



# School District of Broward County, Florida

## Financial Advisory Committee Meeting

August 27, 2021

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## Agenda

- I. Market Update
- II. Tax Anticipation Notes
- III. Long-Term Debt Review
- IV. Refunding Opportunities

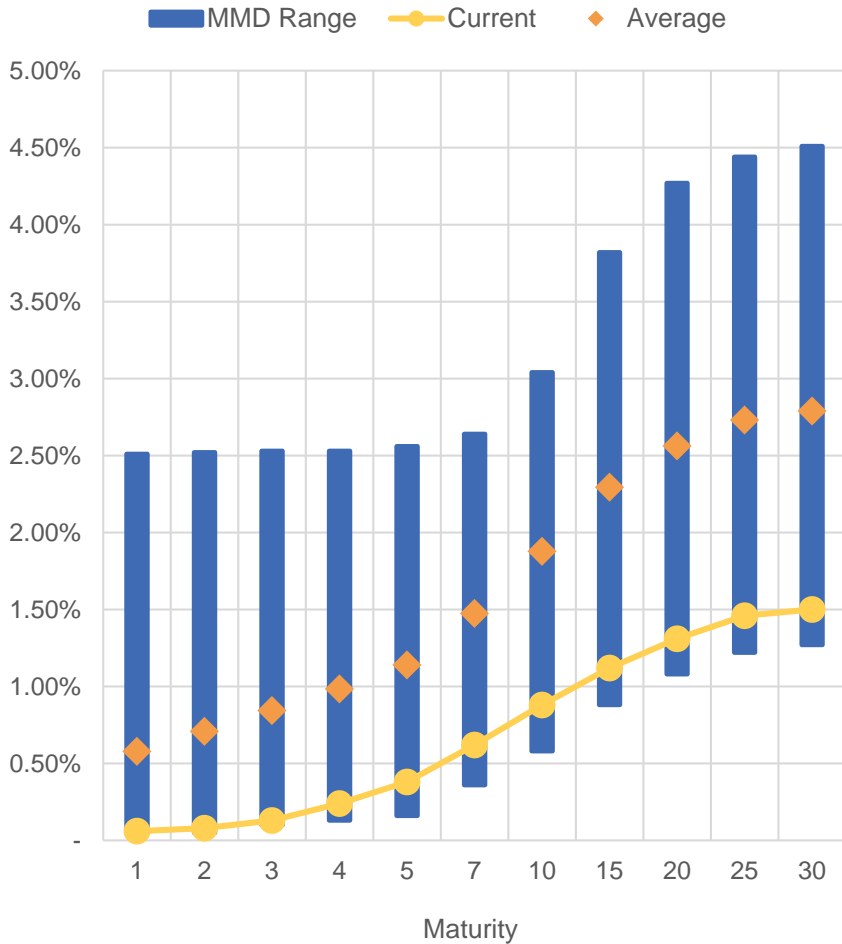


# I. Market Update

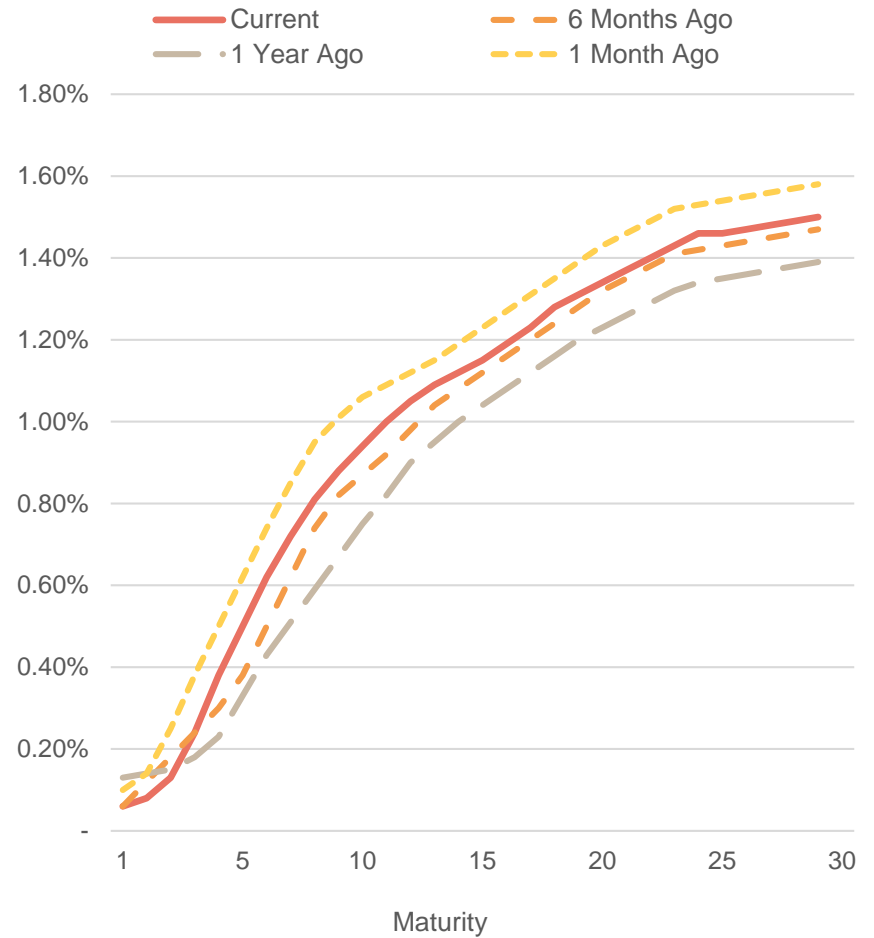


# Tax-Exempt Interest Rates

## MMD Ranges Over Past 10 Years



## MMA AAA G.O. Curve





# Market Conditions

## 10-Year & 30-Year UST vs. AAA MMD Rates (Last 3 Years)





## **II. Tax Anticipation Notes**



## Tax Anticipation Notes, Series 2021 – Overview

- \$157,360,000 Tax Anticipation Notes, Series 2021 (the “2021 Notes”) were issued on July 29, 2021 to provide funds to pay the operational expenditures of the District during the 2021-2022 fiscal year, pending the collection of ad valorem taxes and certain state funds, and to pay costs of issuance
