



School District of Broward County, Florida

Financial Advisory Committee Meeting

March 5, 2021

PFM Financial Advisors LLC

300 S. Orange Avenue,
Suite 1170
Orlando, FL 32801

pfm.com
407.406.2208



Agenda

- I. Market Update
- II. General Obligation School Bonds
- III. Certificates of Participation – Refunding Update

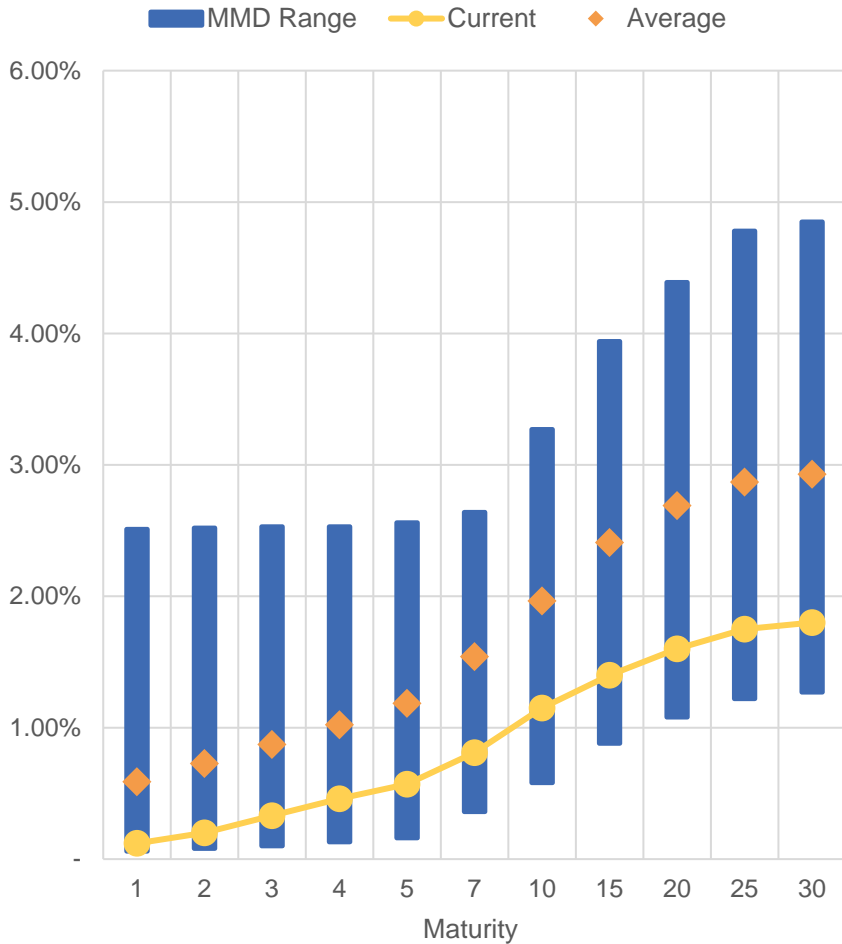


I. Market Update

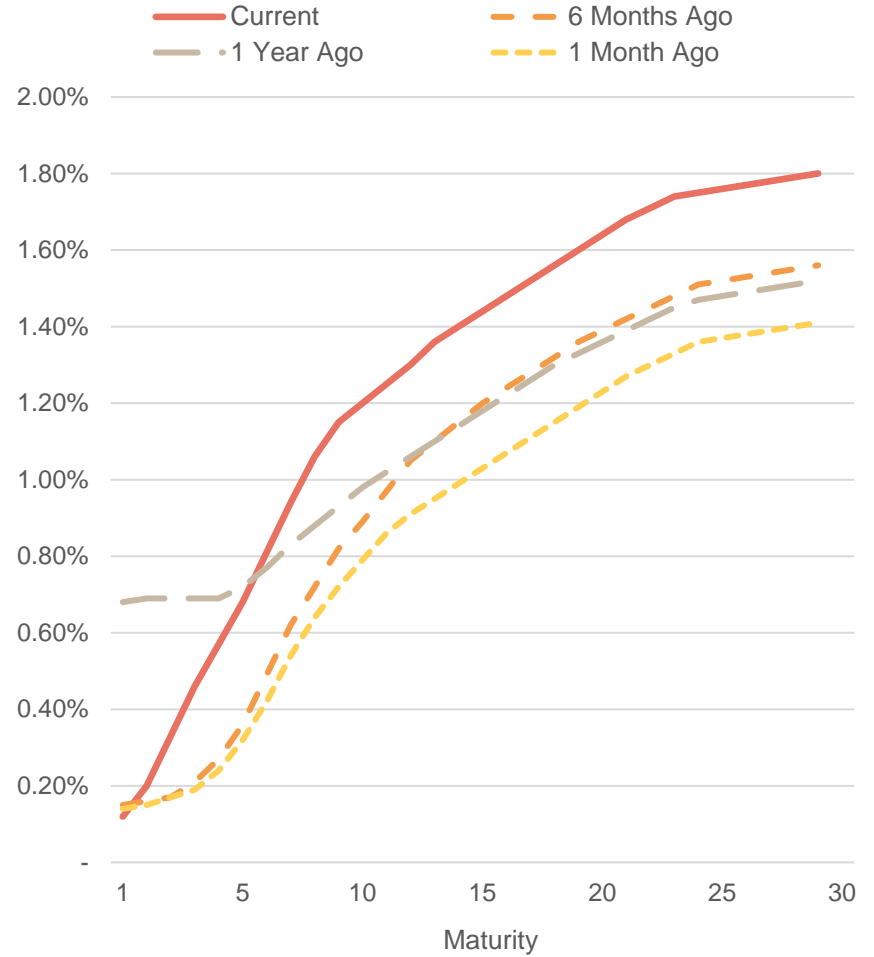


Tax-Exempt Interest Rates

MMD Ranges Over Past 10 Years



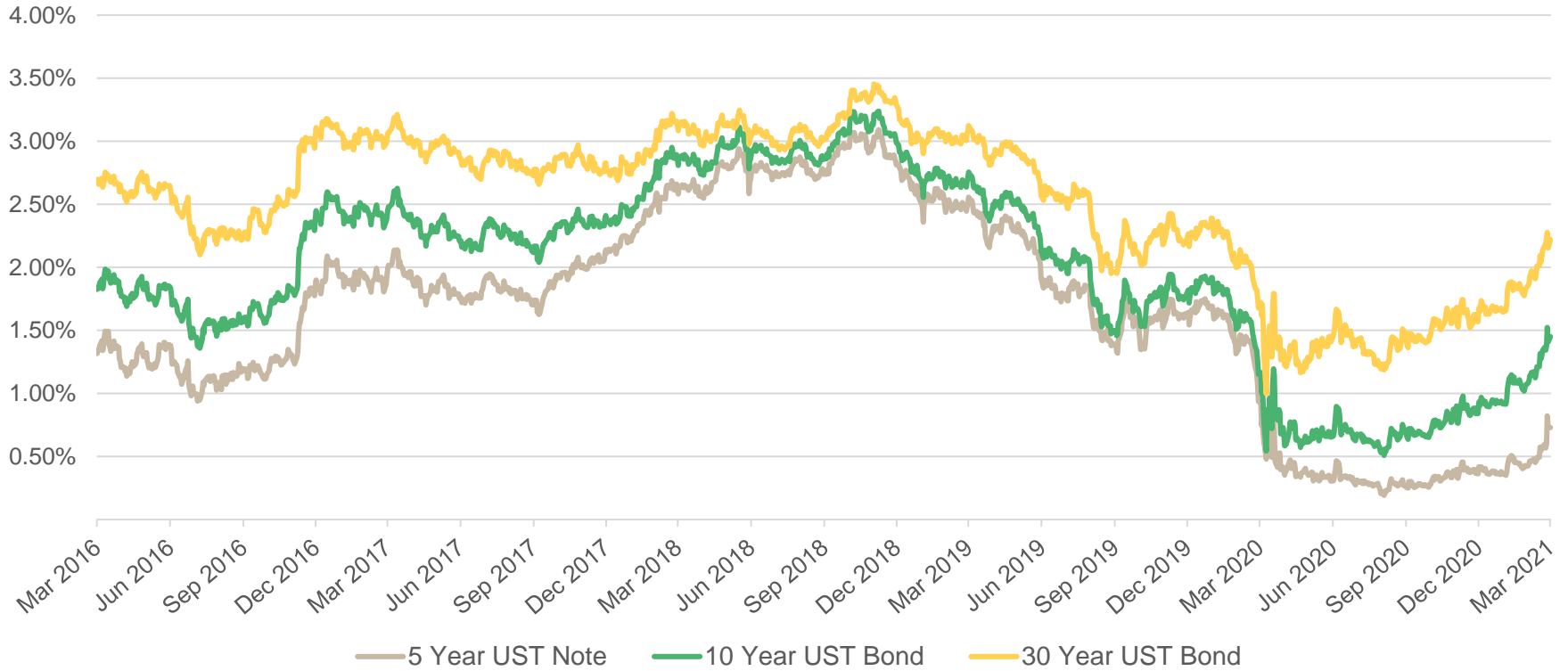
MMA AAA G.O. Curve





Taxable Interest Rates

