

March 24, 2022

Pre-Sale Report for

# Independent School District No. 833 (South Washington County Schools), Minnesota

\$34,370,000 General Obligation  
Facilities Maintenance Bonds, Series 2022A



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**Prepared by:**

Ehlers  
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# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$34,370,000 General Obligation Facilities Maintenance Bonds, Series 2022A

The resolution prepared for consideration by the School Board includes authorization for the issuance of \$36,180,000 in Bonds. \$34,370,000 is our current estimate of the bond amount necessary to finance the proposed projects, based on the expected premium pricing structure explained in more detail on Page 3.

## Purposes:

The proposed issue will finance various deferred maintenance projects included in the District's ten year facilities plan to be approved by the Commissioner of Education.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

Debt service will be paid from annual property tax levies and state aid received as part of the Long Term Facilities Maintenance program.

## Term/Call Feature:

The Bonds are being issued for a term of 13 years and 8 months. Principal on the Bonds will be due on February 1 of 2030 through 2036. Interest will be due every six months beginning February 1, 2023.

The Bonds will be subject to prepayment at the discretion of the District on February 1, 2030 or any date thereafter.

## Bank Qualification:

Because the District is issuing more than \$10,000,000 in tax-exempt obligations during the calendar year, the District will be not able to designate the Bonds as "bank qualified" obligations.

## State Credit Enhancement:

By resolution the District will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation.

To qualify for the credit enhancement, the District must submit an application to the State. Ehlers will coordinate the application process to the State on your behalf.

## Rating:

Under current bond ratings, the state credit enhancement would bring a Moody's "Aa2" rating. The District's most recent bond issues were rated by Moody's. The current ratings on those bonds are "Aa2" (credit enhanced rating) and "A2" (underlying rating). The District will request a new rating for the Bonds.

If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the District's bond rating in the event that the bond rating of the insurer is higher than that of the District.

## Basis for Recommendation:

Based on your objectives and characteristics of various municipal financing options, we are recommending the issuance of General Obligation Facilities Maintenance Bonds as a suitable option to finance the planned projects.

- General Obligation Bonds will result in lower interest rates than some other financing options.
- The District will qualify for Long-Term Facilities Maintenance Aid to finance a portion of the payments on the Bonds.
- Unlike with some other financing options, the District will be able to finance payments on the Bonds with an additional tax levy.

## Method of Sale/Placement:

We will solicit competitive bids for the purchase of the Bonds from underwriters and banks. We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.

If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.

## **Premium Pricing:**

In some cases, investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.” The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or “discount”) but will pay the remainder of the premium to the District. Any net premium received may be used to reduce the principal amount of the Bonds, increase the net proceeds for the project, or to fund a portion of the interest on the Bonds.

## **Review of Existing Debt:**

We have reviewed all outstanding indebtedness for the District and find that there are no refunding opportunities at this time. We will continue to monitor the market and the call dates for the District’s outstanding debt and will alert you to any future refunding opportunities.

## **Continuing Disclosure:**

The District will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The District is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.

## **Arbitrage Monitoring:**

The District must ensure compliance with certain sections of the Internal Revenue Code and Treasury Regulations (“Arbitrage Rules”) throughout the life of the issue to maintain the tax-exempt status of the Bonds. These Arbitrage Rules apply to amounts held in construction, escrow, reserve, debt service account(s), etc., along with related investment income on each fund/account.

IRS audits will verify compliance with rebate, yield restriction and records retention requirements within the Arbitrage Rules. The District’s specific arbitrage responsibilities will be detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt (the “Tax Compliance Document”) prepared by your Bond Attorney and provided at closing.

The Bonds may qualify for one or more exception(s) to the Arbitrage Rules by meeting 1) small issuer exception, 2) spend down requirements, 3) bona fide debt service fund limits, 4) reasonable reserve requirements, 5) expenditure within an available period limitations, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

We recommend that the District review its specific responsibilities related to the Bonds with an arbitrage expert in order to utilize one or more of the exceptions listed above.

## **Investment of Bond Proceeds:**

To maximize interest earnings, we recommend using an SEC registered investment advisor to assist with the investment of bond proceeds until they are needed to pay project costs.

## **Other Service Providers:**

This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.