- The 2021 Notes were sold via a competitive sale on July 13, 2021 and awarded to J.P. Morgan Securities LLC with the lowest NIC of 0.086%. A total of 10 bids were received from the firms listed below:

Firm	Bid Amount	NIC	PV Difference*
J.P. Morgan Securities LLC	160,000,000	0.085801%	-
Bank of America Merrill Lynch	160,000,000	0.095976%	16,011.38
Wells Fargo Bank, National Assc	160,000,000	0.099456%	21,487.51
Morgan Stanley & Co, LLC	160,000,000	0.105378%	30,806.37
Citigroup Global Markets Inc.	160,000,000	0.106465%	32,516.87
PNC Capital Markets	160,000,000	0.119396%	52,865.09
UBS Financial Services Inc.	160,000,000	0.123867%	59,900.66
Barclays Capital Inc.	160,000,000	0.125136%	61,897.56
BNYMellon Capital Markets	160,000,000	0.149420%	100,110.86
Jefferies LLC	160,000,000	0.173897%	138,627.87

*\*The present value difference is valued at 15,736 per basis point using the final amortization schedule*

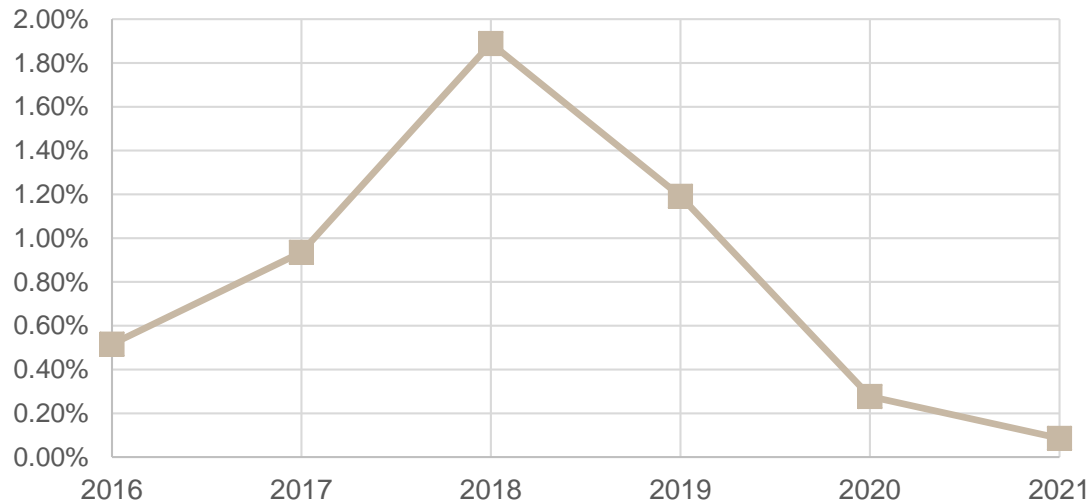
- The 2021 Notes will mature on June 30, 2022, at which point the interest and principal will due