Treasury Yields During Past 5 Years



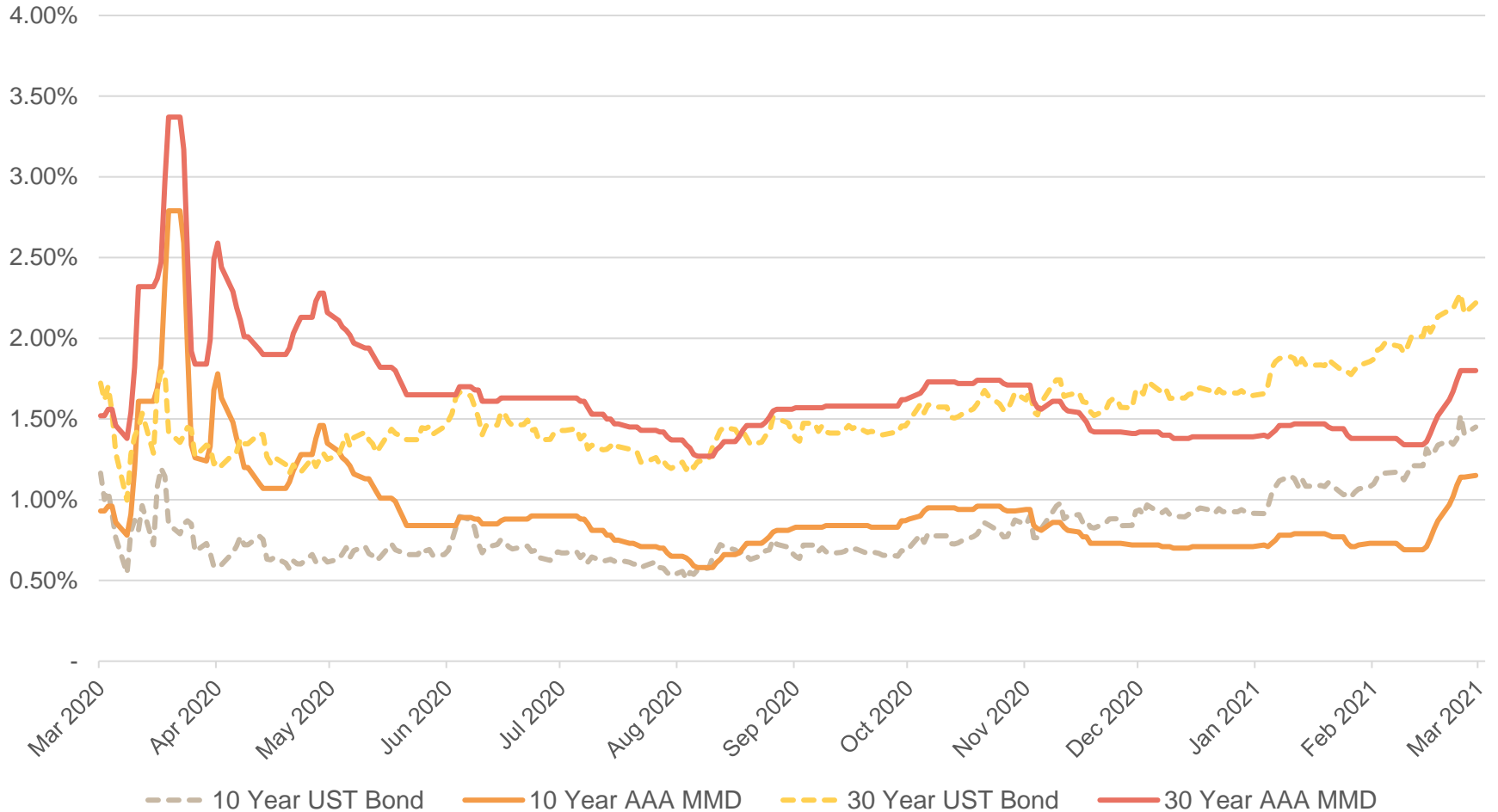
	5 Year UST Note	10 Year UST Bond	30 Year UST Bond
Current (3/1/2021)	0.73%	1.45%	2.22%
Avg. (2016 - 2021)	1.67%	2.00%	2.52%
Difference	-94 bps	-55 bps	-30 bps
Min.	0.19%	0.51%	1.00%
Max.	3.09%	3.24%	3.46%

