

August 22, 2024

PRE-SALE REPORT FOR

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

\$9,095,000 Certificates of Participation, Series 2024B



Prepared by:

Ehlers
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Roseville, MN 55113

Advisors:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$9,095,000 Certificates of Participation, Series 2024B

The resolution prepared for the School Board's consideration on August 22, 2024 includes authorization to issue an amount not to exceed \$9,445,000 for the Certificates. Our current estimate of the amount necessary to finance the project cost, based the expected premium pricing structure explained in more detail on Page 2, is \$9,095,000.

Purposes:

The proposed issue will finance the acquisition and remodeling of an existing building to provide instructional services for students in the special education transition program. The Certificates will provide evidence of proportionate ownership in lease payments to be made by the District, pursuant to a Lease Purchase Agreement. Debt Service will be paid from the District's annual lease levy.

Authority:

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71 (Lease Purchase). The Certificates will not be general obligations of the District. Payments will be subject to annual appropriation of funds by the School Board, as required by statutes.

Term/Call Feature:

The Certificates are being issued for a term of 15 years and 5 months. Principal on the Certificates will be due on April 1 in the years 2026 through 2040. Interest will be due every six months beginning October 1, 2025.

The Certificates maturing on or after April 1, 2033 will be subject to prepayment at the discretion of the District on April 1, 2032 or any date thereafter.

Rating:

The District's most recent general obligation bond issues have an underlying rating of "A1" from Moody's Investors Service. The District will request a new rating for the Certificates. Because the Certificates provide less security to investors than general obligation bonds, Ehlers anticipates that the rating on the Certificates will be lower.

Basis for Recommendation:

Based on your objectives, financial situation and need, risk tolerance, liquidity needs, experience with the issuance of Certificates and long-term financial capacity, as well as the tax status considerations related to the Certificates and the structure, timing and other similar matters related to the Certificates, we are recommending the issuance of Certificates as a suitable option.

Method of Sale/Placement:

We are recommending the Certificates be issued as municipal securities and offered through a competitive underwriting process. You will solicit competitive bids, which we will compile on your behalf, for the purchase of the Certificates from underwriters and banks.

An allowance for discount bidding will be incorporated 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 Certificates 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 securities 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 Certificates. The sum of the amounts paid in excess of face value is considered “reoffering premium.” The underwriter of the Certificates 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 Certificates, increase the net proceeds for the project, or to fund a portion of the interest on the Certificates.

Parameters:

The School Board will consider adoption of a Parameters Resolution on August 22, 2024, which delegates authority to the Superintendent, Director of Business Services, or any Board member to accept and approve a bid for the Certificates so long as the bid meets certain parameters specified in the resolution, thereby awarding sale of the Certificates. The parameters include a principal amount not to exceed \$9,445,000 and a True Interest Cost (TIC) less than or equal to 5.00%.

We intend to accept bids on September 26 and present the results to a designated official for their authorization on behalf of the Board. We will then ask the Board to adopt a resolution ratifying the award of sale at the September 26 Board Meeting.

Other Considerations:

To obtain financing for the building, the District will enter into a Lease Purchase Agreement, a Ground Lease, and a Trust Agreement. All agreements will be prepared by the District's bond counsel, Dorsey & Whitney, LLP. Zions Bancorporation, National Association will serve as escrow agent, paying agent, and trustee.

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 debt, 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 Certificates. 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 Certificates 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.

An Ehlers arbitrage expert will contact the District within 30 days after the sale date to review the District's specific responsibilities for the Certificates. The District is currently receiving arbitrage services from Ehlers in relation to the Certificates.

Investment of Certificate Proceeds:

Ehlers can assist the District in developing a strategy to invest your Certificate proceeds until the funds 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 sizing of the Certificates 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

Escrow Agent/Paying Agent/Trustee: Zions Bancorporation, National Association

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 Certificates and Establishing Parameters for Awarding Sale of Certificates:	August 22, 2024
Due Diligence Call to Review Official Statement:	Week of September 9, 2024
Conference with Rating Agency:	Week of September 9, 2024
Distribute Official Statement:	September 12, 2024
Ehlers Receives and Evaluates Proposals for Purchase of Certificates; Designated Official Awards Sale of the Certificates:	September 26, 2024
School Board Approves Resolution Ratifying Award of Sale:	September 26, 2024
Estimated Closing Date:	October 24, 2024