## Historical TAN Results

Series	Principal Bid Amount	Winning Bidder	Final Net Interest Cost (NIC)
2016 TAN	\$125,000,000	PNC Capital Markets	0.52%
2017 TAN	\$125,000,000	Bank of America Merrill Lynch	0.94%
2018 TAN	\$125,000,000	Bank of America Merrill Lynch	1.89%
2019 TAN	\$160,000,000	J.P. Morgan Securities LLC	1.19%
2020 TAN	\$160,000,000	Morgan Stanley & Co, LLC	0.28%
2021 TAN	\$160,000,000	J.P. Morgan Securities LLC	0.09%

Final Net Interest Cost (NIC)







## **III. Long-Term Debt Review**



## Long-Term Debt by Series\*

### General Obligation Bonds ( Aa2 / AA- / AA- )

Series Name	Issue Size	Purpose	Final Maturity	Outstanding Par	Next Call Date	Refunding Status		
						Forward	Current	Non-Callable
As of 7/1/2021								
Series 2015	155,055,000	New Money	7/1/2040	131,865,000	7/1/2025	111,980,000	-	19,885,000
Series 2019	174,750,000	New Money	7/1/2047	167,535,000	7/1/2028	140,840,000	-	26,695,000
Series 2021	207,465,000	New Money	7/1/2050	207,465,000	7/1/2031	165,595,000	-	41,870,000
Total				506,865,000		418,415,000		88,450,000

### Certificates of Participation ( Aa3 / A+ / A+ )

Series Name	Issue Size	Purpose	Final Maturity	Outstanding Par	Next Call Date	Refunding Status		
						Forward	Current	Non-Callable
As of 7/1/2021								
Series 2009A-QSCB	49,913,000	New Money	7/1/2024	13,593,000	-	-	-	13,593,000
Series 2010A-QSCB	51,645,000	New Money	7/1/2027	51,645,000	-	-	51,645,000 <sup>(1)</sup>	-
Series 2012A <sup>(2)</sup>	270,650,000	Refunding	7/1/2028	84,400,000	7/1/2022	74,020,000	-	10,380,000
Series 2015A	252,360,000	Refunding	7/1/2030	218,465,000	7/1/2025	115,440,000	-	103,025,000
Series 2015B	170,805,000	Refunding	7/1/2032	146,655,000	7/1/2025	102,155,000	-	44,500,000
Series 2016A	198,205,000	Refunding	7/1/2033	169,210,000	7/1/2026	110,375,000	-	58,835,000
Series 2016B	18,735,000	Refunding	7/1/2027	18,735,000	7/1/2026	6,880,000	-	11,855,000
Series 2017B	56,300,000	Refunding	7/1/2034	56,300,000	7/1/2027	56,300,000	-	-
Series 2017C	151,230,000	Refunding	7/1/2026	151,230,000	-	-	-	151,230,000
Series 2019A	105,240,000	Refunding	7/1/2029	105,240,000	-	-	-	105,240,000
Series 2019B	65,085,000	Refunding	7/1/2029	65,085,000	-	-	-	65,085,000
Series 2020A	202,590,000	New Money	7/1/2034	202,590,000	7/1/2030	165,925,000	-	36,665,000
Total				1,283,148,000		631,095,000	51,645,000	600,408,000