Rates as of March 1, 2021



Market Conditions – Past Year

10-Year & 30-Year UST vs. AAA MMD Rates





II. General Obligation School Bonds



General Obligation School Bonds, Series 2021 – Overview

- \$207,465,000 General Obligation School Bonds, Series 2021 (the “2021 Bonds”) were issued on February 16, 2021 to finance improvements to school buildings and school grounds, including safety enhancements and instructional technology upgrades, and to pay issuance costs
- The 2021 Bonds were sold via a competitive sale on February 2, 2021 with Citigroup Global Markets Inc. as the winning bidder. A total of five (5) bids were received from the firms listed in the table below:

Bid Results		
Firm	TIC	PV Difference*
Citigroup Global Markets Inc.	2.65635%	-
Bank of America Merrill Lynch	2.65692%	12,727.64
Jefferies LLC	2.65967%	73,387.95
J.P. Morgan Securities LLC	2.66702%	235,494.36
Morgan Stanley & Co, LLC	2.68666%	668,741.33

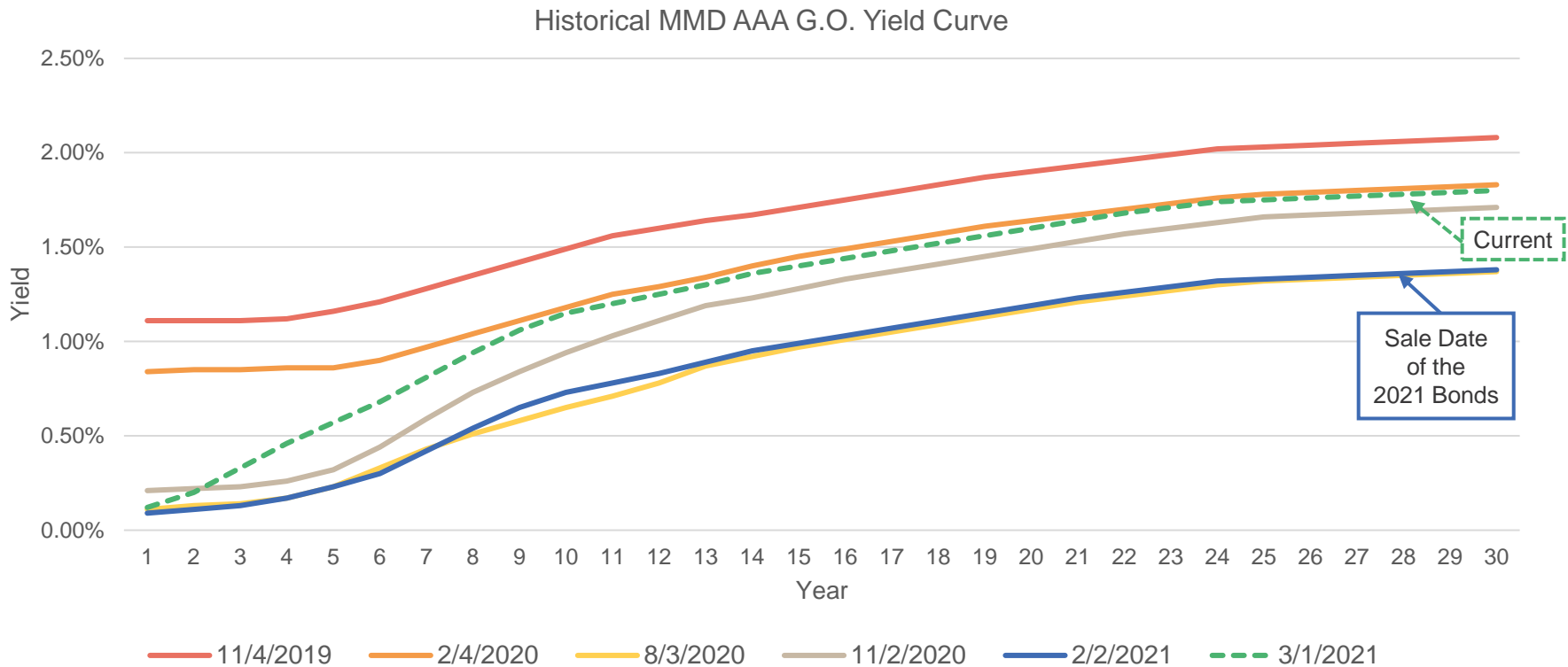
**The PV difference is valued at \$220,582.95 per basis point using the final amortization schedule*

