

May 19, 2022

SALE DAY REPORT FOR:

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

**\$34,905,000 General Obligation  
Facilities Maintenance Bonds, Series 2022A**



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Prepared by:

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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

# Competitive Sale Results

<b>PURPOSE:</b>	To finance various deferred maintenance projects included in the District's ten-year facilities plan approved by the Commissioner of Education.
<b>RATING:</b>	MN Credit Enhancement Rating: Moody's Investor's Service "Aa2" Underlying Rating: Moody's Investor's Service "A2"
<b>NUMBER OF BIDS:</b>	6
<b>LOW BIDDER:</b>	Baird, Red Bank, New Jersey

## COMPARISON FROM LOWEST TO HIGHEST BID: (TIC as bid)

<b>LOW BID:*</b>	3.8422%
<b>HIGH BID:</b>	3.9952%
<b>INTEREST DIFFERENCE:</b>	\$329,161

Summary of Sale Results:	
Principal Amount*:	\$34,905,000
Underwriter's Discount:	\$466,102
Reoffering Premium:	\$1,861,513
True Interest Cost*:	3.8456%
Capitalized Interest:	\$980,136
Costs of Issuance:	\$153,908
Yield:	3.15%-3.90%
Total Net P&I:	\$50,441,050

- \* The winning bidder submitted a bid with a premium price (a price greater than the par amount of the bonds) that was less than the estimates included in the Pre-Sale Report presented to the board on March 24<sup>th</sup>. As a result, the principal amount of the bonds was increased from \$34,370,000 (in the Pre-Sale Report and the Preliminary Official Statement) to \$34,905,000. This also caused a slight change in the True Interest Cost.

<b>NOTES:</b>	The True Interest Cost of 3.85% is greater than the 2.84% estimated in the Pre-Sale Report presented to the School Board on March 24, 2022. While the total principal and interest payments on the bonds will be higher than the Pre-Sale estimates, the bonds are structured in such a way so as to not result in an increase in the property tax rate for bond and capital levies between taxes payable in 2022 and taxes payable in 2023, the first year that a levy for the debt service payments on the 2022A bonds will be made.
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**CLOSING DATE:** June 9, 2022

**SCHOOL BOARD ACTION:** Adopt the Resolution Awarding the Sale of \$34,905,000 General Obligation Facilities Maintenance Bonds, Series 2022A.

## **SUPPLEMENTARY ATTACHMENTS**

- Bid Tabulation
- Updated Sources and Uses of Funds
- Updated Net Debt Service Schedule
- Updated Long-Term Financing Plan for Debt and Capital Payments and Levies
- Moody's Rating Reports
- Resolution Awarding Sale of Bonds (Distributed Separately)

## BID TABULATION

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

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

**SALE:** May 19, 2022

**AWARD:** BAIRD

**MN Credit Enhancement Rating:** Moody's Investor's Service "Aa2"

**Underlying Rating:** Moody's Investor's Service "A2"

Tax Exempt - Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BAIRD				\$35,767,519.46	\$14,836,074.98	3.8422%
Red Bank, New Jersey	2030	5.000%	3.150%			
C.L. King	2031	5.000%	3.200%			
Collier Securities	2032	5.000%	3.300%			
Edward Jones	2033	4.000%	3.500%			
Fidelity Capital	2034	4.000%	3.700%			
Loop Capital	2035	4.000%	3.800%			
Country Club Bank	2036	4.000%	3.900%			
Crews & Associates,						
Sierra Pacific Sec.						
Carty & Company, Inc						
Isaak Bond Investmen						
Wayne Hummer & Co.						
SumRidge Partners						
Celadon Financial Gr						
Oppenheimer & Co.						
Midland Securities						
FMS Bonds Inc.						
MULTI BANK SECURITIE						
First Southern LLC						
Commerce Bank, N.A.						
InspereX (280 Sec)						
Dinosaur Sec						
First Bankers' Banc						
Mountainside Sec						
StoneX Financial Inc						
Seaport Global LLC						

\* Subsequent to bid opening the issue size was increased to \$34,905,000.