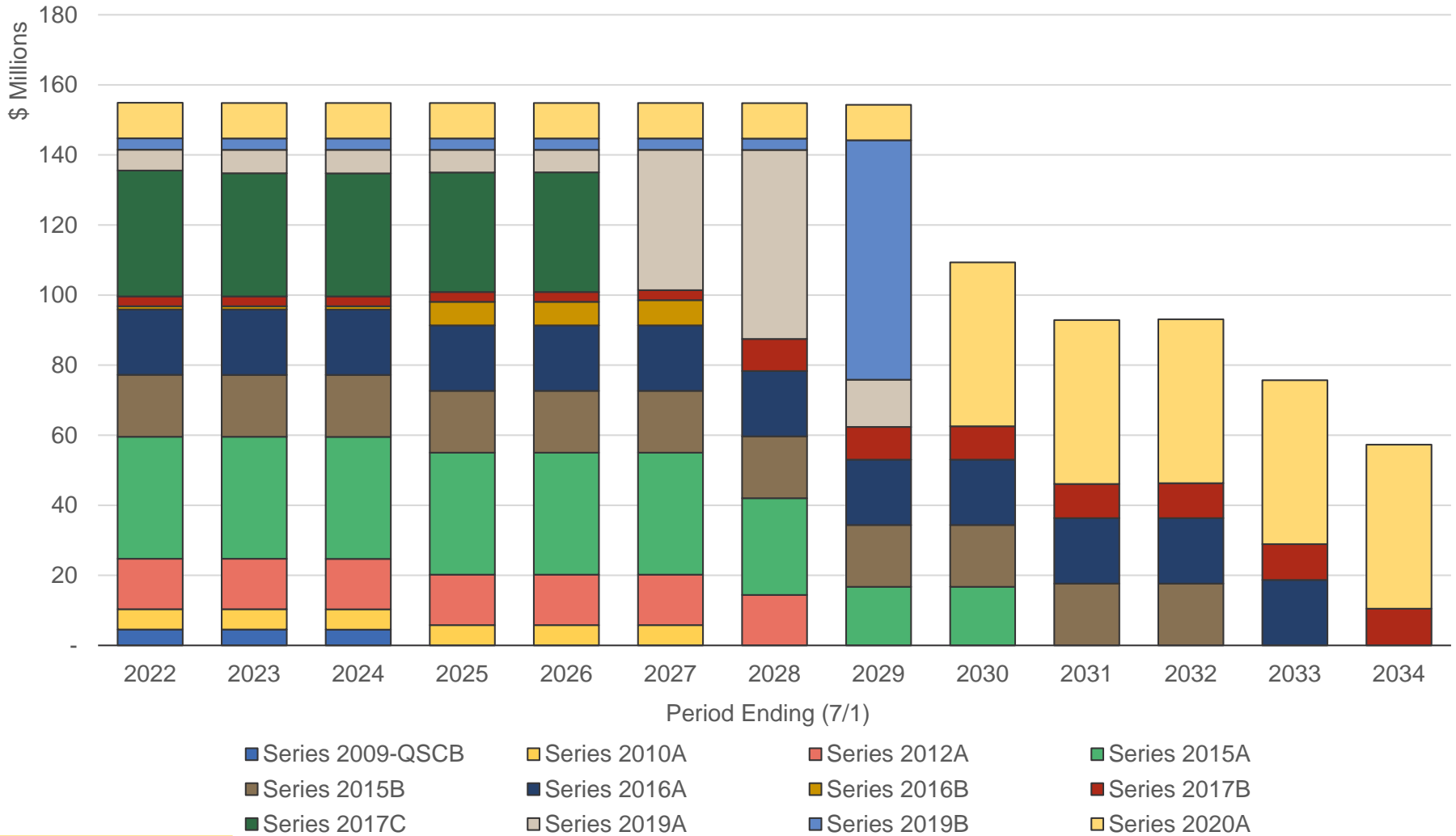
<sup>(1)</sup>Prepayment subject to a Make-Whole premium

<sup>(2)</sup>On May 7, 2021, the District executed a forward delivery agreement with Morgan Stanley Bank, N.A. to forward refund \$74,020,000 of the District's outstanding Certificates of Participation, Series 2012A. Pursuant to and contingent upon the terms and conditions of the Forward Delivery Agreement, the refunding will occur on April 2, 2022 through the issuance and direct placement of \$65,765,000 Certificates of Participation, Series 2022A, with a final maturity of July 1, 2028

