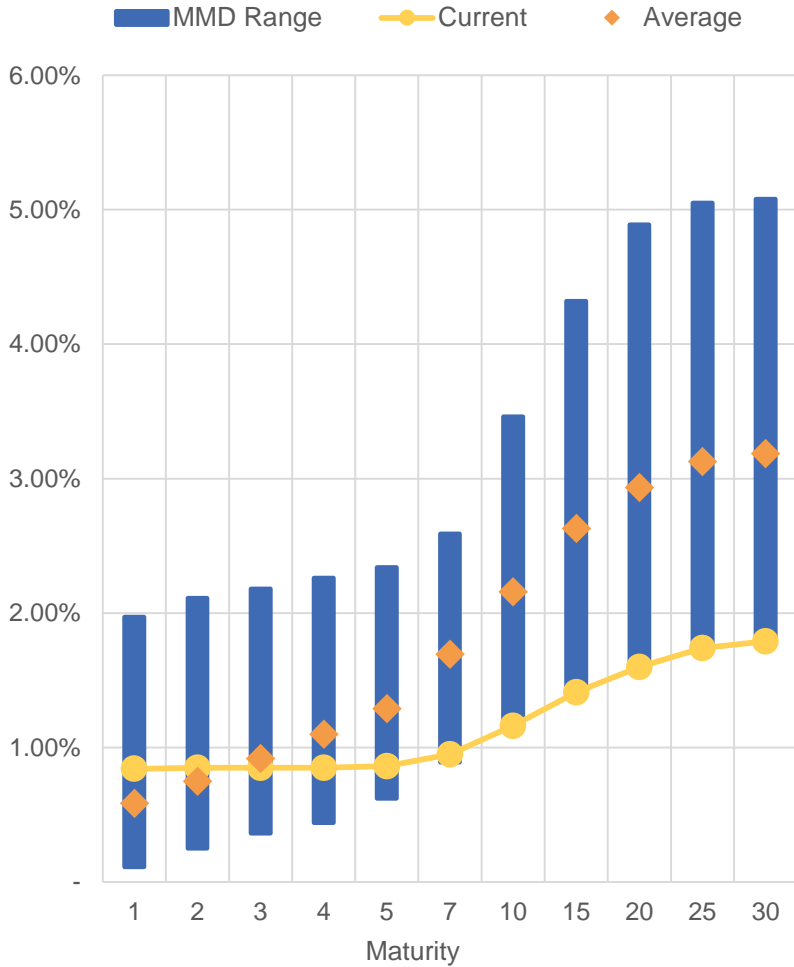
	5 Year UST Note	10 Year UST Bond	30 Year UST Bond
Current: 2/18/20	1.39%	1.56%	2.01%
Avg. (2010 - Present)	1.63%	2.37%	3.16%
Difference	-24 bps	-81 bps	-115 bps
Min.	0.54%	1.36%	1.95%
Max.	3.09%	3.99%	4.84%

