



# School Board of Broward County, Florida

## Financial Advisory Committee Meeting

August 14, 2019

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PFM Financial Advisors LLC

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## Agenda

- I. Market Update
- II. Tax Anticipation Notes
- III. Certificates of Participation

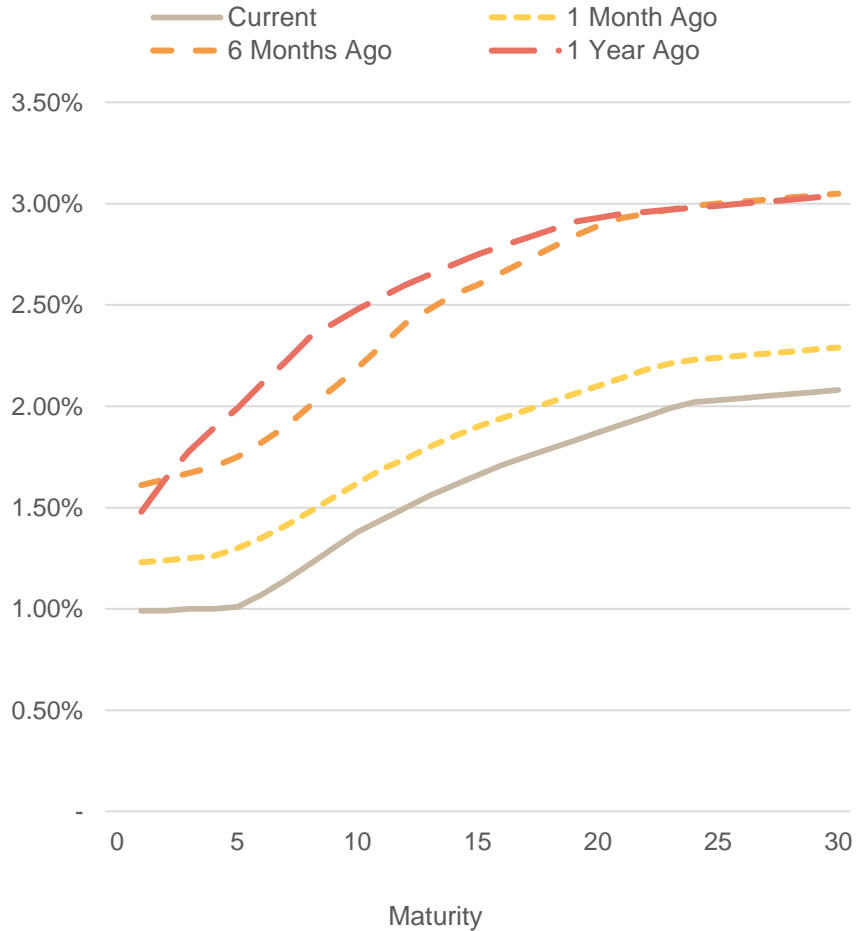


# I. Market Update

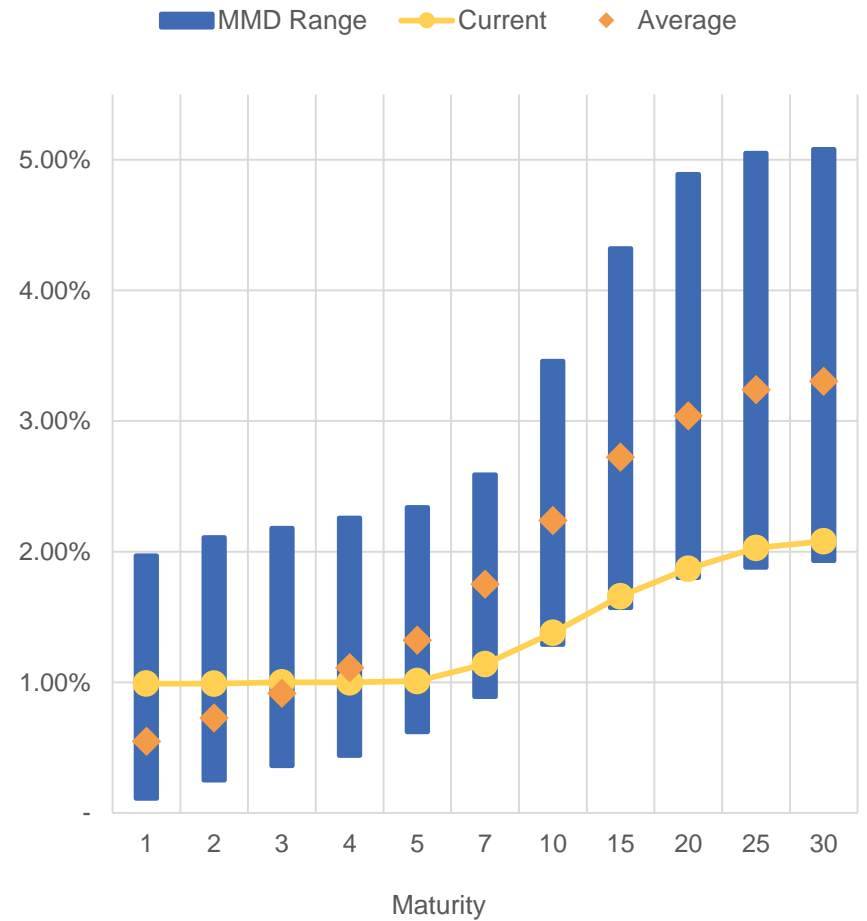


# Municipal Market Interest Rates

## MMA AAA G.O. Curve



## MMD Ranges Over Past 10 Years





# Municipal Market Interest Rates

## Market Yields: August 2014 to Present



	10 Year AAA MMD	20 Year AAA MMD	30 Year AAA MMD
Current: 8/5/2019	1.38%	1.87%	2.08%
Average: 2014 - 2019	2.06%	2.67%	2.85%
Difference	-68 bps	-80 bps	-77 bps



## II. Tax Anticipation Notes



## Tax Anticipation Notes, Series 2019 – Overview

- \$157,480,000 Tax Anticipation Notes, Series 2019 (the “2019 Notes”) were issued on July 25, 2019 to provide funds to pay the operational expenditures of the District during the 2019-20 fiscal year, pending the collection of ad valorem taxes and certain state funds, and to pay costs of issuance