Adjusted Price - \$36,300,411.57      Adjusted Net Interest Cost - \$15,120,773.99      Adjusted TIC - 3.8456%

<b>NAME OF BIDDER</b>	<b>MATURITY (February 1)</b>	<b>RATE</b>	<b>REOFFERING YIELD</b>	<b>PRICE</b>	<b>NET INTEREST COST</b>	<b>TRUE INTEREST RATE</b>
PIPER SANDLER & CO. Minneapolis, Minnesota				\$36,582,270.40	\$15,119,479.60	3.8644%
CITIGROUP GLOBAL MARKETS INC. Los Angeles, California				\$36,563,877.70	\$15,137,872.30	3.8703%
WELLS FARGO BANK, NATIONAL ASSOCIATION Charlotte, North Carolina				\$35,217,264.60	\$14,923,878.73	3.8963%
FHN FINANCIAL CAPITAL MARKETS Memphis, Tennessee				\$35,789,666.26	\$15,271,639.30	3.9548%
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota				\$34,596,848.80	\$15,165,235.64	3.9952%

## RESULTS OF BOND SALE

### **South Washington County Schools, ISD 833**

**May 19, 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>Actual Bond Amount</b>	<b>\$34,905,000</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	\$34,905,000
Investment Earnings <sup>1</sup>	35,166
Reoffering Premium <sup>2</sup>	1,861,513
<b>Total Sources</b>	<b>\$36,801,680</b>
<b>Uses of Funds</b>	
Allowance for Discount Bidding <sup>3</sup>	\$466,102
Capitalized Interest <sup>4</sup>	980,136
Legal and Fiscal Costs <sup>5</sup>	153,908
<b>Net Available for Project Costs</b>	<b>35,201,534</b>
<b>Total Uses</b>	<b>\$36,801,680</b>
<b>Initial Deposit to Construction Fund</b>	<b>\$35,166,368</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 received 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 used to reduce the par amount of the bonds and pay the first year's interest on the bonds, with the remainder 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 will not be able to make a levy for the interest payment due in Fiscal Year 2023. That payment will be made from bond proceeds.

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



Sources & Uses 2022A Results

# South Washington County School District No. 833

\$34,905,000 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	-	-	980,135.56	980,135.56	(980,135.56)	-	-
08/01/2023	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2024	-	-	760,450.00	760,450.00	-	760,450.00	1,520,900.00
08/01/2024	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2025	-	-	760,450.00	760,450.00	-	760,450.00	1,520,900.00
08/01/2025	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2026	-	-	760,450.00	760,450.00	-	760,450.00	1,520,900.00
08/01/2026	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2027	-	-	760,450.00	760,450.00	-	760,450.00	1,520,900.00
08/01/2027	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2028	-	-	760,450.00	760,450.00	-	760,450.00	1,520,900.00
08/01/2028	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2029	-	-	760,450.00	760,450.00	-	760,450.00	1,520,900.00
08/01/2029	-	-	760,450.00	760,450.00	-	760,450.00	-
02/01/2030	3,290,000.00	5.000%	760,450.00	4,050,450.00	-	4,050,450.00	4,810,900.00
08/01/2030	-	-	678,200.00	678,200.00	-	678,200.00	-
02/01/2031	4,385,000.00	5.000%	678,200.00	5,063,200.00	-	5,063,200.00	5,741,400.00
08/01/2031	-	-	568,575.00	568,575.00	-	568,575.00	-
02/01/2032	4,795,000.00	5.000%	568,575.00	5,363,575.00	-	5,363,575.00	5,932,150.00
08/01/2032	-	-	448,700.00	448,700.00	-	448,700.00	-
02/01/2033	4,300,000.00	4.000%	448,700.00	4,748,700.00	-	4,748,700.00	5,197,400.00
08/01/2033	-	-	362,700.00	362,700.00	-	362,700.00	-
02/01/2034	5,500,000.00	4.000%	362,700.00	5,862,700.00	-	5,862,700.00	6,225,400.00
08/01/2034	-	-	252,700.00	252,700.00	-	252,700.00	-
02/01/2035	5,935,000.00	4.000%	252,700.00	6,187,700.00	-	6,187,700.00	6,440,400.00
08/01/2035	-	-	134,000.00	134,000.00	-	134,000.00	-
02/01/2036	6,700,000.00	4.000%	134,000.00	6,834,000.00	-	6,834,000.00	6,968,000.00
<b>Total</b>	<b>\$34,905,000.00</b>	<b>-</b>	<b>\$16,516,185.56</b>	<b>\$51,421,185.56</b>	<b>(980,135.56)</b>	<b>\$50,441,050.00</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$385,579.33
Average Life	11.047 Years
Average Coupon	4.2834727%
Net Interest Cost (NIC)	3.9215727%
True Interest Cost (TIC)	3.8456132%
Bond Yield for Arbitrage Purposes	3.6278043%
All Inclusive Cost (AIC)	3.8943398%