\*Excluding capital leases

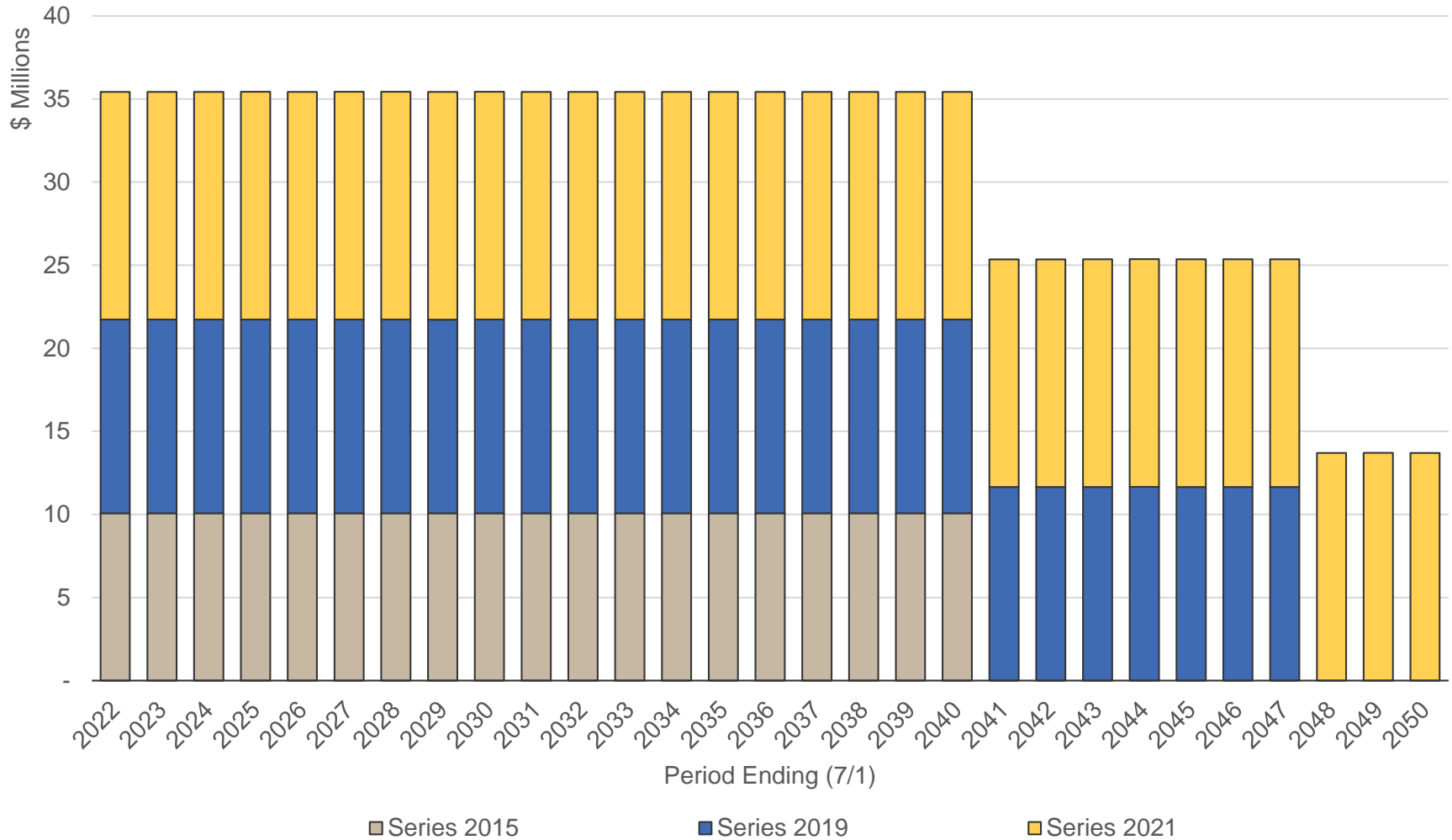


## Aggregate Annual Debt Service on Certificates of Participation





## Aggregate Annual Debt Service on General Obligation School Bonds





## Debt Management Policy Compliance



General Obligation Debt	
Debt Limit:	Not Applicable
Goal/Target:	As approved by voters within the legal limit
Current/Actual:	\$800,000,000 approved on November 4, 2014
	Total issued to-date \$537,270,000
	Capacity remaining \$262,730,000



Revenue Anticipation Notes	
Debt Limit:	One-fourth of Operating Revenue received in prior fiscal year
Goal/Target:	Not to exceed \$100 million (new and/or renewal notes) in any fiscal year
Current/Actual:	Not currently applicable

Certificates of Participation	
Debt Limit:	75% of Capital Outlay
Goal/Target:	60% of Capital Outlay Millage
Current/Actual:	Revenue generated by 1.50 mill at 96% collection \$312,326,007
	Maximum annual debt service \$154,875,060
	MADS as % of revenue 49.6%