**Bond Counsel:** Dorsey & Whitney LLP

**Paying Agent:** Bond Trust Services Corporation

**Rating Agency:** Moody's Investors Service, Inc.

*This presale report summarizes our understanding of the District's objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the District's objectives.*

## PROPOSED DEBT ISSUANCE SCHEDULE

Ehlers Presents Pre-Sale Report to School Board, School Board Approves Resolution Authorizing Sale of the Bonds:	March 24, 2022
Due Diligence Call to Review Official Statement:	Week of May 2, 2022
Conference with Rating Agency:	Week of May 2, 2022
Distribute Official Statement:	May 5, 2022
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	May 19, 2022
School Board Meeting to Award Sale of Bonds:	May 19, 2022
Estimated Closing Date:	June 9, 2022

### Attachments

Estimated Sources and Uses of Funds

Estimated Debt Service Schedule

Estimated Long-Term Financing Plan for Debt and Capital Payments and Levies

Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement Resolution (provided separately)

## EHLERS' CONTACTS

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**ESTIMATES PRIOR TO BOND SALE**

**South Washington County Schools, ISD 833**

**March 16, 2022**

Estimated Sources and Uses of Funds

General Obligation Facilities Maintenance Bonds, Series 2022A

<b>Authorized Bond Amount</b>	<b>\$36,180,000</b>
<b>Estimated Bond Amount</b>	<b>\$34,370,000</b>
<b>Term/Number of Years</b>	<b>14</b>
<b>Dated</b>	<b>6/9/2022</b>
<b>Sources of Funds</b>	
Par Amount	\$34,370,000
Investment Earnings <sup>1</sup>	35,147
Reoffering Premium <sup>2</sup>	2,041,102
<b>Total Sources</b>	<b>\$36,446,249</b>
<b>Uses of Funds</b>	
Allowance for Discount Bidding <sup>3</sup>	\$343,700
Capitalized Interest <sup>4</sup>	766,051
Legal and Fiscal Costs <sup>5</sup>	154,000
<b>Net Available for Project Costs</b>	<b>35,182,498</b>
<b>Total Uses</b>	<b>\$36,446,249</b>
<b>Initial Deposit to Construction Fund</b>	<b>\$35,147,351</b>

<sup>1</sup> Estimated investment earnings are based on an average interest rate of 0.1%, and an average life of 12 months.

<sup>2</sup> The underwriter of the bonds may receive a reoffering premium in the sale of the bonds. They will retain a portion of the premium as their compensation, or underwriter's discount. The remainder of the premium will be either be used to reduce the par amount of the bonds, pay a portion of the first year's interest on the bonds, or deposited in the construction fund and used to fund a portion of the project costs.

<sup>3</sup> The allowance for discount bidding is an estimate of the compensation taken by the underwriter who provides the lowest true interest cost as part of the competitive bidding process and purchases the bonds. Ehlers provides independent municipal advisory services as part of the bond sale process and is not an underwriting firm.

<sup>4</sup> Due to the timing of the levy process, the District would not be able to make a levy for the interest payment due in Fiscal Year 2023. That payment would be made from bond proceeds.

<sup>5</sup> Includes fees for municipal advisor, bond counsel, rating agency, paying agent and county certificates.

# South Washington County School District No. 833

\$34,370,000 General Obligation Facilities Maintenance Bonds, Series 2022A

Dated: June 9, 2022

## Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
06/09/2022	-	-	-	-	-	-	-
02/01/2023	-	-	766,051.11	766,051.11	(766,051.11)	-	-
08/01/2023	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2024	-	-	594,350.00	594,350.00	-	594,350.00	1,188,700.00
08/01/2024	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2025	-	-	594,350.00	594,350.00	-	594,350.00	1,188,700.00
08/01/2025	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2026	-	-	594,350.00	594,350.00	-	594,350.00	1,188,700.00
08/01/2026	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2027	-	-	594,350.00	594,350.00	-	594,350.00	1,188,700.00
08/01/2027	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2028	-	-	594,350.00	594,350.00	-	594,350.00	1,188,700.00
08/01/2028	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2029	-	-	594,350.00	594,350.00	-	594,350.00	1,188,700.00
08/01/2029	-	-	594,350.00	594,350.00	-	594,350.00	-
02/01/2030	3,290,000.00	5.000%	594,350.00	3,884,350.00	-	3,884,350.00	4,478,700.00
08/01/2030	-	-	512,100.00	512,100.00	-	512,100.00	-
02/01/2031	4,385,000.00	4.000%	512,100.00	4,897,100.00	-	4,897,100.00	5,409,200.00
08/01/2031	-	-	424,400.00	424,400.00	-	424,400.00	-
02/01/2032	4,795,000.00	4.000%	424,400.00	5,219,400.00	-	5,219,400.00	5,643,800.00
08/01/2032	-	-	328,500.00	328,500.00	-	328,500.00	-
02/01/2033	4,300,000.00	3.000%	328,500.00	4,628,500.00	-	4,628,500.00	4,957,000.00
08/01/2033	-	-	264,000.00	264,000.00	-	264,000.00	-
02/01/2034	5,500,000.00	3.000%	264,000.00	5,764,000.00	-	5,764,000.00	6,028,000.00
08/01/2034	-	-	181,500.00	181,500.00	-	181,500.00	-
02/01/2035	5,700,000.00	3.000%	181,500.00	5,881,500.00	-	5,881,500.00	6,063,000.00
08/01/2035	-	-	96,000.00	96,000.00	-	96,000.00	-
02/01/2036	6,400,000.00	3.000%	96,000.00	6,496,000.00	-	6,496,000.00	6,592,000.00
<b>Total</b>	<b>\$34,370,000.00</b>	<b>-</b>	<b>\$12,699,951.11</b>	<b>\$47,069,951.11</b>	<b>(766,051.11)</b>	<b>\$46,303,900.00</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$378,514.56
Average Life	11.013 Years
Average Coupon	3.3552081%
Net Interest Cost (NIC)	2.9067704%
True Interest Cost (TIC)	2.8403583%
Bond Yield for Arbitrage Purposes	2.6655289%
All Inclusive Cost (AIC)	2.8862705%

