

**Item No. 1**

**March 18, 2020 – Broward School Board**

**Leasing Corp**

**EXECUTIVE SUMMARY**

**Resolution No. 20-01 – Certificates of Participation, Series 2020A**

This issuance of Certificates of Participation (COPs), Series 2020A in an aggregate principal amount not to exceed \$250 million will provide the supplemental funding for the additional costs for the Safety, Music & Art, Athletics, Renovation, Technology (SMART) Program associated with the August 2019 updated SMART Program Risk Assessment/Market Conditions report from Atkins North America, Inc. (Atkins).

On November 4, 2014, the voters in Broward County approved the issuance of up to \$800 million of General Obligation Bonds as part of the initial funding of the SMART Program. In the Fiscal Year 2014/2015 amended District Educational Facilities Plan (DEFP) (May 2015), the Board approved the use of \$187 million of other capital outlay to supplement the SMART Program, bringing the aggregate SMART funding to \$987 million.

On September 6, 2017, the Board approved \$225 million of capital reserves in the 2017/2018 adopted DEFP to be allocated to the SMART Program Reserve. Said funds were added to mitigate any potential cost increases, such as the costs of materials or labor, and to ensure proper funding for those projects identified in the District's 2016 SMART program Risk Assessment/Market Conditions report.

As more projects have been bid, and project budgets are validated the Atkins SMART Program Risk Assessment/Market Conditions report has become more refined. Based on their research and analysis the most recent risk assessment shows that projected costs to complete the SMART Program are likely to exceed the original \$987 million SMART program budget by \$436 million, which is \$211 million higher than the \$225 million SMART Program Reserve. As construction contracts are awarded, they contain cost contingencies requiring additional funding and is the reason this item is asking for an aggregate principal amount not to exceed \$250 million. This allows the District to issue construction contracts with the contingencies but anticipates some of the contingencies are expected to be returned as savings when projects are completed.

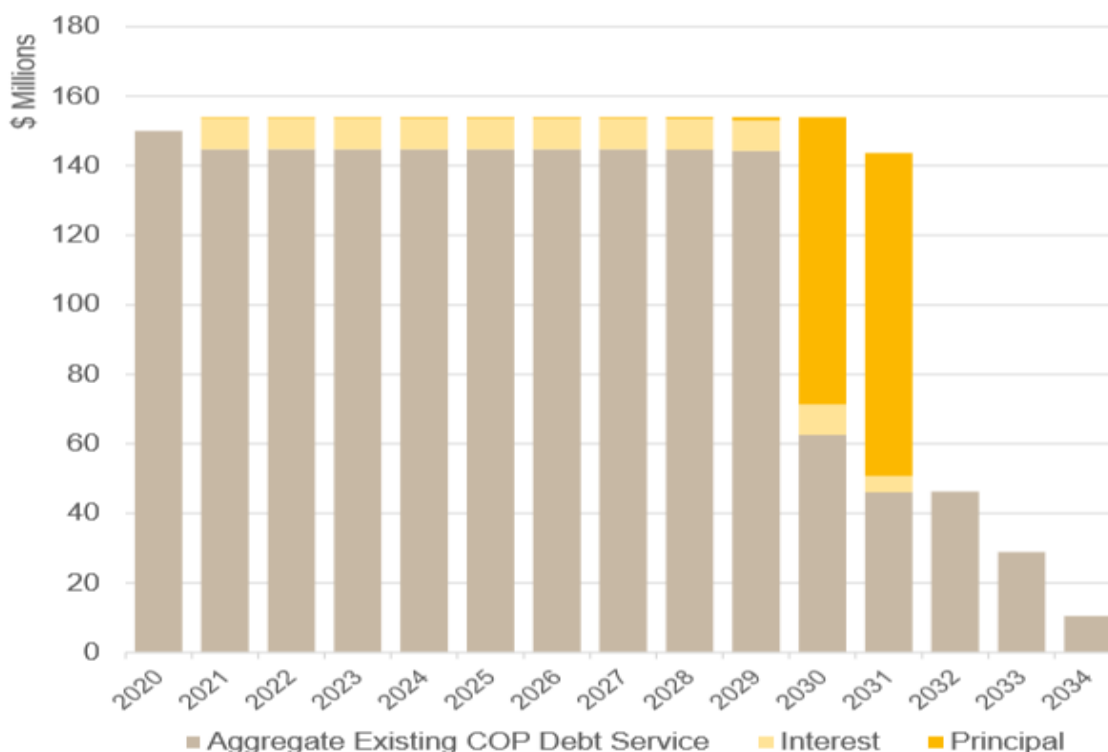
Required SMART Funding:

