



# School District of Broward County, Florida

## Financial Advisory Committee Meeting

August 21, 2020

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PFM Financial Advisors LLC

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## Agenda

- I. Market Update
- II. Tax Anticipation Notes
- III. Debt Management Policy
- IV. Moody's Methodology Changes

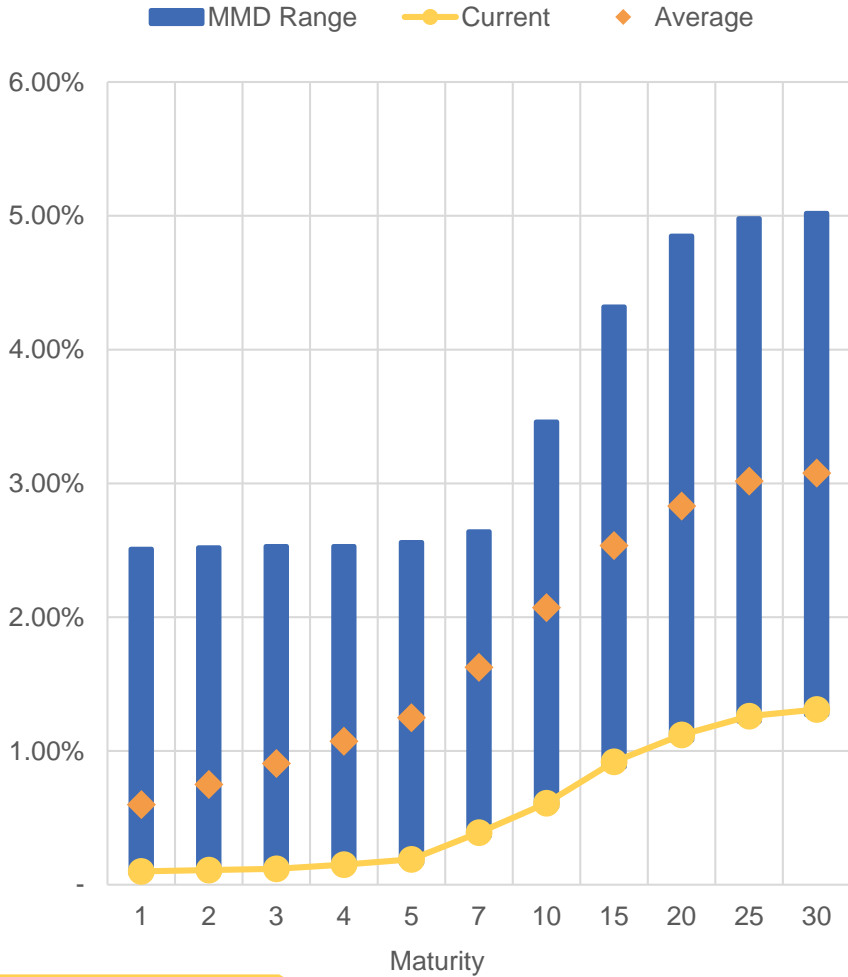


# I. Market Update

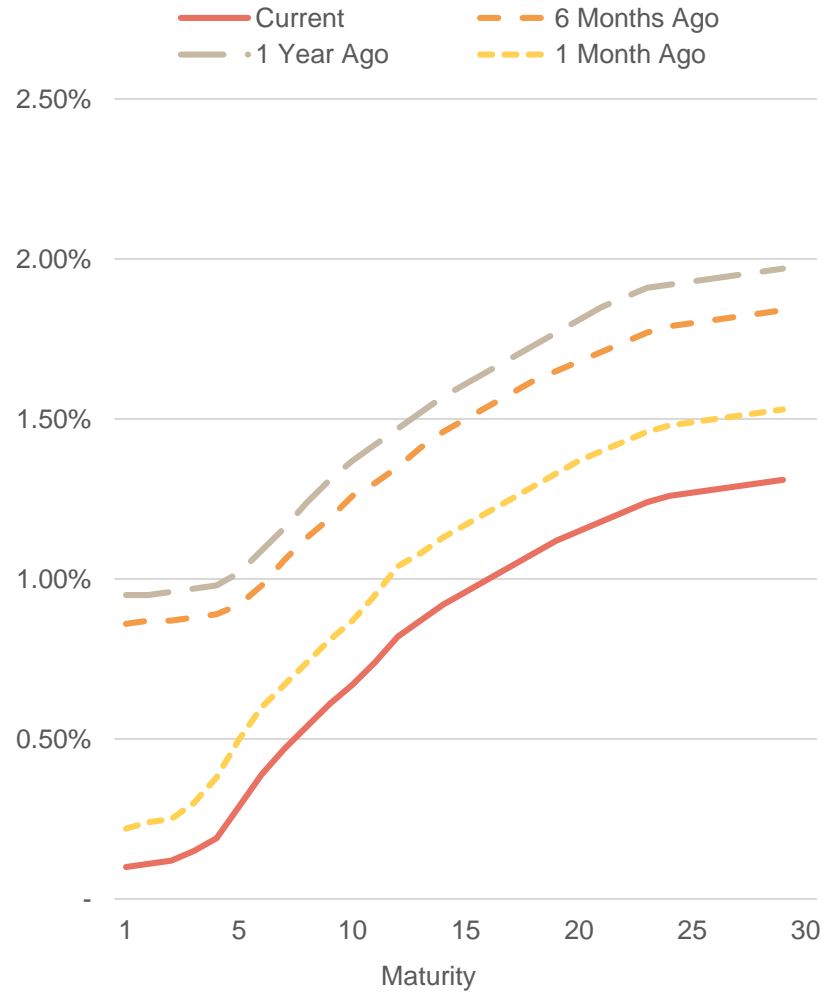


# Tax-Exempt Interest Rates

## MMD Ranges Over Past 10 Years



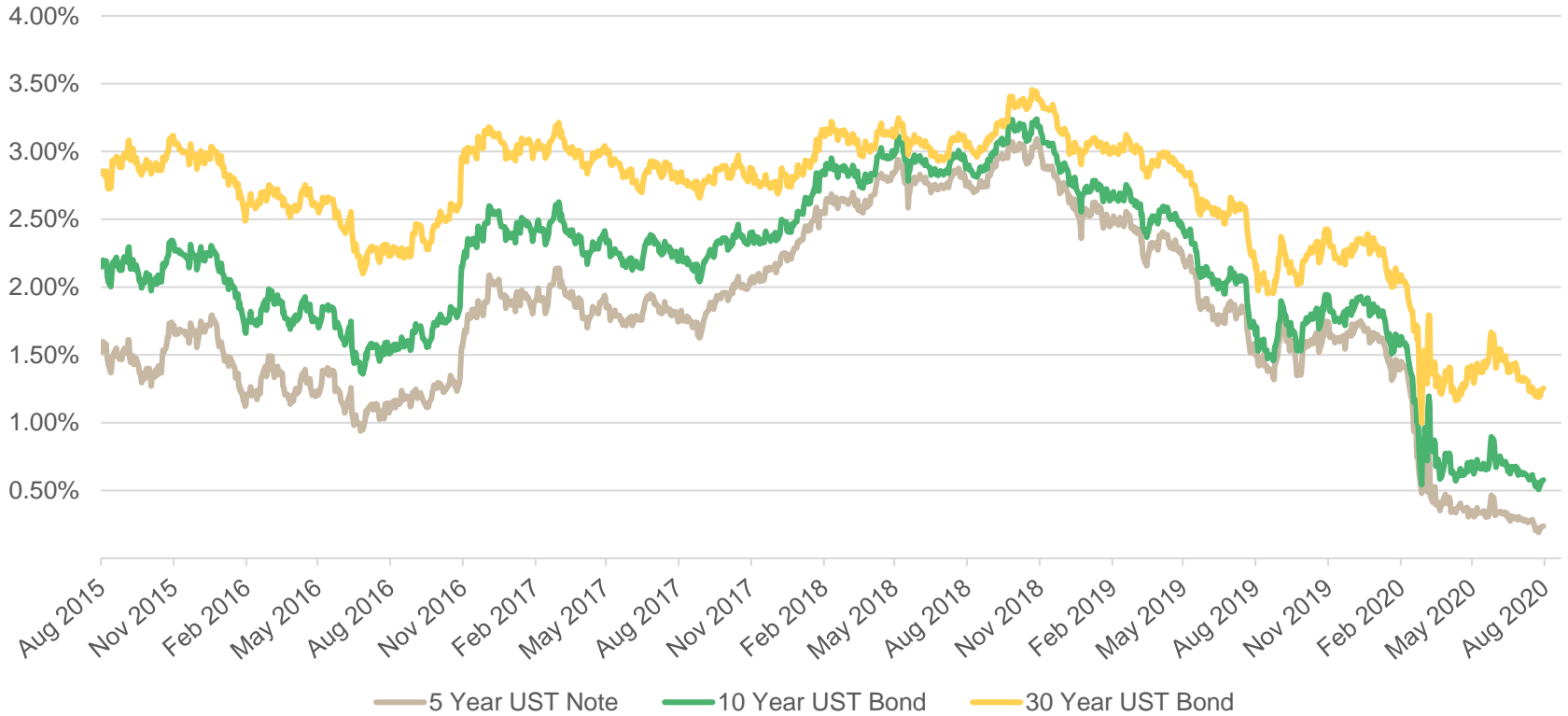