## IRS Form 8038

Net Interest Cost	2.6827345%
Weighted Average Maturity	10.912 Years



**ESTIMATES PRIOR TO BOND SALE**

**South Washington County School District No. 833**  
**Preliminary Financing Plan for Future Projects**

**Updated Financing Plan**  
**\$34,370,000 Facilities Maintenance Bonds, Series 2022A**  
**5 Future Facilities Maintenance Bond Issues**

**Future Bond Issues**

Type of Bond	Amount	Dated	Int. Rate
Facilities Maintenance	\$34,370,000	06/09/22	2.84%
Facilities Maintenance	\$32,740,000	05/01/24	3.50%
Facilities Maintenance	\$19,295,000	05/01/26	3.50%
Facilities Maintenance	\$10,440,000	05/01/28	3.50%
Facilities Maintenance	\$8,665,000	05/01/30	3.50%
Facilities Maintenance	\$7,695,000	05/01/32	3.50%

March 16, 2022

Levy		Est. Tax		Debt Service Levies - Existing Bonds <sup>2</sup>					Other Levies		Facilities Maintenance Funding					Combined Totals			
Pay	Fiscal	Capacity	Value <sup>1</sup>	Building	Alt. Fac. / FM	Est. Debt	Net	Tax	Capital	Capital	General Fund	Principal	Interest	Addl. Debt	Est. LTFM	Debt	Total	Tax	
Year	Year	(\$000s)	% Chg	Bonds	Bonds	Excess <sup>3</sup>	Levy	Rate	Lease Levy <sup>4</sup>	Project Levy <sup>5</sup>	Revenue			Excess <sup>3</sup>	Aid	Levy	Levy	Rate	
2021	2022	131,265	7.0%	28,234,317	3,627,175	(1,307,899)	30,553,593	23.28	2,114,151	2,522,921	8,945,817	-	-	-	(2,886,789)	-	41,249,693	31.42	
2022	2023	138,049	5.2%	28,956,874	3,773,698	(1,364,346)	31,366,226	22.72	2,125,000	2,690,277	8,930,838	-	766,051	6	(2,838,933)	-	42,273,408	30.62	
2023	2024	144,952	5.0%	20,684,816	14,709,553	(1,472,876)	33,921,493	23.40	2,851,316	2,824,791	6,276,599	-	1,188,700	-	(2,732,549)	1,248,135	44,389,786	30.62	
2024	2025	147,851	2.0%	19,986,566	14,466,940	(1,592,747)	32,860,759	22.23	2,853,616	2,881,287	8,156,599	-	2,048,125	6	(2,725,535)	1,248,135	45,274,862	30.62	
2025	2026	150,808	2.0%	19,075,429	12,879,733	(1,550,408)	30,404,754	20.16	2,108,401	2,938,913	10,992,599	-	2,334,600	-	(2,721,450)	2,451,330	46,174,547	30.62	
2026	2027	153,824	2.0%	18,987,649	12,617,378	(1,437,982)	30,167,044	19.61	2,112,151	2,997,691	12,149,599	-	2,841,094	6	(110,310)	(2,671,123)	2,341,020	47,096,382	30.62
2027	2028	156,900	2.0%	6,189,409	18,681,377	(1,422,226)	23,448,559	14.94	2,113,851	3,057,645	18,987,099	-	3,009,925	-	(105,346)	(2,620,297)	3,055,075	48,041,932	30.62
2028	2029	160,038	2.0%	12,504,109	12,435,557	(1,119,185)	23,820,480	14.88	1,774,144	3,118,798	19,806,349	-	3,283,975	6	(137,478)	(2,542,921)	3,022,943	48,999,793	30.62
2029	2030	161,639	1.0%	12,623,389	12,046,742	(1,122,285)	23,547,846	14.57	1,776,744	3,149,986	16,671,349	3,290,000	3,375,325	-	(136,032)	(2,516,744)	6,862,559	49,491,739	30.62
2030	2031	163,255	1.0%	12,444,259	9,836,859	(1,110,156)	21,170,962	12.97	1,772,094	3,181,485	18,686,349	4,385,000	3,438,281	6	(308,815)	(2,490,436)	7,666,801	49,987,255	30.62
2031	2032	164,888	1.0%	13,416,349	8,882,882	(1,002,650)	21,296,580	12.92	580,394	3,213,300	19,674,599	4,795,000	3,338,700	-	(345,006)	(2,463,998)	8,195,379	50,496,254	30.62
2032	2033	166,537	1.0%	13,283,918	8,501,745	(1,003,465)	20,782,197	12.48	583,363	3,245,433	20,879,599	4,765,000	3,348,894	6	(368,792)	(2,437,428)	7,938,703	50,991,866	30.62