<b>The School Board of Broward County, Florida</b>		
SMART Program Funding Needs		
As of December, 2019		
<b>Funding Source</b>	<b>(in millions)</b>	
General Obligation Bonds	\$	800
Capital Outlay		187
Initial SMART Funding	\$	987
<u>SMART Program Risk</u>		
<u>Assessment/Market Conditions</u>		
<u>Report Supplements</u>		
Recent (Aug 2019)	\$	436
Prior (FY2014-15 Cap. Outlay)		225
Funding Gap	\$	(211)
<b>Proposed New COPs, Series 2020A</b>		<b>250 *</b>
<b>Total SMART Funding</b>	<b>\$</b>	<b>1,462</b>
<i>*Includes construction contract contingencies</i>		

To brainstorm solutions to the funding issue, several meetings and discussions with the CFO, Treasurer's Office, Capital Budget, financial advisors and bond counsel took place.

After considering several financing alternatives to supplement the issuance of General Obligation Bonds using Revenue Anticipation Notes (RANs), bank loans and other financings, COPs were deemed the optimal and favorable option. This option offers a low cost of funding and the flexibility needed to accomplish the goals of the SMART program.

Using COPs leverages dollars that will be available in future years. Issuing COPs does not increase taxes to Broward's residents and property owners. The COPs will supplement SMART Program funding to close the gap identified in the 2019 updated SMART Program Risk Assessment/Market Conditions report. This method of financing uses the value of the District's assets to fund SMART Program renovations that will protect existing assets into the future. Finally, doing a COPs financing now will insulate the District against future recessionary pressures and place the District in an advantageous position to weather a long-term economic downturn. Several COPs structures were considered, and after analyzing and evaluating each one, the structure selected is shown below:



Please note: Reflects market data/values as of October 10, 2019. Actual results will depend on current market/values.

Highlights of the selected COPs structure:

- Provides the lowest interest costs (light orange)
- The shortest final maturity (2031) (dark orange)
- Interest costs are leveled (from 2021 through 2031)
- Principal is paid in 2030 and 2031
- Principal is amortized as quickly as possible so that debt service does not exceed the revenue constraint in any year

In short, this COPs structure provides the lowest interest cost and the shortest maturity, allowing the District greater flexibility and substantially increases debt capacity for future capital needs.

Therefore, staff recommends the Board approve the issuance of COPs, Series 2020A, in an aggregate principal amount not to exceed \$250 million. This action will establish the supplemental funding needed to complete projects as listed in the August 2019 SMART Program Risk Assessment/Market Conditions report, including the construction contract contingencies.

In addition, this proposed funding was brought before the Financial Advisory Committee on February 21, 2020. A motion was passed unanimously for the District to proceed with their recommendation.

Approval of the COPs will allow for the transfer of prior expenditures for the 2020A-1 Facilities Project List from general obligation bonds and other capital outlay to the COPs proceeds. Any funds that are made available as a result of the COPs transfer become available for other projects that are part of the SMART Program as approved and budgeted by the School Board. Transferred funds will be placed in the Capital Project Reserves. **Additional allocations into the SMART Program Reserve and SMART Program construction projects require the Board's approval.**