Rates as of February 18, 2020

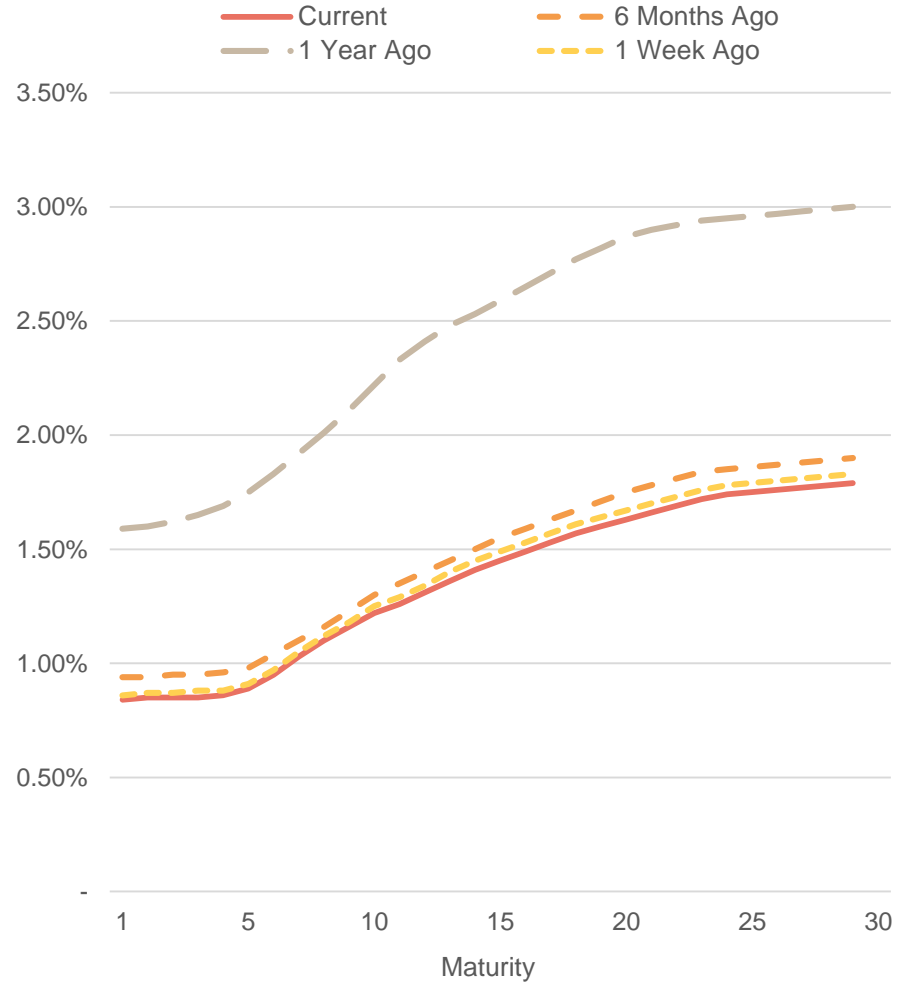


# Tax-Exempt Interest Rates

### MMD Ranges Over Past 10 Years



### MMA AAA G.O. Curve





## **II. Recent Transactions & Opportunities**



## Equipment Leasing Program

- On February 12, 2020, the District closed on its Equipment Lease Property No. 21 to fund buses & vehicle fleet
  - Project Fund: \$14,200,000
  - Interest Rate: 1.9086%
  - Final Maturity: 10/1/2027
  
- The table below summarizes the previous five (5) capital leases issued under the program:

Lease	Issuance Date	Amount	Interest Rate	Final Maturity
Buses/White Fleet, No. 17-1	3/2/2017	\$22,300,300	2.0730%	3/2/2025
Technology Equipment, No. 17-2	4/26/2017	\$13,258,000	2.7990%	5/1/2021
Security Equipment, No. 18	12/28/2017	\$5,000,000	2.1560%	12/28/2025
School Buses, No. 19	5/23/2018	\$10,500,000	2.7660%	5/23/2026
Security Equipment, No. 20	2/13/2019	\$19,800,000	2.6649%	2/13/2026



## Refunding Opportunity: Forward Delivery Bonds

- Given the historically-low interest rate environment and the elimination of tax-exempt advance refundings, the District could achieve savings today using a Forward Delivery refunding approach that would allow the District to lock in current market rates today for a future tax-exempt issuance during the current call window. Although there is an inherent premium built into the rate, this strategy also mitigates the risk of rising interest rates in the future
- PFM conducted preliminary analysis for a Forward Delivery of the Certificates of Participation, Series 2012A (the “2012A COPs”), which are callable on July 1, 2022 in the amount of \$163,890,000. The analysis is based on a direct placement using the following assumptions:
  - Dated/Delivery: May 1, 2022
  - Assumed Interest Rate: 2.50%
  - Cost of Issuance: \$250,000
  - Final Maturity: July 1, 2028