Local Government Infrastructure	
Debt Limit:	Debt service equal to one-half or full penny sales tax. Must be approved by referendum.
Goal/Target:	One-half penny sales tax
Current/Actual:	Not currently applicable

School Capital Outlay	
Debt Limit:	Debt service equal to up to one-half penny sales tax. Must be approved by referendum.
Goal/Target:	One-half penny sales tax
Current/Actual:	Not currently applicable



## **IV. Refunding Analysis**



## District's Callable Debt Outstanding

- The District has over \$975 million of outstanding principal that is eligible for future redemption, as shown in the table below. PFM screened these obligations and potential refunding candidates (those that produce at least 3% NPV savings from an existing opportunity) are shaded in yellow.

Series	Refunded Par	Refunded Maturities	Coupons
<i>Callable July 1, 2025:</i>			
General Obligation School Bonds, Series 2015	\$111,980,000	2026 - 2040	3.50% - 4.25%
Certificates of Participation, Series 2015A	\$115,440,000	2026 - 2030	5.00%
Certificates of Participation, Series 2015B	\$102,155,000	2026 - 2032	5.00%
<i>Callable July 1, 2026:</i>			
Certificates of Participation, Series 2016A	\$110,375,000	2027 - 2033	3.00% - 5.00%
Certificates of Participation, Series 2016B	\$6,880,000	2027	5.00%
<i>Callable July 1, 2027:</i>			
Certificates of Participation, Series 2017B	\$56,300,000	2028- 2034	5.00%
<i>Callable July 1, 2028:</i>			
General Obligation School Bonds, Series 2019	\$140,840,000	2029 - 2047	5.00%
<i>Callable July 1, 2030:</i>			
Certificates of Participation, Series 2020A	\$165,925,000	2031 - 2034	5.00%
<i>Callable July 1, 2031:</i>			
General Obligation School Bonds, Series 2021	\$165,595,000	2032 - 2050	5.00%



## Refunding Analysis – Summary of Results

- The table below compares the estimated results of a taxable advance refunding executed in today's market conditions versus a tax-exempt current refunding on the call date using today's rates
  - All scenarios assume a 10-year par call with COI of \$3.50/bond and Underwriter's Discount of \$3.50/bond

Series	Refunded Par Amount	Existing Opportunity: Taxable Advance Refunding				Future Opportunity: Tax-Exempt Current Refunding on the Call Date			Break-Even Spread
		Refunding Delivery Date	NPV Savings (\$)	NPV Savings (%)	Arbitrage (\$)	Refunding Delivery Date	NPV Savings (\$)	NPV Savings (%)	
General Obligation School Bonds, Series 2015	\$111,980,000	10/1/2021	\$6,271,041	5.6%	(\$6,851,535)	7/1/2025	\$22,716,839	20.3%	193 bps
Certificates of Participation, Series 2015A	\$115,440,000	10/1/2021	\$4,008,636	3.5%	(\$5,010,173)	7/1/2025	\$12,922,074	11.2%	256 bps
Certificates of Participation, Series 2015B	\$102,155,000	10/1/2021	\$6,213,014	6.1%	(\$5,252,459)	7/1/2025	\$17,443,366	17.1%	227 bps
General Obligation School Bonds, Series 2019	\$140,840,000	10/1/2021	\$11,808,450	8.4%	(\$14,781,420)	7/1/2028	\$43,684,677	31.0%	267 bps

- The break-even point indicates how much AAA MMD would need to increase before the call window to generate the same aggregate NPV savings in the future
- The graph on the following page illustrates the last time market rates were 200 basis points higher during the past decade





# Refunding Analysis – Recommendation

● PFM suggests that the District wait and continue to monitor these refunding candidates, particularly in light of the following factors:

- Current market conditions
- Negative arbitrage
- Length of the call window

● Furthermore, there is potential for tax-exempt advance refundings to be reinstated by Congress

Series	Potential Future Opportunity: Tax-Exempt Advance Refunding	
	NPV Savings (\$)	NPV Savings (%)
GOB - Series 2015	\$9,251,694	8.3%
COP - Series 2015A	\$9,331,080	8.1%
COP - Series 2015B	\$12,202,281	11.9%
GOB - Series 2019	\$6,773,372	4.8%

MMD Ranges Over Past 10 Years