- The following ratings were assigned to the 2021 Bonds:
 - Moody's: “Aa2” (Stable Outlook)
 - S&P: “AA-” (Stable Outlook)



General Obligation School Bonds, Series 2021 – Market Conditions for Sale

- The chart below shows the progression of the MMD “AAA” G.O. curve on a quarterly basis since November 2019. This index is a proxy for tax-exempt interest rates on the highest-rated municipal bonds. On the sale date of the 2021 Bonds, interest rates were trending near historic lows, particularly on the shorter end of the curve.
- In the weeks immediately following the sale, yield reversed course, trending upward across the curve (as shown in the green line)





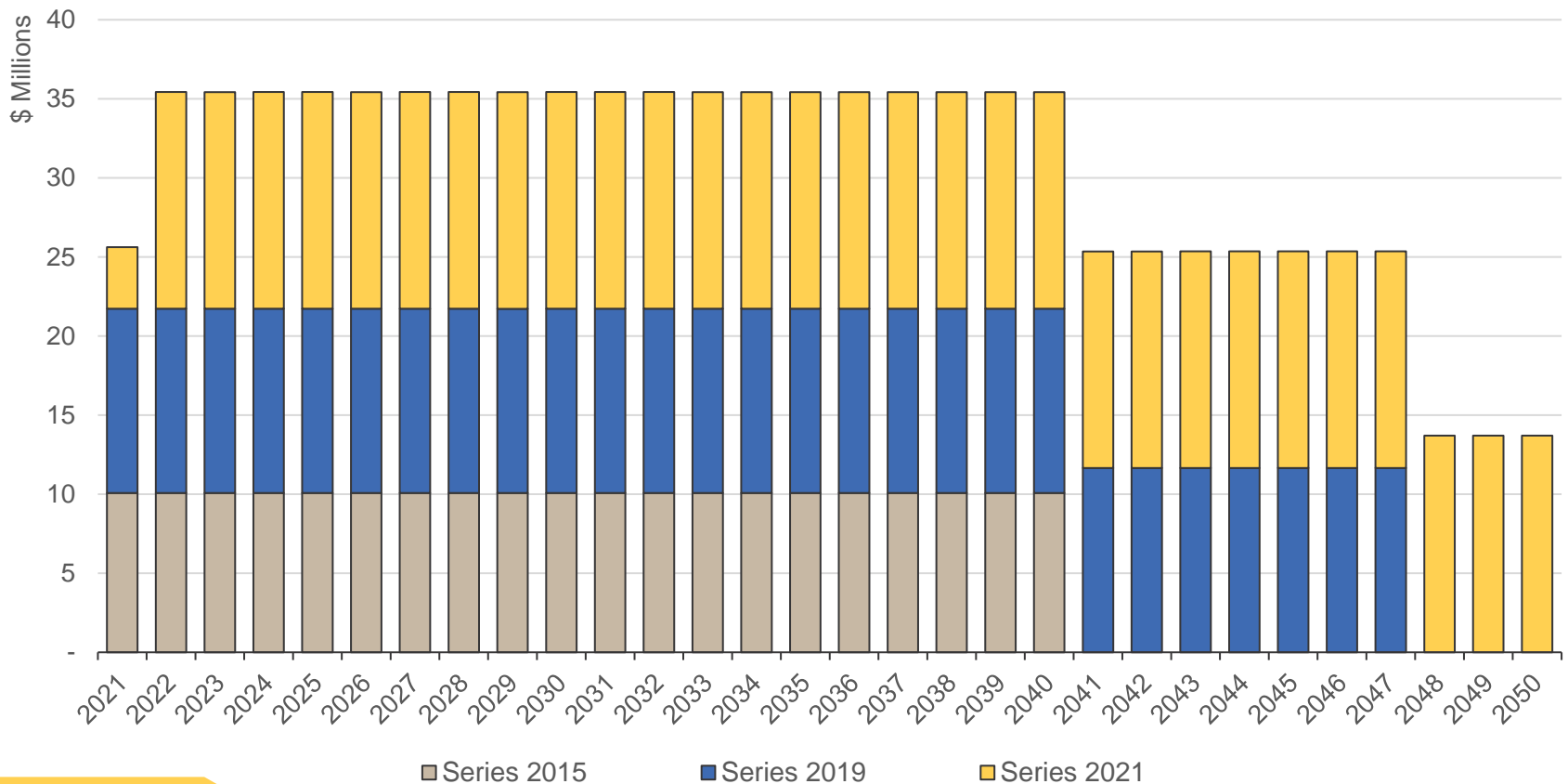
General Obligation School Bonds, Series 2021 – Pricing Performance

