

Alberto M. Carvalho, Superintendent of Schools

SUBJECT: 21st CENTURY SCHOOLS TECHNOLOGY UPGRADE AND DIGITAL CONVERSION INITIATIVE: AUTHORIZATION FOR \$40 MILLION INITIAL GENERAL OBLIGATION BOND AUTHORITY FOR TECHNOLOGY UPGRADES & CHANGES TO THE FIVE YEAR FACILITIES WORK PROGRAM; AND EXPANSION OF MASTER LEASE PURCHASE AGREEMENT WITH BANC OF AMERICA PUBLIC CAPITAL CORP FOR DIGITAL DEVICES

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY

Three in 10 Americans or approximately 8 million households representing almost 15 million children are offline. Miami-Dade County Public Schools seeks to eradicate the digital deserts in our community through the expansion of technology opportunities for students. This effort will not only help to bring students and their families online but will transform our classrooms through the provision of 21st century learning tools.

The 21st Century School General Obligation Bond Referendum included \$100 million for technology upgrades. A total of \$82 million will be spent at school campuses and includes \$38 million for projection systems, interactive technologies, and sound amplification systems. Another \$44 million will be spent on upgrades to school networks. The network bandwidth will be increased from 1 Gbps (gigabit per second) to 10 Gbps.

Upgrades to the district's network center located at Information Technology Services are also required. The cost for upgrades to the network center is \$4 million. A total of \$14 million will be kept in reserve for future school or network center upgrades. These technology upgrades will prepare district schools and classrooms to support digital learning experiences and help fulfill the district's technology vision. Attachment A includes a breakdown of the General Obligation Bond technology projects to be funded including the initial \$40 million to be budgeted in FY 2012/13.

As required by Florida Statute, school districts have until the 2015-2016 school year to align curriculum with digital devices and make the transition to digital instruction. The transition will build on the projects outlined above and on the existing *Bring Your Own Device (BYOD)* program.

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What remains to be accomplished is to purchase digital devices for those students who are unable to provide their own. A survey to assess the needs of the student population has been issued. Results are pending. A Request for Information (RFI) for digital devices will be issued to identify devices that meet instructional needs and that offer the best value for the price. The State Instructional Materials Categorical Program provides flexibility to purchase digital devices for students and will be used to fund this initiative beginning in fiscal year 2014-15.

Digital Devices Term Sheet & Request for Proposal:

The intention is to pay for the digital devices over their useful life by financing the equipment with a lease schedule of up to 6 years. On April 12, 2013 the District issued a Term Sheet & Request for Proposal to five banks for the leasing of digital devices of up to \$128,250,000 for three separate lease schedules issued over a 3 year period. Two firms responded and Banc of America Public Capital Corp (BAPCC) provided the lowest leasing rates (40 basis points lower, representing \$1 million less in interest on a 5 year term). The lease rates are based on a formula applied to an index.

The BAPCC proposed formula will be held for one year from the date of the BAPCC term sheet, April 25, 2013. Afterwards it is subject to annual reviews by the bank. Through May 31, 2013 the average calculated lease rate over the prior 3 years for a six year lease is 1.35% and as of May 31, 2013 the indicative rate is 1.25%. The annual lease payments, based on a 6 year lease, will approximate \$12 million beginning in FY 2014/15 and represents 55% of current General Fund, State Instructional Materials Categorical Program funding.

Acceptance of the Banc of America proposal does not legally obligate nor financially commit the School Board. Nor is there a cost to use some or all of the available digital devices lease agreement authorization. The devices, funding dates, and lease schedule amounts will be determined by the district after careful study of the School Board's needs and funding availability. It is recommended that the District's accept the BAPCC proposal, with the limitation that only up to \$63,450,000 will be executed through April 25, 2014. The initial lease schedule is expected to be funded by September 2013.

The selection of the devices and cost will be determined prior to executing the initial Lease Schedule, which will be subject to credit approval by BAPCC. In case there is a need to purchase digital devices prior to execution of the initial lease, the Board must express its intent to reimburse itself for all or a portion of such expenses (the "Plan") from the proceeds of tax exempt obligations (the lease) as per Treasury Regulations, which is included in item 4 of the proposed recommended action by the Board.

On June 13th, 2013 the Treasury Advisory Committee will review the proposals and leasing terms. It is anticipated that cost of issuance on the initial lease will be under \$50,000.

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

- 1) recognize GO Bonds budget authority in the amount of \$40 million, establishing revenues and appropriations in the FY 2012-13 Capital Outlay Funds Budget;
- 2) authorize changes to the Five Year Facilities Work Program resulting from the \$40 million GO Bonds recognition in the FY 2012-13 Capital Outlay Funds Budget;
- 3) authorize the Superintendent to accept the Banc of America Public Capital Corp Proposal and expand the Master Lease Purchase Agreement with Banc of America Public Capital Corp for Digital Devices and execute all agreements totaling up to \$63,450,000 as needed; and
- 4) hereby declare its official intent to reimburse itself from the proceeds of tax exempt lease obligations for expenses incurred with respect to the Plan to the extent permitted by Treasury Regulation §1.150-2 of the Internal Revenue Code. Approval of this recommendation constitutes a declaration of official intent under Treasury Regulation §1.150-2. The reimbursement obligations intended to finance the Plan are expected not to exceed \$63,450,000.

**21ST CENTURY SCHOOLS TECHNOLOGY UPGRADE
DIGITAL CONVERSION
PROJECT COSTS ESTIMATES**

	Total Project	Initial Budget
<i>Information Technology Upgrades</i>	<i>\$4,000,000</i>	<i>\$4,000,000</i>
• SAN		
• Server Upgrade		
• Content Filter		
<i>School Upgrades</i>	<i>\$82,000,000</i>	<i>\$36,000,000</i>
• Infrastructure Upgrade	\$38,000,000	\$10,750,000
• E-Rate Match FY-13-14 (10% & Ineligible items)	\$6,000,000	\$6,250,000
• Interactive Devices	\$38,000,000	\$19,000,000
Reserves for Future Needs	\$14,000,000	\$0
Total Technology Upgrade Funding	\$100,000,000	\$40,000,000
<i>School Upgrades Non-Bond Funded</i>		
• Digital Devices	\$63,450,000	

NOTES

\$46M total request for e-rate year 16

\$24,500,000 to complete infrastructure if 90% schools are funded