## IRS Form 8038

Net Interest Cost	3.6368573%
Weighted Average Maturity	10.960 Years

## RESULTS OF BOND SALE

### South Washington County School District No. 833

#### Preliminary Financing Plan for Future Projects

**Updated Financing Plan**  
**\$34,905,000 Facilities Maintenance Bonds, Series 2022A**  
**5 Future Facilities Maintenance Bond Issues**

#### Future Bond Issues

Type of Bond	Amount	Dated	Int. Rate
Facilities Maintenance	\$34,905,000	06/09/22	3.85%
Facilities Maintenance	\$33,855,000	05/01/24	3.50%
Facilities Maintenance	\$20,085,000	05/01/26	3.50%
Facilities Maintenance	\$11,280,000	05/01/28	3.50%
Facilities Maintenance	\$9,520,000	05/01/30	3.50%
Facilities Maintenance	\$7,600,000	05/01/32	3.50%

May 19, 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			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	Principal	Interest	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	-	980,136	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	2,832,894	5,916,599	-	1,520,900	-	-	(2,732,549)	1,596,945	44,386,698	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	2,889,552	7,801,599	-	2,409,594	6	-	(2,725,535)	1,596,945	45,276,936	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	2,947,343	10,592,599	-	2,705,825	-	-	(2,721,450)	2,841,116	46,172,763	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	3,006,290	11,769,599	-	3,233,056	6	(127,850)	(2,671,123)	2,713,266	47,097,226	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	3,066,415	18,577,099	-	3,408,800	-	(122,097)	(2,620,297)	3,457,143	48,042,770	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	3,127,744	19,401,349	-	3,704,900	6	(155,571)	(2,542,921)	3,423,669	49,004,464	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	3,159,021	16,236,349	3,290,000	3,803,600	-	(154,065)	(2,516,744)	7,294,215	49,497,431	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	3,190,611	18,256,349	4,385,000	3,889,000	6	(328,240)	(2,490,436)	8,097,065	49,996,645	30.62
2031	2032	164,888	1.0%	13,416,349	8,882,882	(1,002,650)	21,296,580	12.92	580,394	3,222,517	19,249,599	4,795,000	3,753,050	-	(364,368)	(2,463,998)	8,611,085	50,496,177	30.62
2032	2033	166,537	1.0%	13,283,918	8,501,745	(1,003,465)	20,782,197	12.48	583,363	3,254,743	20,924,599	4,365,000	3,712,800	6	(387,499)	(2,437,428)	7,884,716	50,992,189	30.62
2033	2034	168,202	1.0%	13,094,498	3,590,265	(980,355)	15,704,408	9.34	583,363	3,287,290	24,924,599	5,670,000	3,605,025	-	(354,812)	(2,383,758)	9,383,964	51,499,866	30.62
2034	2035	168,202	0.0%	12,508,493	2,394,053	(750,814)	14,151,731	8.41	-	3,287,290	26,524,599	6,470,000	3,379,075	-	(422,278)	(2,383,758)	9,919,250	51,499,112	30.62
2035	2036	168,202	0.0%	-	3,724,665	(670,615)	3,054,050	1.82	-	3,287,290	26,524,599	17,320,000	3,122,950	-	(446,366)	(2,383,758)	21,018,731	51,500,913	30.62
2036	2037	168,202	0.0%	-	3,674,790	(167,610)	3,507,180	2.09	-	3,287,290	26,524,599	9,690,000	2,483,250	-	(945,843)	(2,383,758)	11,836,070	42,771,381	25.43
2037	2038	168,202	0.0%	-	3,633,840	(165,366)	3,468,474	2.06	-	3,287,290	26,524,599	9,670,000	2,144,100	-	(532,623)	(2,383,758)	11,872,182	42,768,788	25.43
2038	2039	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	13,315,000	1,805,650	-	(534,248)	(2,383,758)	15,342,434	42,770,566	25.43
2039	2040	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	13,930,000	1,339,625	-	(690,410)	(2,383,758)	15,342,697	42,770,828	25.43
2040	2041	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	6,810,000	852,075	-	(690,421)	(2,383,758)	7,354,757	34,782,889	20.68
2041	2042	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	6,705,000	613,725	-	(330,964)	(2,383,758)	7,353,697	34,781,829	20.68
2042	2043	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	2,500,000	379,050	-	(330,916)	(2,383,758)	2,692,086	30,120,218	17.91
2043	2044	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	2,390,000	291,550	-	(121,144)	(2,383,758)	2,694,484	30,122,615	17.91
2044	2045	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	2,360,000	207,900	-	-	(2,383,758)	2,696,295	30,124,426	17.91
2045	2046	168,202	0.0%	-	-	-	-	-	-	3,287,290	26,524,599	2,555,000	125,300	-	(121,333)	(2,383,758)	2,692,982	30,121,113	17.91
Totals				231,990,072	149,477,251	(18,240,985)	363,226,338		23,348,585	78,645,097	509,822,184	116,220,000	53,470,936	(7,161,050)	(62,637,053)	167,715,794	1,080,120,945		