- The 2019 Notes were sold via a competitive sale on July 16, 2019 and awarded to J.P. Morgan with the lowest NIC of 1.191%. A total of seven (7) bids were received from the firms listed below

Firm	Bid Amount	NIC	PV Difference <sup>1</sup>
J.P. Morgan Securities LLC	160,000,000	1.191403%	-
Wells Fargo Bank, NA	160,000,000	1.209194%	25,215.54
Citigroup Global Markets Inc.	160,000,000	1.211224%	28,092.70
Bank of America Merrill Lynch	160,000,000	1.222090%	43,493.30
Morgan Stanley & Co, LLC	160,000,000	1.227343%	50,938.48
Barclays Capital Inc.	160,000,000	1.227940%	51,784.62
Jefferies LLC	160,000,000	1.370866%	254,356.50

<sup>1</sup> The Present Value Difference is valued at 14,173.20 per basis point using the final amortization schedule

- The 2019 Notes will mature on June 30, 2020, at which point the interest and principal will due



## Tax Anticipation Notes – Historical Results

Tax Anticipation Notes, Series 2014 \$125,000,000	
Firm	NIC
Bank of America Merrill Lynch	0.075%
PNC Capital Markets	0.078%
J.P. Morgan Securities LLC	0.078%
RBC Capital Markets	0.080%
Morgan Stanley & Co, LLC	0.081%
Goldman, Sachs & Co.	0.082%
Barclays Capital Inc.	0.082%
Citigroup Global Markets Inc.	0.086%
Wells Fargo Bank, NA	0.100%