## Summary of Preliminary Analysis: Series 2012A COPs

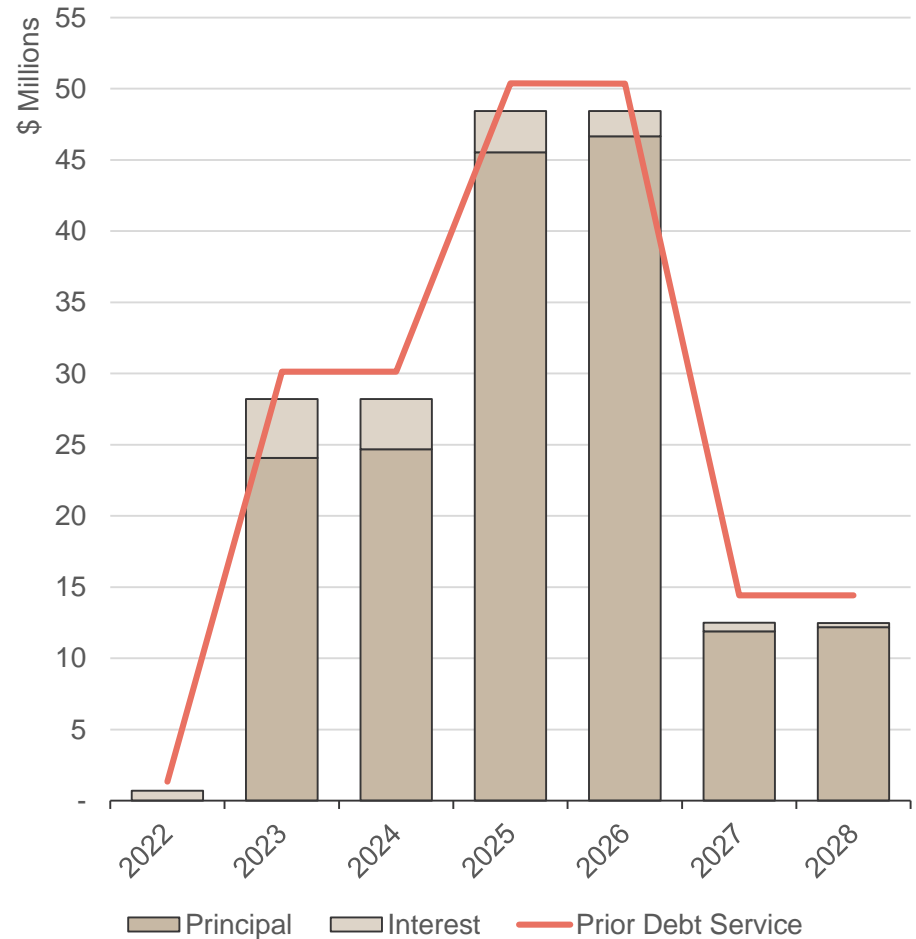
### • Preliminary Refunding Results

- True Interest Cost (TIC): 2.50%
- All-In TIC: 2.55%
- Average Life (years): 3.374
- Par Amount: 165,030,000
- Total Interest: 13,918,625
- Total Debt Service: 178,948,625
- Maximum Annual Debt Service: 48,446,875
- Average Annual Debt Service: 29,018,696

### • Preliminary Savings Results

- Par Amount of Refunded Bonds: 163,890,000
- Average Annual Cash Flow Savings: 1,741,861
- Gross Cash Flow Savings: 12,193,025
- NPV Savings: 11,258,515
- NPV Savings as % of Refunded Par: 6.87%
- Value of Negative Arbitrage: 248,975

Estimated Refunding Debt Service

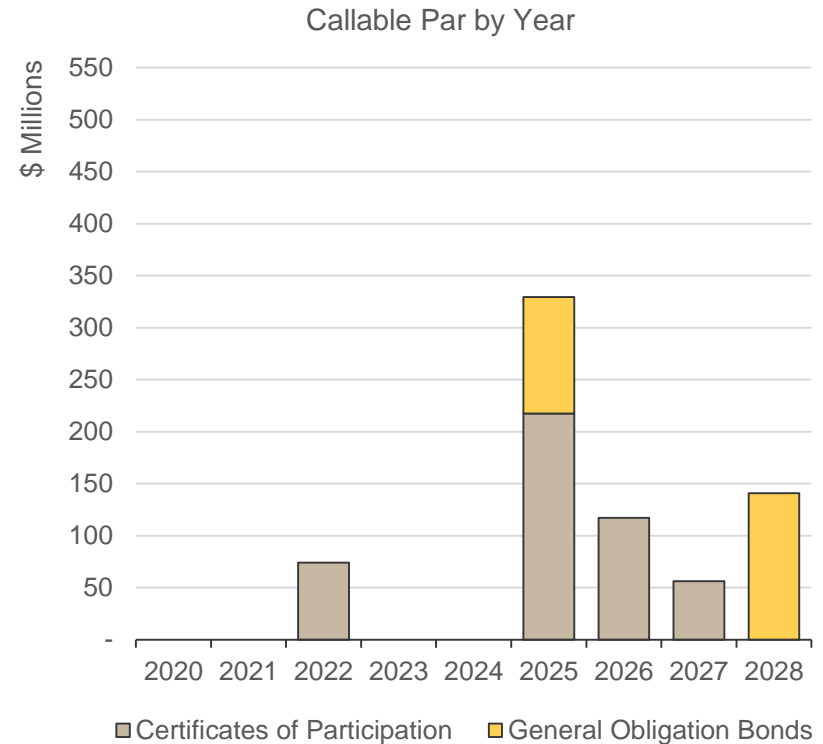




## Callable Debt Outstanding

- The District currently has approximately \$718 million of debt with callable par outstanding\*
- PFM will continue to monitor deals that are callable through 2025 as potential candidates for refunding opportunities