1 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.

2 Initial debt service levies are set at 105 percent of the principal and interest payments during the next fiscal year.

3 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 levy.

4 Lease levy amounts for future years are based on the best available estimates of future payments for all current and planned future leases.

5 These estimates assume that the current Capital Project Levy would be renewed at the same tax rate when it expires.

6 For each of the Facilities Maintenance bond issues, interest payments due during the first year would be paid from bond proceeds.

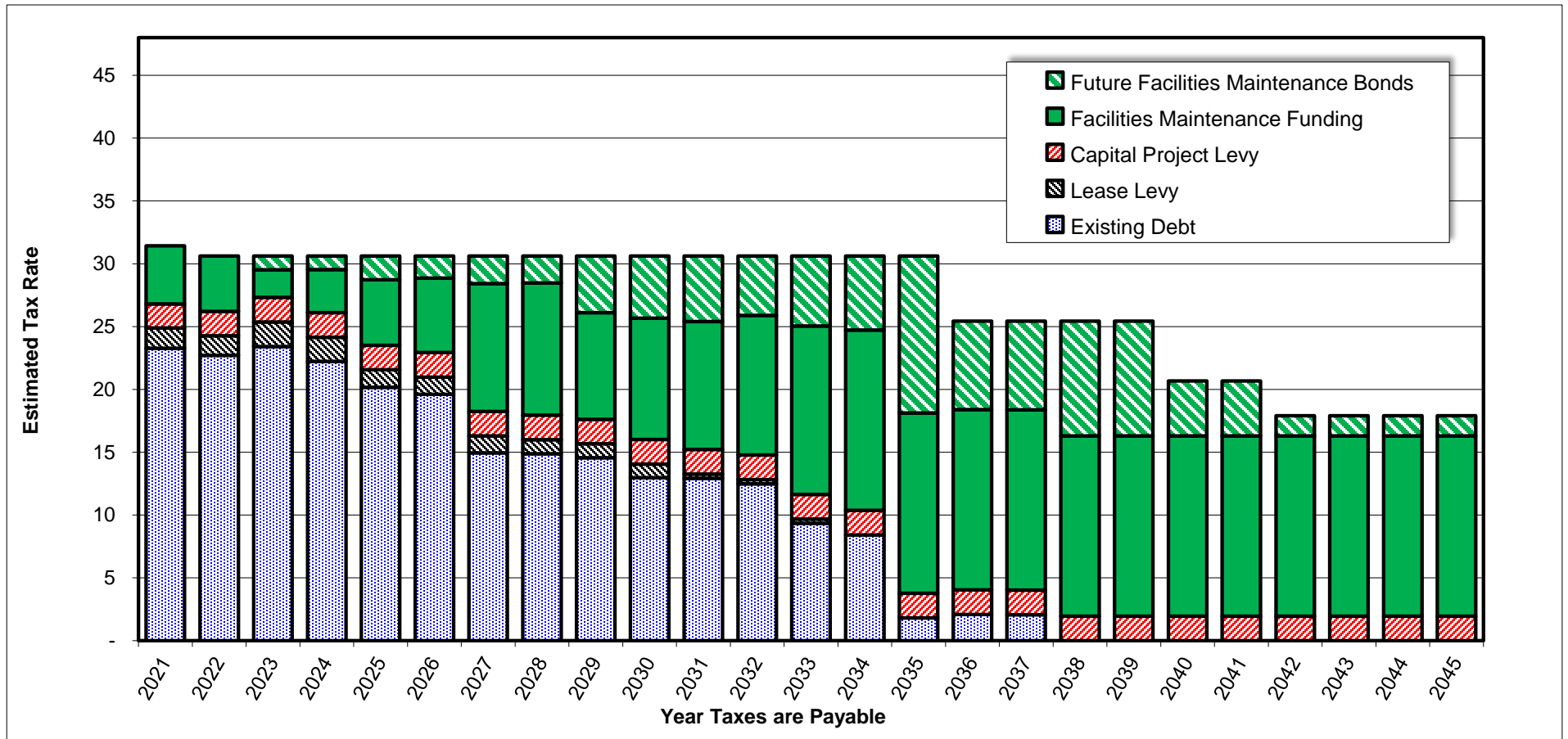


## RESULTS OF BOND SALE

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

Updated Financing Plan  
**\$34,905,000 Facilities Maintenance Bonds, Series 2022A**  
**5 Future Facilities Maintenance Bond Issues**

Date Prepared: May 19, 2022



**Rating Action: Moody's assigns A2 UND and Aa2 ENH to South Washington County ISD 833, MN's GOULT Bonds**

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12 May 2022

New York, May 12, 2022 -- Moody's Investors Service has assigned an A2 underlying rating and Aa2 enhanced rating to South Washington County Independent School District 833, MN's \$34.4 million General Obligation Facilities Maintenance Bonds, Series 2022A. Moody's maintains the district's A2 issuer rating and the A2 rating on its outstanding general obligation unlimited tax (GOULT) debt. The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. Post-sale, the district will have about \$305 million in rated GOULT debt outstanding.

**RATINGS RATIONALE**

The A2 issuer rating reflects the district's strong resident incomes and growing wealth, located within the Twin Cities metro area. The rating also incorporates the district's narrow financial position that is expected to improve due to expenditure cuts and increases to state aid. The leverage ratio is above average and will likely grow significantly given additional borrowing needs in the near term to address capacity issues. Fixed costs are moderate.

The A2 GOULT rating is equivalent to the A2 issuer rating based on the district's full faith and credit pledge supported by authority to raise ad valorem property taxes without limit as to rate or amount.

The enhanced rating reflects the additional security provided by the State of Minnesota's School District Credit Enhancement (MSDCE) Program. The Aa2 enhanced programmatic rating is notched once from the State of Minnesota's Aa1 general obligation unlimited tax (GOULT) rating. The enhanced rating reflects sound program mechanics and the State of Minnesota's pledge of an unlimited appropriation from its General Fund should the district be unable to meet debt service requirements. The program's mechanics include a provision for third party notification of pending deficiency. If the school district does not transfer funds necessary to pay debt to the paying agent at least three days prior to the payment due date, the state will appropriate the payment to the paying agent directly. Moody's has received a copy of the signed program applications.