Tax Anticipation Notes, Series 2015 \$125,000,000	
Firm	NIC
J.P. Morgan Securities LLC	0.071%
Bank of America Merrill Lynch	0.073%
Morgan Stanley & Co, LLC	0.077%
Citigroup Global Markets Inc.	0.080%
RBC Capital Markets	0.080%
Barclays Capital Inc.	0.081%
Wells Fargo Bank, NA	0.091%
PNC Capital Markets	0.093%
Raymond James & Associates, Inc.	0.127%

Tax Anticipation Notes, Series 2016 \$125,000,000	
Firm	NIC
PNC Capital Markets	0.516%
Bank of America Merrill Lynch	0.631%
J.P. Morgan Securities LLC	0.633%
Morgan Stanley & Co, LLC	0.653%
Barclays Capital Inc.	0.659%
Citigroup Global Markets Inc.	0.664%
Wells Fargo Bank, NA	0.674%
Raymond James & Associates, Inc.	0.777%

Tax Anticipation Notes, Series 2017 \$125,000,000	
Firm	NIC
Bank of America Merrill Lynch	0.935%
J.P. Morgan Securities LLC	0.945%
PNC Capital Markets	0.958%
Wells Fargo Bank, NA	0.967%
Morgan Stanley & Co, LLC	0.969%
Barclays Capital Inc.	0.970%
Citigroup Global Markets Inc.	0.977%
Jefferies LLC	0.995%
Raymond James & Associates, Inc.	1.061%

Tax Anticipation Notes, Series 2018 \$125,000,000	
Firm	NIC
Bank of America Merrill Lynch	1.889%
Morgan Stanley & Co, LLC	1.898%
Citigroup Global Markets Inc.	1.903%
Barclays Capital Inc.	1.909%
PNC Capital Markets	1.916%
J.P. Morgan Securities LLC	1.932%
Wells Fargo Bank, NA	1.956%
Raymond James & Associates, Inc.	2.033%

Tax Anticipation Notes, Series 2019 \$160,000,000*	
Firm	NIC
J.P. Morgan Securities LLC	1.191%
Wells Fargo Bank, NA	1.209%
Citigroup Global Markets Inc.	1.211%
Bank of America Merrill Lynch	1.222%
Morgan Stanley & Co, LLC	1.227%
Barclays Capital Inc.	1.228%
Jefferies LLC	1.371%

\*Par amount awarded was \$157,480,000





## **III. Certificates of Participation**



## Certificates of Participation, Series 2019A & 2019B

### ● Overview

- The Certificates of Participation, Series 2019A and Series 2019B (collectively the “Series 2019 Certificates”) were issued concurrently by the School Board of Broward County, Florida (the “Board”), acting as the governing body for the School District of Broward County, Florida (the “District”), via a negotiated sale on July 9, 2019
- Bank of America Merrill Lynch (“BofA”) served as bookrunning senior manager. The syndicate also included Citigroup, J.P. Morgan and Morgan Stanley as co-senior managers and PNC Capital Markets as a co-manager

### ● Principal Amounts

- Series 2019A Certificates: \$105,240,000
- Series 2019B Certificates: \$65,085,000

### ● Purpose

- The Series 2019A Certificates were issued to provide funds to pay off the outstanding Series 2014A Certificates, terminate the swap agreement associated with the Series 2004D Certificates and pay costs of issuance
- The Series 2019B Certificates were issued to provide funds to pay off the outstanding Series 2015C Certificates, terminate the swap agreement associated with the Series 2006B Certificates and pay costs of issuance

