

January 29, 2024

SALE DAY REPORT FOR:

Independent School District No. 2687 (Howard Lake-Waverly-Winsted), Minnesota

\$16,040,000 General Obligation School Building
Refunding Bonds, Series 2024A



Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

Competitive Sale Results

PURPOSE: To finance a current refunding of the 2025 through 2037 maturities of the \$21,315,000 General Obligation School Building Bonds, Series 2014A.

RATING: MN Credit Enhancement Rating: S&P Global Ratings "AAA"
Underlying Rating: S&P Global Ratings "A"

NUMBER OF BIDS: 15

LOW BIDDER: Jefferies, New York, New York

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

LOW BID:* 3.1897%

HIGH BID: 3.4035%

Summary of Sale Results:	
Principal Amount*:	\$16,040,000
Underwriter's Discount:	\$74,827
Reoffering Premium:	\$2,093,372
True Interest Cost*:	3.1911%
Costs of Issuance:	\$106,900
Yield:	2.55%-3.25%
Total Net Principal & Interest:	\$23,203,869

** The winning bidder submitted a bid with a premium price (a price greater than the par amount of the bonds) that was more than the estimate in the Revised Pre-Sale Report. The premium amount will be used to partially finance the prepayment of the 2014A Bonds, so the principal amount of the bonds was decreased from \$16,340,000 (in the Revised Pre-Sale Report and the Preliminary Official Statement) to \$16,040,000. This also caused a slight change in the True Interest Cost.*

NOTES: The True Interest Cost of 3.19% is slightly lower than the estimate of 3.25% included in the Revised Pre-Sale Report presented to the School Board on January 17. As a result, the future value savings of \$1,908,551 is higher than the estimate of \$1,779,213 in the Revised Pre-Sale Report.

CLOSING DATE: February 22, 2024

REDEMPTION DATE: March 26, 2024

DESIGNATED OFFICIAL ACTION: Because the future value savings was higher than the \$500,000 included in the resolution approved by the School Board on September 25, the designated officials accepted the proposal from the low bidder on January 29.

SCHOOL BOARD ACTION: Adopt the Resolution Ratifying the Award of Sale of \$16,040,000 General Obligation School Building Refunding Bonds, Series 2024A.

SUPPLEMENTARY ATTACHMENTS

- Bid Tabulation
- Updated Sources and Uses of Funds
- Debt Service Schedule for 2014A Bonds
- Updated Debt Service Schedule for 2024A Bonds
- Updated Debt Service Comparison/Refunding Analysis
- Updated Current Refunding Escrow
- Rating Report
- Resolution Ratifying the Award of Sale (Distributed Separately)

BID TABULATION

\$16,340,000* General Obligation School Building Refunding Bonds, Series 2024A

Independent School District No. 2687 (Howard Lake-Waverly-Winsted), Minnesota

SALE: January 29, 2024

AWARD: JEFFERIES

MN Credit Enhancement Rating: S&P Global Ratings "AAA"

Underlying Rating: S&P Global Ratings "A"

Tax Exempt - Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	REOFFERING YIELD	COUPON RATE	PRICE	TRUE INTEREST RATE
JEFFERIES New York, New York	2025	3.090%	5.000%	\$18,399,658.60	3.1897%
	2026	2.850%	5.000%		
	2027	2.750%	5.000%		
	2028	2.600%	5.000%		
	2029	2.600%	5.000%		
	2030	2.550%	5.000%		
	2031	2.550%	5.000%		
	2032	2.600%	5.000%		
	2033	2.600%	5.000%		
	2034	2.600%	5.000%		
	2035	2.700%	5.000%		
	2036	2.750%	5.000%		
	2037	3.250%	4.000%		
HILLTOPSECURITIES Dallas, Texas				\$18,085,190.05	3.2362%
FHN FINANCIAL CAPITAL MARKETS Memphis, Tennessee				\$18,075,845.50	3.2430%
PNC CAPITAL MARKETS LLC Philadelphia, Pennsylvania				\$18,600,494.10	3.2447%

* Subsequent to bid opening the issue size was decreased to \$16,040,000.