THE SCHOOL DISTRICT OF BROWARD COUNTY – GENERAL OBLIGATION SCHOOL BONDS, SERIES 2021														
STATE: FL		SECTOR: EDUCATION			INDUSTRY: PRIMARY & SECONDARY EDUCATION					SECURITY: ULT G.O.				
Maturity Date	Maturity Tenor	Call Date	Bond Type	Ins.	Par Amount	Coupon	Reoffering	Price	Yield	Yield	Interpolated MMD			
							Yield (ROY)		To Call (YTC)	To Maturity (YTM)	Scale	ROY Spread	YTC Spread	YTM Spread
7/1/22	1.4		Serial		3,325,000	5.000%	0.120%	106.702		0.120%	0.100%	2 bps		2 bps
7/1/23	2.4		Serial		3,495,000	5.000%	0.150%	111.493		0.150%	0.120%	3 bps		3 bps
7/1/24	3.4		Serial		3,670,000	5.000%	0.180%	116.210		0.180%	0.140%	4 bps		4 bps
7/1/25	4.4		Serial		3,855,000	5.000%	0.250%	120.654		0.250%	0.190%	6 bps		6 bps
7/1/26	5.4		Serial		4,045,000	5.000%	0.340%	124.798		0.340%	0.270%	7 bps		7 bps
7/1/27	6.4		Serial		4,250,000	5.000%	0.430%	128.707		0.430%	0.350%	8 bps		8 bps
7/1/28	7.4		Serial		4,460,000	5.000%	0.560%	132.033		0.560%	0.470%	9 bps		9 bps
7/1/29	8.4		Serial		4,685,000	5.000%	0.680%	135.110		0.680%	0.580%	10 bps		10 bps
7/1/30	9.4		Serial		4,920,000	5.000%	0.780%	138.078		0.780%	0.680%	10 bps		10 bps
7/1/31	10.4		Serial		5,165,000	5.000%	0.860%	141.006		0.860%	0.760%	10 bps		10 bps
7/1/32	11.4	7/1/31	Serial		5,425,000	5.000%	0.940%	140.043	0.940%	1.219%	0.810%	13 bps	13 bps	41 bps
7/1/33	12.4	7/1/31	Serial		5,695,000	5.000%	1.000%	139.325	1.000%	1.505%	0.860%	14 bps	14 bps	65 bps
7/1/34	13.4	7/1/31	Serial		5,980,000	5.000%	1.040%	138.849	1.040%	1.733%	0.900%	14 bps	14 bps	83 bps
7/1/35	14.4	7/1/31	Serial		6,275,000	5.000%	1.090%	138.256	1.090%	1.937%	0.950%	14 bps	14 bps	99 bps
7/1/36	15.4	7/1/31	Serial		6,590,000	5.000%	1.130%	137.785	1.130%	2.109%	0.990%	14 bps	14 bps	112 bps
7/1/37	16.4	7/1/31	Serial		6,920,000	5.000%	1.170%	137.315	1.170%	2.260%	1.030%	14 bps	14 bps	123 bps
7/1/38	17.4	7/1/31	Serial		7,265,000	5.000%	1.210%	136.847	1.210%	2.394%	1.070%	14 bps	14 bps	132 bps
7/1/39	18.4	7/1/31	Serial		7,630,000	5.000%	1.260%	136.264	1.260%	2.521%	1.110%	15 bps	15 bps	141 bps