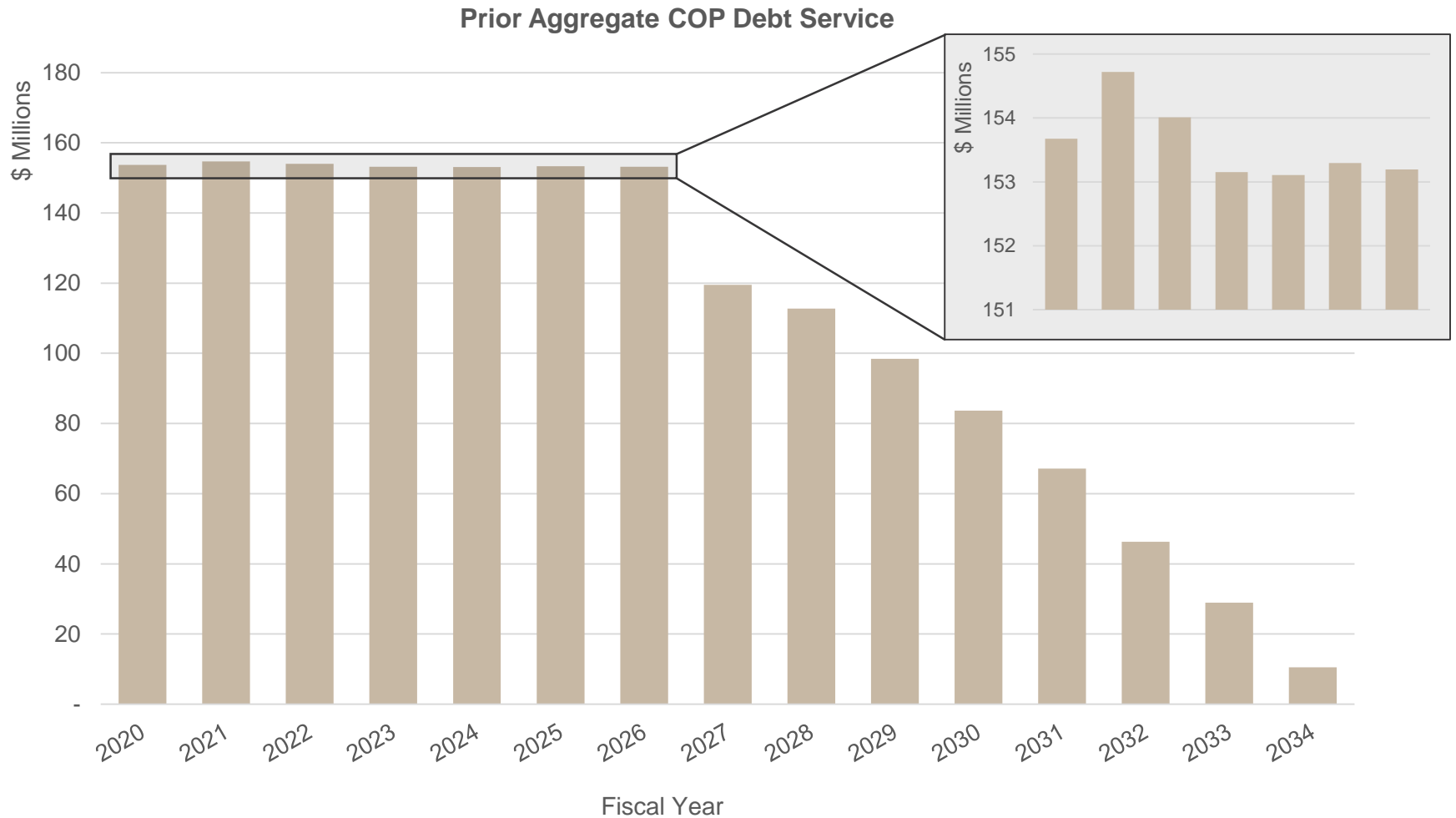


## Structuring of the Series 2019 Certificates

- As discussed during the May 30th meeting, PFM recommended that the District terminate the swaps as long as the present value loss was within a 3% threshold, and work with staff to set the principal amortization structure based on market conditions and capital budget parameters.
- The transaction also presented an opportunity for the District to restructure principal amortization to smooth out the aggregate debt service on its Certificates of Participation (COPs) debt portfolio
  - The graph on the following page shows the District's aggregate COP debt before the issuance of the 2019 Certificates with a portion magnified to illustrate the variance in debt service between fiscal years 2020 through 2026. Also note the material decrease in debt service beginning in fiscal year 2027