Adjusted Price - \$18,058,544.85 Adjusted Net Interest Cost - \$5,148,747.23 Adjusted TIC - 3.1911%

KEYBANC CAPITAL MARKETS INCORPORATED Cleveland, Ohio	\$18,594,725.45	3.2488%
J.P. MORGAN SECURITIES LLC New York, New York	\$18,584,026.65	3.2565%
BAIRD Milwaukee, Wisconsin	\$18,557,284.25	3.2756%
BOK FINANCIAL SECURITIES, INC. Milwaukee, Wisconsin	\$18,024,131.94	3.2808%
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota	\$18,007,149.91	3.2932%
PIPER SANDLER & CO. Minneapolis, Minnesota	\$18,511,402.59	3.3085%
TD SECURITIES (USA) LLC New York, New York	\$17,375,897.20	3.3101%
STONEX FINANCIAL INC Atlanta, Georgia	\$18,489,269.05	3.3244%
RBC CAPITAL MARKETS, LLC New York, New York	\$18,488,812.75	3.3247%
MESIROW FINANCIAL, INC. Chicago, Illinois	\$18,385,573.00	3.3992%
LOOP CAPITAL MARKETS Chicago, Illinois	\$18,379,630.95	3.4035%

I.S.D. No. 2687 (Howard Lake-Waverly-Winsted), MN

\$16,040,000 G.O. School Building Refunding Bonds, Series 2024A

Dated: February 22, 2024

Current Refunding of Series 2014A

Sources & Uses

Dated 02/22/2024 | Delivered 02/22/2024

Sources Of Funds

Par Amount of Bonds	\$16,040,000.00
Reoffering Premium	2,093,371.55
Total Sources	\$18,133,371.55

Uses Of Funds

Total Underwriter's Discount (0.467%)	74,826.70
Costs of Issuance	106,900.00
Deposit to Current Refunding Fund	17,948,221.46
Rounding Amount	3,423.39
Total Uses	\$18,133,371.55

I.S.D. No. 2687 (Howard Lake-Waverly-Winsted), MN

\$21,315,000 G.O. School Building Bonds, Series 2014A

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
01/29/2014	-	-	-	-	-
08/01/2014	-	-	443,041.08	443,041.08	-
02/01/2015	255,000.00	4.000%	438,172.50	693,172.50	1,136,213.58
08/01/2015	-	-	433,072.50	433,072.50	-
02/01/2016	295,000.00	4.000%	433,072.50	728,072.50	1,161,145.00
08/01/2016	-	-	427,172.50	427,172.50	-
02/01/2017	310,000.00	4.000%	427,172.50	737,172.50	1,164,345.00
08/01/2017	-	-	420,972.50	420,972.50	-
02/01/2018	325,000.00	4.000%	420,972.50	745,972.50	1,166,945.00
08/01/2018	-	-	414,472.50	414,472.50	-
02/01/2019	335,000.00	4.000%	414,472.50	749,472.50	1,163,945.00
08/01/2019	-	-	407,772.50	407,772.50	-
02/01/2020	345,000.00	4.000%	407,772.50	752,772.50	1,160,545.00
08/01/2020	-	-	400,872.50	400,872.50	-
02/01/2021	360,000.00	4.000%	400,872.50	760,872.50	1,161,745.00
08/01/2021	-	-	393,672.50	393,672.50	-
02/01/2022	375,000.00	4.000%	393,672.50	768,672.50	1,162,345.00
08/01/2022	-	-	386,172.50	386,172.50	-
02/01/2023	385,000.00	4.000%	386,172.50	771,172.50	1,157,345.00
08/01/2023	-	-	378,472.50	378,472.50	-
02/01/2024	405,000.00	5.000%	378,472.50	783,472.50	1,161,945.00
08/01/2024	-	-	368,347.50	368,347.50	-
02/01/2025	425,000.00	4.000%	368,347.50	793,347.50	1,161,695.00
08/01/2025	-	-	359,847.50	359,847.50	-
02/01/2026	445,000.00	4.000%	359,847.50	804,847.50	1,164,695.00
08/01/2026	-	-	350,947.50	350,947.50	-
02/01/2027	455,000.00	4.000%	350,947.50	805,947.50	1,156,895.00
08/01/2027	-	-	341,847.50	341,847.50	-
02/01/2028	480,000.00	4.000%	341,847.50	821,847.50	1,163,695.00
08/01/2028	-	-	332,247.50	332,247.50	-
02/01/2029	495,000.00	4.000%	332,247.50	827,247.50	1,159,495.00
08/01/2029	-	-	322,347.50	322,347.50	-
02/01/2030	520,000.00	4.000%	322,347.50	842,347.50	1,164,695.00
08/01/2030	-	-	311,947.50	311,947.50	-
02/01/2031	545,000.00	4.000%	311,947.50	856,947.50	1,168,895.00
08/01/2031	-	-	301,047.50	301,047.50	-
02/01/2032	575,000.00	4.000%	301,047.50	876,047.50	1,177,095.00
08/01/2032	-	-	289,547.50	289,547.50	-
02/01/2033	2,530,000.00	4.000%	289,547.50	2,819,547.50	3,109,095.00
08/01/2033	-	-	238,947.50	238,947.50	-
02/01/2034	2,660,000.00	4.100%	238,947.50	2,898,947.50	3,137,895.00
08/01/2034	-	-	184,417.50	184,417.50	-
02/01/2035	2,790,000.00	4.125%	184,417.50	2,974,417.50	3,158,835.00
08/01/2035	-	-	126,873.75	126,873.75	-
02/01/2036	2,930,000.00	4.200%	126,873.75	3,056,873.75	3,183,747.50
08/01/2036	-	-	65,343.75	65,343.75	-
02/01/2037	3,075,000.00	4.250%	65,343.75	3,140,343.75	3,205,687.50
Total	\$21,315,000.00	-	\$15,393,938.58	\$36,708,938.58	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	2/22/2024
Average Life	9.638 Years
Average Coupon	4.1354897%
Weighted Average Maturity (Par Basis)	9.638 Years
Weighted Average Maturity (Original Price Basis)	9.638 Years