**RATING OUTLOOK**

Moody's does not usually assign outlooks to local governments with this amount of debt.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS**

- Material increases in reserves and liquidity
- Significant moderation of leverage
- Upward movement in State of Minnesota's underlying GOULT rating (enhanced)

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS**

- Reductions in reserves or liquidity
- Material growth in leverage
- Downward movement in the State of Minnesota's underlying GOULT rating (enhanced)
- Weakening of the credit enhancement program mechanics (enhanced)

**LEGAL SECURITY**

The general obligation unlimited tax (GOULT) bonds are supported by the district's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The bonds are additionally secured by statute. The GOULT bonds are also supported by the State of Minnesota's School District Credit

Enhancement Program which provides for an unlimited advance from the state's general fund should the district be unable to meet debt service requirements.

#### USE OF PROCEEDS

The bonds will finance various deferred maintenance projects included in the district's 10-year capital plan.

#### PROFILE

The district encompasses approximately 85 square miles and serves all or portions of the cities of Woodbury, Cottage Grove, Newport, and St. Paul Park. The district is located in the Twin Cities metropolitan area, with an enrollment of 19,000 students.

#### METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts Methodology published in January 2021 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM\\_1202421](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1202421). The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings Methodology published in March 2022 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM\\_1309599](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1309599). Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

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## CREDIT OPINION

13 May 2022



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# South Washington County ISD 833, MN

## Update to credit analysis

### Summary

[South Washington County ISD 833, MN's](#) (A2) credit profile benefits from its favorable location in the Twin Cities metropolitan area, with strong resident incomes, growing wealth (full value per capita), and growing enrollment. The district has a limited financial position, however reserves are expected to improve due to expenditure reductions and a boost in revenue. The leverage ratio is above average, and will likely grow substantially given the need for additional borrowing in the near term due to capacity issues. Fixed costs are moderate.