# Prior Aggregate COP Debt Service





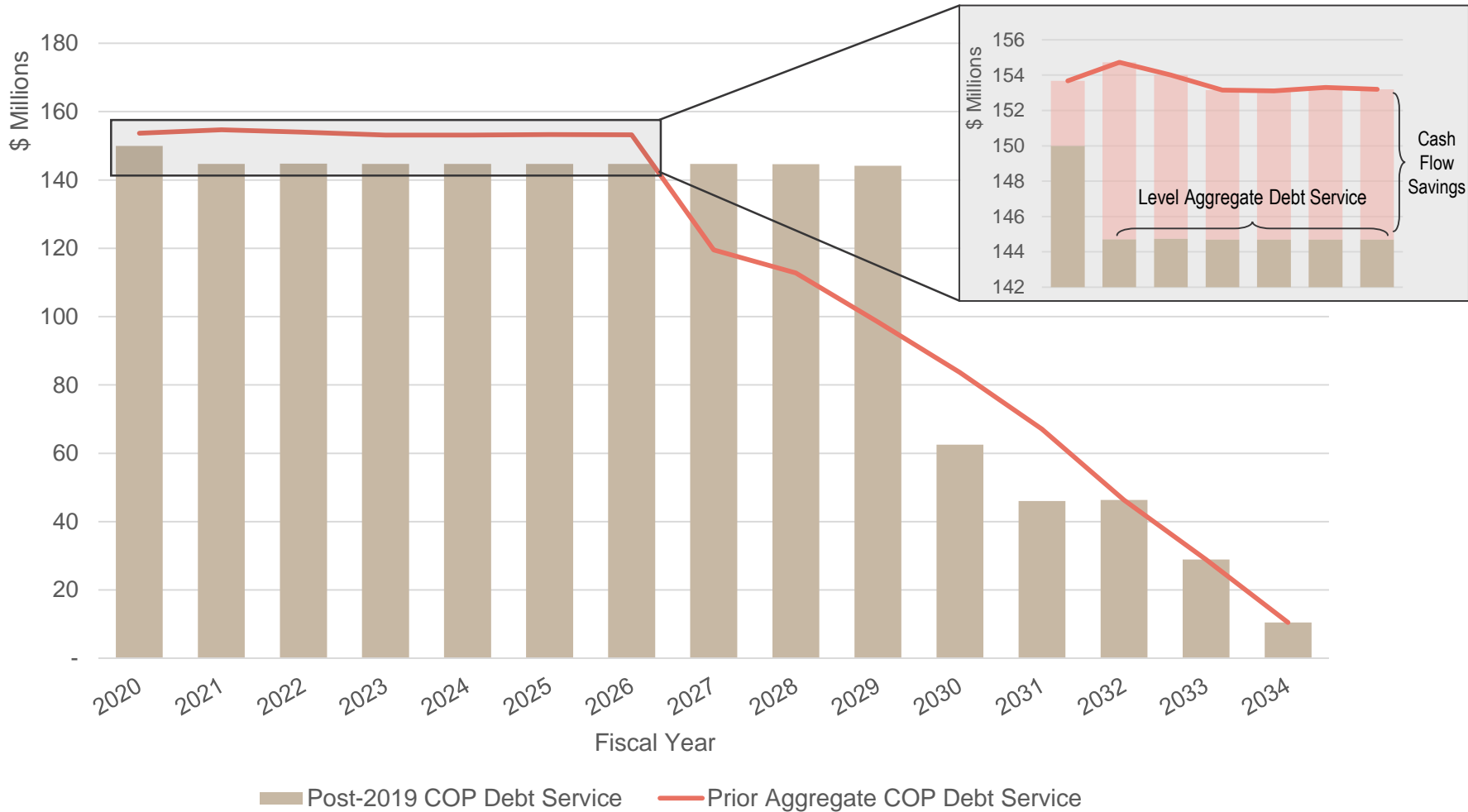
## Structuring Recommendation & Results

- PFM worked with the District and BofA on various structuring alternatives to develop the best solution that would achieve the following key objectives:
  - Generate aggregate cash flow savings
  - Mitigate any loss associated the swap terminations
  - Reshape the aggregate COP debt to reduce year-by-year budget variances
  - Reduce maximum annual debt service
- The graph on the following page shows the District's aggregate COP debt after the issuance of the 2019 Certificates
  - As a result of the restructuring, the District reduced aggregate COP debt service in Fiscal Years 2021 through 2026 by an average of \$8.87 million per year, which releases cash flow to facilitate other capital needs in those years, and lowers the District's maximum annual debt service (MADS) figure
  - The new structure also achieves smoother debt service levels on a year-to-year basis
  - The combined net present value savings was \$161,598.66, or 0.09% of the refunded par



# Restructured Aggregate COP Debt Service

## Post Series 2019 Certificates Aggregate COP Debt Service





## Savings Results

- The table below shows the change in annual debt service resulting from the issuance of the Series 2019 Certificates. The aggregate NPV savings was slightly positive, satisfying the -3% threshold. Moreover, the structure of the Series 2019 Certificates allows the District to lower MADS by more than \$4.7 million. After 2020, MADS will drop by nearly \$10 million and remain around \$149.7 million through 2029