7/1/40	19.4	7/1/31	Serial		8,010,000	5.000%	1.300%	135.801	1.300%	2.629%	1.150%	15 bps	15 bps	148 bps
7/1/41	20.4	7/1/31	Term		8,410,000	5.000%	1.340%	135.339	1.340%	2.727%	1.190%	15 bps	15 bps	154 bps
7/1/42	21.4	7/1/31	Term		8,830,000	5.000%	1.390%	134.764	1.390%	2.822%	1.230%	16 bps	16 bps	159 bps
7/1/43	22.4	7/1/31	Term		9,275,000	5.000%	1.430%	134.306	1.430%	2.904%	1.260%	17 bps	17 bps	164 bps
7/1/44	23.4	7/1/31	Term		9,740,000	5.000%	1.460%	133.964	1.460%	2.973%	1.290%	17 bps	17 bps	168 bps
7/1/45	24.4	7/1/31	Term		10,225,000	5.000%	1.490%	133.623	1.490%	3.037%	1.320%	17 bps	17 bps	172 bps
7/1/46	25.4	7/1/31	Term		10,735,000	5.000%	1.500%	133.510	1.500%	3.085%	1.330%	17 bps	17 bps	176 bps
7/1/47	26.4	7/1/31	Term		11,275,000	5.000%	1.520%	133.283	1.520%	3.135%	1.340%	18 bps	18 bps	180 bps
7/1/48	27.4	7/1/31	Term		11,835,000	5.000%	1.530%	133.170	1.530%	3.176%	1.350%	18 bps	18 bps	183 bps
7/1/49	28.4	7/1/31	Term		12,430,000	5.000%	1.540%	133.057	1.540%	3.214%	1.360%	18 bps	18 bps	185 bps
7/1/50	29.4	7/1/31	Term		13,050,000	5.000%	1.550%	132.944	1.550%	3.250%	1.370%	18 bps	18 bps	188 bps
Issuance Par:					207,465,000									
Average Life:					18.7 years									



General Obligation School Bonds – Aggregate Debt Service

- The 2021 Bonds were issued on parity with the District's \$155,055,000 General Obligation School Bonds, Series 2015 and \$174,750,000 General Obligation School Bonds, Series 2019. The graph below shows the aggregate debt service for the three outstanding series of GO bonds





General Obligation School Bonds, Series 2021 – Resolution Parameters

- The table below indicates the parameters set forth in the Resolution for the 2021 Bonds, along with the corresponding statistics from the final sale results

Resolution No. 21-104 Parameters	
<i>Principal Amount</i>	
Parameter	Not to exceed \$278,500,000
Sale Result	\$207,465,000
<i>Purchase Price</i>	
Parameter	No less than 100% of par
Sale Result	133.10%
<i>Final Maturity</i>	
Parameter	No later than July 1, 2050
Sale Result	July 1, 2050