### Credit strengths

- » Favorably located within commuting distance to [Minneapolis](#) (Aa1 stable) and [St. Paul](#) (Aa1 stable)
- » Strong resident incomes and growing wealth levels (full value per capita)
- » Growing enrollment

### Credit challenges

- » Narrow available reserve levels
- » High leverage ratio, expected to grow

### Rating outlook

Moody's does not usually assign outlooks to local governments with this amount of debt.

### Factors that could lead to an upgrade

- » Material increases in reserves and liquidity
- » Significant moderation of leverage

### Factors that could lead to a downgrade

- » Reductions in reserves or liquidity
- » Material growth in leverage



## Key indicators

Exhibit 1

### South Washington County I.S.D. 833, MN

	2018	2019	2020	2021	A Medians
<b>Economy</b>					
Resident income	154.7%	160.1%	160.1%	N/A	97.0%
Full value (\$000)	\$11,227,237	\$12,011,323	\$12,979,379	\$13,986,796	\$1,077,779
Population	98,542	101,208	102,989	102,989	13,232
Full value per capita	\$113,934	\$118,680	\$126,027	\$135,809	\$82,579
Enrollment	18,924	18,966	19,298	19,001	1,870
Enrollment trend	N/A	2.0%	1.2%	0.1%	-0.5%
<b>Financial performance</b>					
Operating revenue (\$000)	\$256,781	\$272,287	\$281,706	\$294,264	\$26,801
Available fund balance (\$000)	\$10,062	\$14,151	\$18,700	\$18,078	\$5,966
Net cash (\$000)	\$44,425	\$49,740	\$53,463	\$58,506	\$6,545
Available fund balance ratio	3.9%	5.2%	6.6%	6.1%	21.9%
Net cash ratio	17.3%	18.3%	19.0%	19.9%	26.0%
<b>Leverage</b>					
Debt (\$000)	\$349,343	\$327,042	\$359,980	\$315,108	\$20,717
ANPL (\$000)	\$683,703	\$507,831	\$620,397	\$757,654	\$40,570
OPEB (\$000)	\$13,658	\$15,126	\$16,316	\$4,027	\$3,790
Long-term liabilities ratio	407.6%	312.2%	434.4%	458.3%	295.9%
Implied debt service (\$000)	\$34,398	\$25,740	\$23,845	\$42,037	\$1,451
Pension tread water (\$000)	\$15,386	\$13,654	\$14,219	N/A	\$1,311
OPEB contributions (\$000)	\$4,000	\$1,013	\$790	\$33	\$167
Fixed-costs ratio	20.9%	14.8%	13.8%	19.1%	13.1%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, South Washington County I.S.D. 833, MN's financial statements and Moody's Investors Service

## Profile

The district encompasses approximately 85 square miles and serves all or portions of the cities of Woodbury, Cottage Grove, Newport, and St. Paul Park. The district is located in the Twin Cities metropolitan area, with an enrollment of 19,000 students.

## Detailed credit considerations

### Economy: strong and growing economy in the Twin Cities metro area

The district's economy will remain stable supported by its healthy resident incomes and growing wealth, and access to employment opportunities in the cities of Minneapolis and St. Paul, MN. Located in [Washington County](#) (Aaa stable), the district is situated 10 miles southeast of the Twin Cities area and encompasses 85 square miles. The district's largest local employers include the district (2,540), Renewable by Anderson (1,500), and Woodwinds Health East Campus, a hospital and medical care facility (1,331). As of March 2022, Washington County's unemployment rate was 2.2%, which is lower than both the state and the nation. The district has above average resident incomes equal to 160% of the national median. Wealth reflected in full value per capita for 2021 is also healthy at \$138,000.

The district has a history of strong population growth driven in part by new residential development in the cities of Woodbury and Cottage Grove. Over the last decade (from 2010-2020) the district's population has grown by approximately 11%, and is currently estimated at 103,000. The district's enrollment has remained stable with growth averaging 0.1% over the last three years which management attributes to ongoing residential development in the area. After four consecutive years of enrollment growth, the district saw a decline in fiscal 2021 due to the pandemic, however fiscal 2022 numbers show growth of approximately 400 students. Management anticipates about 8,000 new homes over the next 10 years, which they expect will bring about 3,500 new students.