Period	Prior Aggregate Debt Service	Cash Flow Savings			Post-Refunding Aggregate Debt Service
		Series 2019A (Refunding Series 2014A)	Series 2019B (Refunding Series 2015C)	Aggregate Cashflow Savings	
7/1/2020	\$153,677,129	\$3,830,693	(\$142,774)	\$3,687,919	\$149,989,210
7/1/2021	154,719,951	10,154,558	(149,850)	10,004,708	144,715,243
7/1/2022	154,008,117	9,412,407	(149,850)	9,262,557	144,745,560
7/1/2023	153,151,374	8,605,163	(149,850)	8,455,313	144,696,060
7/1/2024	153,108,085	8,561,624	(149,850)	8,411,774	144,696,310
7/1/2025	153,294,051	8,745,841	(149,850)	8,595,991	144,698,060
7/1/2026	153,193,918	8,643,957	(149,850)	8,494,107	144,699,810
7/1/2027	119,551,238	(24,995,672)	(149,850)	(25,145,522)	144,696,760
7/1/2028	112,774,861	(38,953,026)	7,075,150	(31,877,876)	144,652,738
7/1/2029	98,459,471	1,430,099	(47,154,916)	(45,724,817)	144,184,288
7/1/2030	83,672,394	-	21,129,356	21,129,356	62,543,038
7/1/2031	67,120,264	-	21,059,976	21,059,976	46,060,288
<b>Total</b>	<b>\$1,556,730,852</b>	<b>(\$4,564,356)</b>	<b>\$917,842</b>	<b>(\$3,646,514)</b>	<b>\$1,560,377,366</b>
<b>NPV Savings</b>		<b>\$406,703</b>	<b>(\$245,104)</b>	<b>161,598.66</b>	
<b>% of Refunded Par</b>		<b>0.36%</b>	<b>(0.38%)</b>	<b>0.09%</b>	
<b>MADS</b>	<b>\$154,719,951</b>				<b>\$149,989,210</b>
<b>MADS after FY2020</b>	<b>\$154,719,951</b>				<b>\$144,745,560</b>



## Spread Comparison

- The graph below illustrates the spreads from the Series 2019 Certificates in comparison to the District's previous issuances of COPs. The historical data shows includes only those maturities with 5% coupons