Attachments

Estimated Sources and Uses of Funds

Estimated Debt Service Schedule

Resolution Authorizing Ehlers to Proceed with Certificate Sale (Provided Separately)

EHLERS' CONTACTS

Jodie Zesbaugh, Senior Municipal Advisor	(651) 697-8526
Shelby McQuay, Senior Municipal Advisor	(651) 697-8548
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ESTIMATES PRIOR TO SALE OF CERTIFICATES

South Washington County School District No. 833

\$9,095,000 Certificates of Participation, Series 2024B

Dated: October 24, 2024

Sources & Uses

Dated 10/24/2024 | Delivered 10/24/2024

Sources Of Funds

Par Amount of Bonds	\$9,095,000.00
Reoffering Premium	345,595.15

Total Sources	\$9,440,595.15
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Uses Of Funds

Total Underwriter's Discount (1.500%)	136,425.00
Costs of Issuance	110,000.00
Deposit to Project Construction Fund	9,194,170.15

Total Uses	\$9,440,595.15
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ESTIMATES PRIOR TO SALE OF CERTIFICATES

South Washington County School District No. 833

\$9,095,000 Certificates of Participation, Series 2024B

Dated: October 24, 2024

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2024	-	-	-	-	-
10/01/2025	-	-	407,418.96	407,418.96	-
04/01/2026	250,000.00	5.000%	217,612.50	467,612.50	875,031.46
10/01/2026	-	-	211,362.50	211,362.50	-
04/01/2027	455,000.00	5.000%	211,362.50	666,362.50	877,725.00
10/01/2027	-	-	199,987.50	199,987.50	-
04/01/2028	475,000.00	5.000%	199,987.50	674,987.50	874,975.00
10/01/2028	-	-	188,112.50	188,112.50	-
04/01/2029	500,000.00	5.000%	188,112.50	688,112.50	876,225.00
10/01/2029	-	-	175,612.50	175,612.50	-
04/01/2030	525,000.00	5.000%	175,612.50	700,612.50	876,225.00
10/01/2030	-	-	162,487.50	162,487.50	-
04/01/2031	550,000.00	5.000%	162,487.50	712,487.50	874,975.00
10/01/2031	-	-	148,737.50	148,737.50	-
04/01/2032	580,000.00	5.000%	148,737.50	728,737.50	877,475.00
10/01/2032	-	-	134,237.50	134,237.50	-
04/01/2033	605,000.00	5.000%	134,237.50	739,237.50	873,475.00
10/01/2033	-	-	119,112.50	119,112.50	-
04/01/2034	635,000.00	5.000%	119,112.50	754,112.50	873,225.00
10/01/2034	-	-	103,237.50	103,237.50	-
04/01/2035	670,000.00	5.000%	103,237.50	773,237.50	876,475.00
10/01/2035	-	-	86,487.50	86,487.50	-
04/01/2036	700,000.00	5.000%	86,487.50	786,487.50	872,975.00
10/01/2036	-	-	68,987.50	68,987.50	-
04/01/2037	740,000.00	4.250%	68,987.50	808,987.50	877,975.00
10/01/2037	-	-	53,262.50	53,262.50	-
04/01/2038	770,000.00	4.250%	53,262.50	823,262.50	876,525.00
10/01/2038	-	-	36,900.00	36,900.00	-
04/01/2039	800,000.00	4.500%	36,900.00	836,900.00	873,800.00
10/01/2039	-	-	18,900.00	18,900.00	-
04/01/2040	840,000.00	4.500%	18,900.00	858,900.00	877,800.00
Total	\$9,095,000.00	-	\$4,039,881.46	\$13,134,881.46	-

Yield Statistics

Bond Year Dollars	\$86,181.43
Average Life	9.476 Years
Average Coupon	4.6876473%
Net Interest Cost (NIC)	4.4449382%
True Interest Cost (TIC)	4.3891735%
Bond Yield for Arbitrage Purposes	4.1356806%
All Inclusive Cost (AIC)	4.5509495%

IRS Form 8038

Net Interest Cost	4.1527143%
Weighted Average Maturity	9.423 Years