## MMA AAA G.O. Curve





# Taxable Interest Rates

## Treasury Yields During Past 5 Years



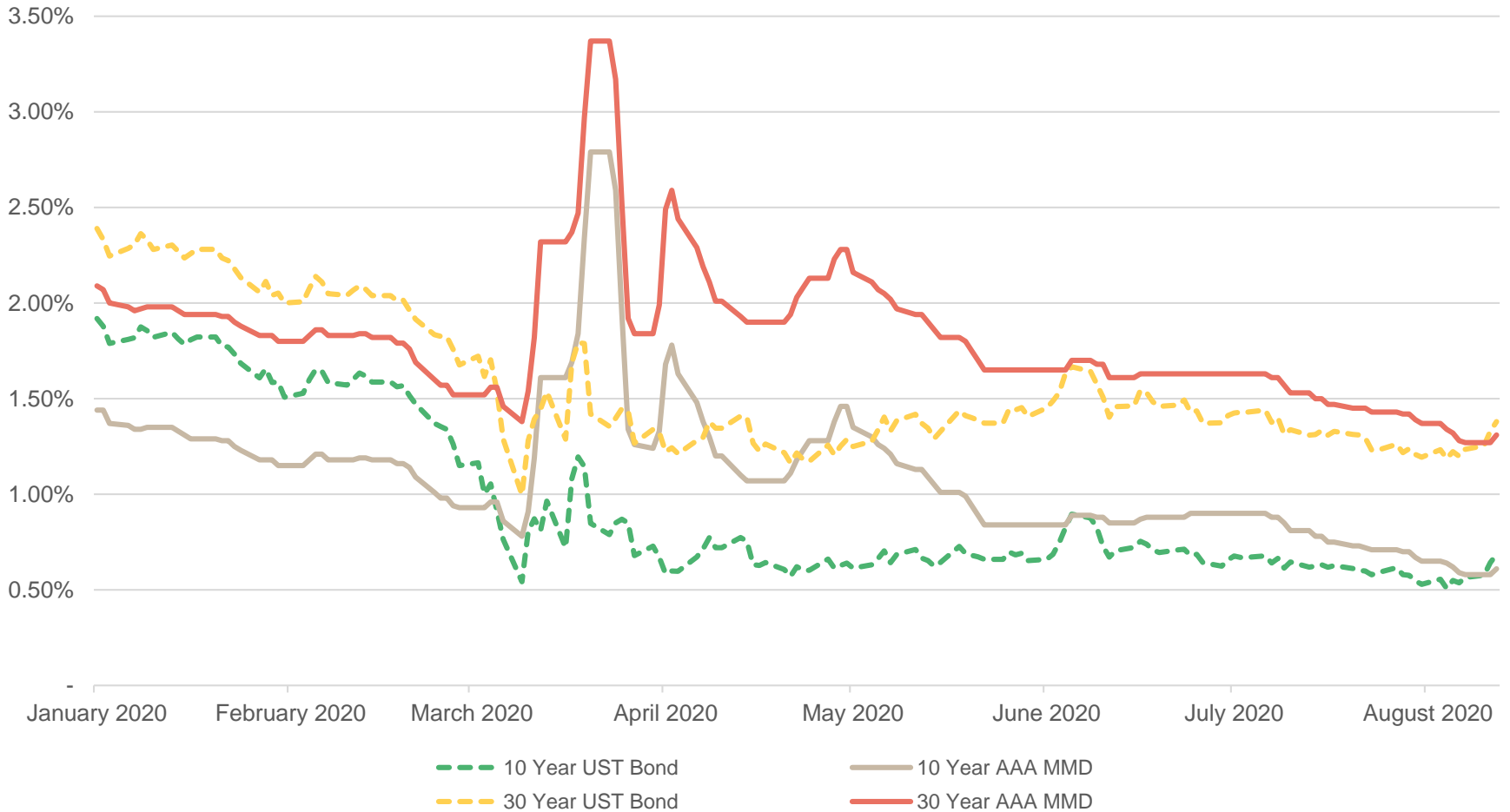
	5 Year UST Note	10 Year UST Bond	30 Year UST Bond
Current (8/12/2020)	0.30%	0.69%	1.38%
Average (2015-2020)	1.79%	2.13%	2.66%
Difference	-149 bps	-144 bps	-128 bps
Min.	0.19%	0.51%	1.00%
Max.	3.09%	3.24%	3.46%