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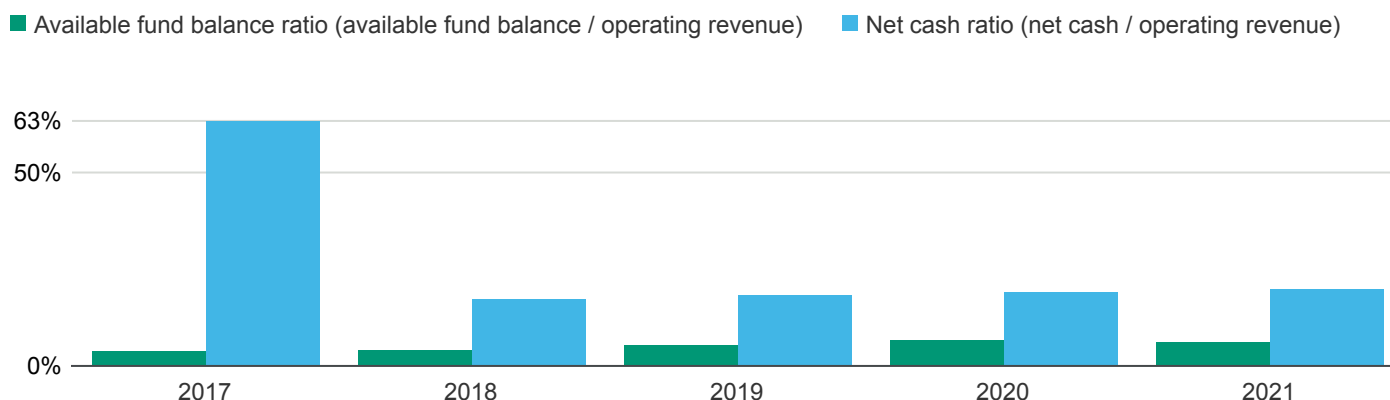


### Financial operations: Narrow, but sufficient reserves

We expect the district's financial position will remain narrow, but sufficient, given significant expenditure reductions, a growing enrollment trend in fiscal 2022, and a boost in revenue. The district closed fiscal 2021 with an operating (general fund and debt service) fund balance of \$18 million, equal to a narrow 6% of operating revenue. As shown in exhibit 2, fund balance as a portion of operating revenue has grown modestly in recent years, from a low of 4% in 2017 and 2018. The district recently passed a referendum to revoke and replace the voter-approved operating referendum levy authority with increased authority. The new levy will provide additional revenue of approximately \$7 million for fiscal year 2022-23. Additionally, the levy is now indexed to the consumer price index. With this boost in revenue, management expects general fund balance to grow to 8% by the close of 2023, with an ultimate goal of reaching 16% by 2026.

Exhibit 2

#### Fund balance and cash balance as percentage of operating revenues remains narrow



Source: Issuer financial statements; Moody's Investors Service

Similar to most Minnesota school districts, state aid is the primary source of revenue for the district and accounted for 64% of operating revenues in fiscal 2021. State aid is largely driven by enrollment, with some adjustments for wealth and need. Property taxes comprised 31% of operating revenues in fiscal 2021.

### Liquidity

At the close of fiscal 2021, the district's cash balance stood at \$59 million, or 20% of operating revenue.

The district's liquidity and financial flexibility have historically been enhanced by additional unrestricted cash in its Internal Service Fund, which held \$4.4 million in cash as of June 30, 2021. The cash in the Internal Service Fund was accumulated over time through operating transfers from the General Fund. Although the reserves in the Internal Service Fund were originally intended for future other post employment benefit (OPEB) payments, management reports that the cash is unrestricted and has provided the district with an alternate source of liquidity, mitigating cash flow pressures. The OPEB portion of the internal service fund was transitioned to an irrevocable trust at June 30, 2019.

### Leverage: elevated leverage expected to grow

The district's overall leverage is high, and is expected to grow given capacity issues from growing enrollment, particularly in its high school facilities. The district has a referendum on the ballot in August 2022 for \$463 million in additional debt over 5 years, which would reportedly be the largest bond referendum in Minnesota state history. If passed, district would issue \$250 million of that authority in the fall of calendar 2022, and the rest in the winter of 2025.