	Callable Par Amount	Call Date
<b>General Obligation Bonds</b>		
Series 2015	111,980,000	7/1/2025
Series 2019	140,840,000	7/1/2028
<b>Certificates of Participation</b>		
Series 2012A	74,020,000	7/1/2022
Series 2015A	115,440,000	7/1/2025
Series 2015B	102,155,000	7/1/2025
Series 2016A	110,375,000	7/1/2026
Series 2016B	6,880,000	7/1/2026
Series 2017B	56,300,000	7/1/2027
<b>Total</b>	<b>717,990,000</b>	





## **III. Certificates of Participation**



## Issuance of Certificates of Participation for New Money – Overview

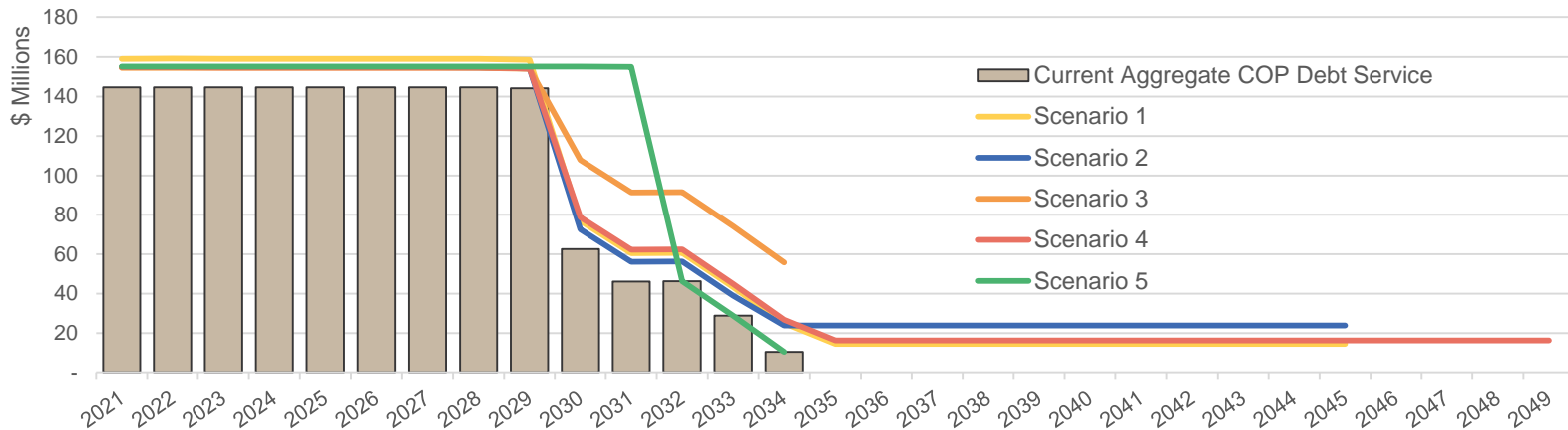
- Preliminary analysis on different structuring scenarios for a single issuance of Certificates of Participations (“COPs”) is provided on the following pages. Interest rates remain near all-time lows and the proposed issuance (the “Series 2020 COPs”) would provide funding for the major capital projects in the District’s current capital program
- Listed below are the facilities that would benefit from the proceeds of the Series 2020 COPs:
  - Cypress Bay High
  - Dania Elementary
  - Falcon Cove Middle
  - Flanagan High
  - Margate Elementary
  - McArthur High
  - Olsen Middle
  - Plantation High
  - Stranahan High
  - McFatter Technical College



## Preliminary Structuring Options for New Money Issuance

- PFM and staff defined the core goal to be creating a structuring that takes advantage of the material decline in debt service in 2030, results in a very low cost financing and enhances future financing capacity