Rates as of August 12, 2020



# Market Conditions YTD

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





## II. Tax Anticipation Notes



## Tax Anticipation Notes, Series 2020 – Overview

- \$157,625,000 Tax Anticipation Notes, Series 2020 (the “2020 Notes”) were issued on July 28, 2020 to provide funds to pay the operational expenditures of the District during the 2020-21 fiscal year, pending the collection of ad valorem taxes and certain state funds, and to pay costs of issuance
- The 2020 Notes were sold via a competitive sale on July 14, 2020 and awarded to Morgan Stanley with the lowest NIC of 0.277%. A total of eight (8) bids were received from the firms listed below:

Firm	Bid Amount	NIC	PV Difference*
Morgan Stanley & Co, LLC	160,000,000	0.276988%	-
J.P. Morgan Securities LLC	160,000,000	0.281084%	5,810.69
Bank of America Merrill Lynch	160,000,000	0.283494%	9,229.57
Citigroup Global Markets	160,000,000	0.285663%	12,306.57
UBS Financial Services Inc.	160,000,000	0.332289%	78,451.38
BNYMellon Capital Markets	160,000,000	0.336745%	84,772.77
Jefferies LLC	160,000,000	0.353976%	109,217.10
PNC Capital Markets	160,000,000	0.385904%	154,510.96

*\*The present value difference is valued at 14,186.25 per basis point using the final amortization schedule*

- The 2020 Notes will mature on June 30, 2021, 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