2033	2034	168,202	1.0%	13,094,498	3,590,265	(980,355)	15,704,408	9.34	583,363	3,277,888	24,874,599	6,065,000	3,270,950	-	(357,242)	(2,383,758)	9,445,506	51,502,005	30.62
2034	2035	168,202	0.0%	12,508,493	2,394,053	(750,814)	14,151,731	8.41	-	3,277,888	26,524,599	6,775,000	3,086,175	-	(425,048)	(2,383,758)	9,929,186	51,499,646	30.62
2035	2036	168,202	0.0%	-	3,724,665	(670,615)	3,054,050	1.82	-	3,277,888	26,524,599	17,575,000	2,877,550	-	(446,813)	(2,383,758)	21,028,364	51,501,144	30.62
2036	2037	168,202	0.0%	-	3,674,790	(167,610)	3,507,180	2.09	-	3,277,888	26,524,599	9,890,000	2,294,425	-	(946,276)	(2,383,758)	11,847,370	42,773,279	25.43
2037	2038	168,202	0.0%	-	3,633,840	(165,366)	3,468,474	2.06	-	3,277,888	26,524,599	9,875,000	1,948,275	-	(533,132)	(2,383,758)	11,881,307	42,768,511	25.43
2038	2039	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	13,530,000	1,602,650	-	(534,659)	(2,383,758)	15,354,624	42,773,353	25.43
2039	2040	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	14,150,000	1,129,100	-	(690,958)	(2,383,758)	15,352,097	42,770,826	25.43
2040	2041	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	7,035,000	633,850	-	(690,844)	(2,383,758)	7,361,448	34,780,177	20.68
2041	2042	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	6,940,000	387,625	-	(331,265)	(2,383,758)	7,362,741	34,781,470	20.68
2042	2043	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	2,745,000	144,725	-	(331,323)	(2,383,758)	2,702,888	30,121,617	17.91
2043	2044	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	1,390,000	48,650	-	(121,630)	(2,383,758)	1,388,953	28,807,682	17.13
2044	2045	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	-	-	-	-	(2,383,758)	-	27,418,729	16.30
2045	2046	168,202	0.0%	-	-	-	-	-	-	3,277,888	26,524,599	-	-	-	-	(2,383,758)	-	27,418,729	16.30
<b>Totals</b>				<b>231,990,072</b>	<b>149,477,251</b>	<b>(18,240,985)</b>	<b>363,226,338</b>		<b>23,348,585</b>	<b>78,435,066</b>	<b>513,327,184</b>	<b>113,205,000</b>	<b>46,397,645</b>	<b>(6,920,970)</b>	<b>(62,637,053)</b>	<b>157,684,563</b>	<b>1,073,384,684</b>		

- Tax capacity values include the actual values for taxes payable in 2021 and taxes payable 2022, with estimated percentage changes for later years as shown above.
- Initial debt service levies are set at 105 percent of the principal and interest payments during the next fiscal year.
- The debt excess adjustment for taxes payable in 2021 and taxes payable in 2022 are the actual amounts and for taxes payable in 2023 is based on the audited debt service fund balance as of June 30, 2021, with future years based on 4.5% of the prior years' total debt service.
- Lease levy amounts for future years are based on the best available estimates of future payments for all current and planned future leases.
- These estimates assume that the current Capital Project Levy would be renewed at the same tax rate when it expires.
- For each of the Facilities Maintenance bond issues, interest payments due during the first year would be paid from bond proceeds.

ESTIMATES PRIOR TO BOND SALE

**South Washington County School District No. 833**  
 Estimated Tax Rates for Capital and Debt Service Levies

Updated Financing Plan  
 \$34,370,000 Facilities Maintenance Bonds, Series 2022A  
 5 Future Facilities Maintenance Bond Issues

Date Prepared: March 16, 2022