	Scenario 1: Level Debt Service	Scenario 2: Level Aggregate Debt	Scenario 3: No Principal until 2030 (5 Year Amortization)	Scenario 4: No Principal until 2030 (20 Year Amortization)	Scenario 5: Accelerated Solution
Project Fund	\$250,000,000	\$250,000,000	<b>\$250,000,000</b>	\$250,000,000	\$250,000,000
Dated/Delivery Date	7/1/2020	7/1/2020	<b>7/1/2020</b>	7/1/2020	7/1/2020
Final Maturity	7/1/2045	7/1/2045	<b>7/1/2034</b>	7/1/2049	7/1/2031
True Interest Cost (TIC)	3.01%	3.33%	<b>2.33%</b>	3.34%	1.96%
All-In TIC	3.05%	3.36%	<b>2.37%</b>	3.37%	2.00%
Average Life (years)	15.47665896	20.37932745	<b>1209.70%</b>	21.097	10.341
Bond Proceeds	252,033,292	252,017,096	<b>251,966,664</b>	252,019,415	251,955,800
Par Amount	203,290,000	201,620,000	<b>196,110,000</b>	201,480,000	195,575,000
Total Interest	157,312,500	205,444,000	<b>118,622,000</b>	212,526,750	101,120,250
Total Debt Service	360,602,500	407,064,000	<b>314,732,000</b>	414,006,750	296,695,250
Avg. Annual Debt Service	14,424,100	16,282,560	<b>22,480,857</b>	14,276,095	26,972,295
Aggregate MADS	157,970,060	154,826,560	<b>154,551,060</b>	154,819,560	155,201,738

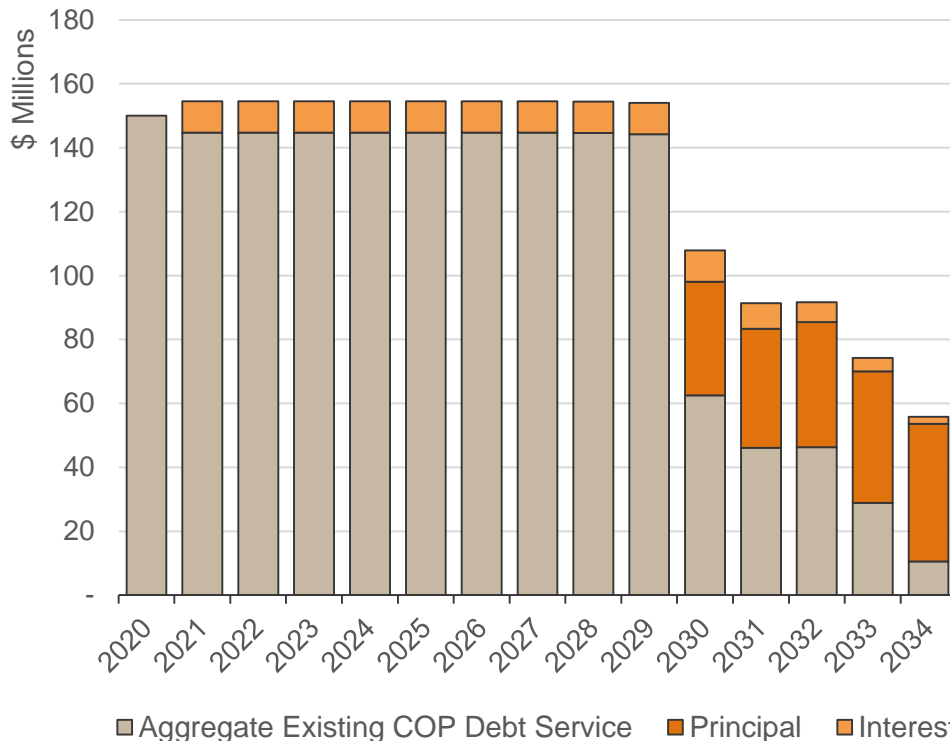


Note: Preliminary results are based on spread to current market rates as of February 19, 2020; Intended for discussion purposes only.



## Preliminary Structuring Options for New Money Issuance – Scenario 3

- Principal on the new debt can be set to amortize over five (5) years, between the drop-off in aggregate debt service starting in 2030 and the final maturity of the existing debt in 2034
- Note that debt is amortized quickly in order to create capacity for new projects in the future



Summary Statistics	
Final Maturity	7/1/2034
True Interest Cost (TIC)	2.33%
All-In TIC	2.37%
Average Life (years)	12.097
Bond Proceeds	251,966,664
Par Amount	196,110,000
Total Interest	118,622,000
Total Debt Service	314,732,000
Average Annual Debt Service	22,480,857
Aggregate MADS	154,551,060