Total leverage currently is 373% of fiscal 2021 operating revenue, largely reflecting its adjusted net pension liability, which is equal to 223% of operating revenue. Adjusted fixed costs, inclusive of debt service and retirement contributions, are moderate at 14% of revenue. If the district is successful in its August bond referendum and issues \$250 million in additional debt in fall of 2022, its total leverage would be closer to 460% of 2021 operating revenues and fixed costs would be closer to 19%.

### Legal security

The general obligation unlimited tax (GOULT) bonds are supported by the district's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The bonds are additionally secured by statute. The GOULT bonds are also supported by the State of Minnesota's School District Credit Enhancement Program which provides for an unlimited advance from the state's general fund should the district be unable to meet debt service requirements.

### Debt structure

All of the district's debt is fixed rate. Amortization is below average with 73% of the outstanding principal retired within 10 years.

Along with \$305 million in GOULT debt outstanding, and \$8.5 million in capital leases, the district has a total of \$13.8 million of rated outstanding COPs (A3), Series 2016D and Series 2017A. The certificates are backed by lease payments equal to debt service from the district directly to the trustee US Bank, subject to annual appropriation. Under the terms of the agreement, the district is required to make the appropriated annual payments directly to the trustee at least three business days prior to each interest and principal payment date. The trustee has the right to take possession of the elementary school (2016D) and middle school addition (2017A) upon nonrenewal of the lease-purchase agreement.

### Debt-related derivatives

The district is not a party to any debt-related derivatives.

### Pensions and OPEB

The district participates in two multiple-employer cost-sharing plans, the General Employees Retirement Fund (GERF) and the Teachers Retirement Association of Minnesota (TRA). Most of its unfunded liabilities are attributable to the TRA. The State of Minnesota approved legislation in 2018 that modified benefits and modestly increased contributions to TRA. Because of the reform package, school districts are in the process of increasing their TRA employer contribution rate to 8.75% of payroll in 2024 from the previous rate of 7.5%. The state is also increasing aid to school districts to offset the increased costs of their required employer contributions. Contributions to both retirement plans totaled \$12.8 million in 2021, or 4.3% of the district's operating revenue.

OPEB obligations do not represent a material credit risk for the district. The district operates a single-employer retiree medical plan. The district made a \$33,000 pay-as-you-go contribution to its OPEB plan in fiscal 2021, equal to less than 0.1% of operating revenue.

## ESG considerations

### Environmental

Environmental considerations are a modest factor in the district's credit profile at this time. According to data from Moody's ESG Solutions, South Washington 833, MN is located in an area at medium risk for heat stress. The biggest impact of heat exposure for most Midwest issuers will be to agriculture based economies.

### Social

Social considerations impact the district's credit profile. South Washington 833, MN's favorable location in the Twin Cities metropolitan area bolsters its economic profile as detailed in the Economy and Tax Base section. Overall district socioeconomic indicators are above average, and unemployment rates are below both the state and median averages.

### Governance

The district's management is strong, as evidenced by its willingness to make expenditure cuts when necessary to balance the budget and the passage of numerous operating levies to bring in additional revenues. The district currently has a fund balance policy of 16.6% of expenditures, a level it does not currently meet.

Minnesota school districts have an Institutional Framework score<sup>1</sup> of A. The state controls the bulk of school district revenue through a per-pupil funding formula. The state has provided for regular annual increases in the funding formula for several years but has occasionally delayed disbursements. Districts can generate a moderate amount of additional locally determined revenue with the ability to access up to \$724 per pupil of local optional revenue, with most districts accessing the full amount. Districts can also go to voters for an additional operating referendum authority up to the standard referendum cap, which is about \$1,800 per pupil and increases with inflation.

## Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 3

### South Washington County I.S.D. 833, MN

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	160.1%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	135,809	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	0.0%	10.0%	Aa
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	6.1%	20.0%	Baa
Net cash ratio (net cash / operating revenue)	19.9%	10.0%	Aa
<b>Institutional framework</b>			
Institutional Framework	A	10.0%	A
<b>Leverage</b>			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	377.7%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	19.1%	10.0%	Aa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			A1
<b>Assigned Rating</b>			<b>A2</b>

Sources: US Census Bureau, South Washington County I.S.D. 833, MN's financial statements and Moody's Investors Service

## Appendix

Exhibit 4

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau)  RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Investors Service
<b>Financial performance</b>		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
<b>Leverage</b>		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Investors Service

## Endnotes

- The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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