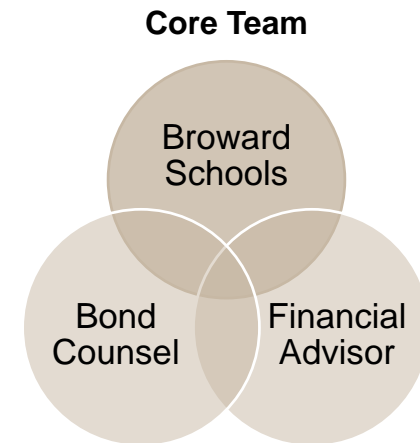


## **III. Debt Management Policy**



## Debt Management Policy – Overview

- The debt management policy establishes parameters and guiding principles for governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the School Board of Broward County
- Its main purpose is to assist the School Board in the implementation and management of its overall strategy by contributing to the continued financial health and stability of the District while assuring the future access to the debt markets to meet both scheduled and unscheduled needs
- The decision to issue debt obligations is to be made on a case-by-case basis and only after careful timely analysis and evaluation of all relevant factors, which include, but are not limited to, the following:
  - Legal constraints on debt capacity and various financing alternatives
  - Urgency of the capital requirements to be met and economic costs of delay
  - Financial condition of the School Board
  - Nature of the projects and/or equipment to be financed
  - Current interest rates and other market considerations





## Debt Management Policy – Specific Parameters

- ◆ Specific target debt policies, percentages and measurements are established in two categories

### A. Measurements of Future Flexibility

- Since State law imposes limits on the amount of debt that may be incurred, this policy sets forth those limits and establishes targets to help provide future flexibility. Applies to the following:
  - General Obligation Debt (must be approved in advance by referendum)
  - Revenue Anticipation Notes (pledge of capital outlay millage)
  - Certificates of Participation (source of repayment)
  - Local Government Infrastructure (pledge of sales tax)
  - School Capital Outlay (pledge of sales tax)

### B. Constraints and Measurements

- Governs the issuance and administration of debt obligations in the following areas:
  - Purpose of Issuance (for acquiring, constructing or renovating educational facilities or equipment or for refinancing existing debt obligations)
  - Maximum Maturity (earlier of the estimated useful life of projects/equipment being financed or 30 years)
  - Capitalized Interest
  - Bond Covenants and Laws
  - Debt Service Limits



## Debt Management Policy – District’s Report Card



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	\$329,805,000
	Capacity remaining	\$470,195,000

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. Moody's Methodology Changes**



## Moody's Proposed Methodology for K-12 Ratings

Existing US Local Government GO Rating Factors	Existing Factor Weighting	Proposed US K-12 Public School Districts Rating Factors	Proposed Factor Weighting
<b>Economy/Tax Base</b>	<b>30%</b>	<b>Economy</b>	<b>30%</b>
<i>Sub-Factors</i>		<i>Sub-Factors</i>	
Tax Base Size (full value)	10%	Resident Income (MHI Adjusted for RPP / US MHI)	20%
Full Value per Capita	10%	Enrollment Trend (3-yr CACG in Enrollment)	10%
Wealth (median family income)	10%		
<b>Finances</b>	<b>30%</b>	<b>Financial Performance</b>	<b>30%</b>
<i>Sub-Factors</i>		<i>Sub-Factors</i>	
Fund Balance (% of revenues)	10%	Available Fund Balance Ratio (Available Fund Balance / Operating Revenue)	20%
Fund Balance Trend (5-yr change)	5%	Net Cash Ratio (Net Cash / Operating Revenue)	10%
Cash Balance (% of revenues)	10%		
Cash Balance Trend (5-yr change)	5%		
<b>Management</b>	<b>20%</b>	<b>Institutional Framework</b>	<b>10%</b>
<i>Sub-Factors</i>		<i>No Sub-Factors</i>	
Institutional Framework	10%		
Operating History	10%		
<b>Debt/Pensions</b>	<b>20%</b>	<b>Leverage</b>	<b>30%</b>
<i>Sub-Factors</i>		<i>Sub-Factors</i>	
3-yr average of Moody's-adjusted Net Pension Liability / Full Value	5%	Long-term Liabilities Ratio ((Debt + Adjusted Net Pension Liabilities + Adjusted Net OPEB) / Operating Revenue)	20%
3-yr average to Moody's-adjusted Net Pension Liability / Operating Revenue	5%	Fixed-Costs Ratio (Adjusted Fixed Costs / Operating Revenue)	10%
Debt to Full Value	5%		
Debt to Revenue	5%		