- Under the 2014 voter referendum and pursuant to the Master Resolution, the District was authorized to issue general obligation bonds in an aggregate principal amount not to exceed \$800,000,000. Following the issuance of the 2021 Bonds, the District can issue an additional \$262,730,000 of general obligation bonds

General Obligation School Bond Master Resolution No. 15-101	
Aggregate Principal	Not to exceed \$800,000,000
Series 2015	\$155,055,000
Series 2019	\$174,750,000
Series 2021	\$207,465,000
Remaining Authorization	\$262,730,000



III. Certificates of Participation – Refunding Update



Forward Refunding for Certificates of Participation, Series 2012A

- The Committee, PFM, and District Staff have been monitoring refunding options for the Certificates of Participation, Series 2012A (the “2012A COPs”)
 - The 7/1/2022 through 7/1/2038 maturities of the 2012A COPs are outstanding in the principal amount of \$74,020,000 with an optional call date starting on July 1, 2022
- The timing of an initial RFP process (with a submission deadline of April 8, 2020) coincided with the start of the global coronavirus pandemic. However, market conditions have since normalized and interest rates remain near all-time lows
- Following the November 2020 meeting, PFM re-circulated an RFP on behalf of the District with a submission deadline of January 12, 2021



Summary of Proposals Received

- The District received proposals from eight (8) firms with different interest rates and structuring options as shown in the table below

Firm	Structure
Bank of America	Tax-Exempt Forward
Capital One	Cinderella Structure
Citigroup	Tax-Exempt Forward (Public Bond Offering)*
JPMorgan	Tax-Exempt Forward
	Cinderella Structure
Morgan Stanley	Hybrid Tax-Exempt Forward
	Prepaid Forward Delivery
Raymond James	Cinderella Structure
U.S. Bank	Taxable Advance
Wells Fargo	Tax-Exempt Forward

**Firm does not have internal approval to go out beyond 9 months*



Summary of Best & Final Proposals

- After initial review, the proposals from Wells Fargo and Morgan Stanley were both attractive. The District reached out to each firm for a best and final offer
- **Morgan Stanley**
 - Functions very similar to a public offering in regard to legal terms and conditions under the Master Lease with the exception there will be no official statement
 - Initial proposal required the District to obtain two ratings at the cost of the District. Morgan Stanley agreed to cover the cost of one of the ratings upon the request for best and final
 - Morgan Stanley also submitted to lower the forward premium from 55 bps to 52 bps
- **Wells Fargo**
 - Initial proposal contained requested legal terms and conditions that were very unfavorable to the District. Wells Fargo agreed to remove most of those terms and conditions.
 - The terms and conditions still included in the Wells Fargo proposal that are not required as part of Morgan Stanley's proposal are:
 - Taxability
 - Clawback Language
 - Credit Event



Comparison of Best & Final Proposals – Preliminary Numbers

<i>Best and Final Offers</i>		
Firm	Morgan Stanley	Wells Fargo
Structure	Hybrid Tax-Exempt Forward	Tax-Exempt Forward
Tax-Exempt Rates	5% Coupons; 0.95% - 1.77% Yields	1.37%
Fixed or Indicative	Indicative	Indicative
Proposed Legal Fee	\$30,000	\$25,000
Other Fees/Expenses	Commitment Fee (20 bps of par) + Rating Fee	-
<i>Preliminary Numbers – Assumptions & Preliminary Results</i>		
Closing Date	4/4/2022	4/2/2022
First Interest Payment	7/1/2022	7/1/2022
COI Assumption	\$327,070 ⁽¹⁾	\$150,000
Gross Cash Flow Savings	\$7,851,198	\$8,397,035
NPV Savings⁽²⁾	\$7,313,506	\$7,927,789
NPV Savings as % of Refunded Par	9.88%	10.71%

⁽¹⁾COI comprises of \$155,000 + Commitment Fee + 1 Rating Fee

⁽²⁾NPV savings to 4/1/2021 at the respective arbitrage yield