Refunding Bond Information

Refunding Dated Date	2/22/2024
Refunding Delivery Date	2/22/2024

2014A | SINGLE PURPOSE | 1/ 9/2024 | 9:07 AM



I.S.D. No. 2687 (Howard Lake-Waverly-Winsted), MN

\$16,040,000 G.O. School Building Refunding Bonds, Series 2024A

Dated: February 22, 2024

Current Refunding of Series 2014A

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Net New D/S	Fiscal Total
02/22/2024	-	-	-	-	(3,423.39)	-
08/01/2024	-	-	342,667.08	342,667.08	342,667.08	-
02/01/2025	430,000.00	5.000%	387,925.00	817,925.00	817,925.00	1,157,168.69
08/01/2025	-	-	377,175.00	377,175.00	377,175.00	-
02/01/2026	450,000.00	5.000%	377,175.00	827,175.00	827,175.00	1,204,350.00
08/01/2026	-	-	365,925.00	365,925.00	365,925.00	-
02/01/2027	490,000.00	5.000%	365,925.00	855,925.00	855,925.00	1,221,850.00
08/01/2027	-	-	353,675.00	353,675.00	353,675.00	-
02/01/2028	550,000.00	5.000%	353,675.00	903,675.00	903,675.00	1,257,350.00
08/01/2028	-	-	339,925.00	339,925.00	339,925.00	-
02/01/2029	600,000.00	5.000%	339,925.00	939,925.00	939,925.00	1,279,850.00
08/01/2029	-	-	324,925.00	324,925.00	324,925.00	-
02/01/2030	635,000.00	5.000%	324,925.00	959,925.00	959,925.00	1,284,850.00
08/01/2030	-	-	309,050.00	309,050.00	309,050.00	-
02/01/2031	665,000.00	5.000%	309,050.00	974,050.00	974,050.00	1,283,100.00
08/01/2031	-	-	292,425.00	292,425.00	292,425.00	-
02/01/2032	335,000.00	5.000%	292,425.00	627,425.00	627,425.00	919,850.00
08/01/2032	-	-	284,050.00	284,050.00	284,050.00	-
02/01/2033	2,145,000.00	5.000%	284,050.00	2,429,050.00	2,429,050.00	2,713,100.00
08/01/2033	-	-	230,425.00	230,425.00	230,425.00	-
02/01/2034	2,260,000.00	5.000%	230,425.00	2,490,425.00	2,490,425.00	2,720,850.00
08/01/2034	-	-	173,925.00	173,925.00	173,925.00	-
02/01/2035	2,375,000.00	5.000%	173,925.00	2,548,925.00	2,548,925.00	2,722,850.00
08/01/2035	-	-	114,550.00	114,550.00	114,550.00	-
02/01/2036	2,490,000.00	5.000%	114,550.00	2,604,550.00	2,604,550.00	2,719,100.00
08/01/2036	-	-	52,300.00	52,300.00	52,300.00	-
02/01/2037	2,615,000.00	4.000%	52,300.00	2,667,300.00	2,667,300.00	2,719,600.00
Total	\$16,040,000.00	-	\$7,167,292.08	\$23,207,292.08	\$23,203,868.69	-

Yield Statistics

Bond Year Dollars	\$150,114.33
Average Life	9.359 Years
Average Coupon	4.7745554%
Net Interest Cost (NIC)	3.4298838%
True Interest Cost (TIC)	3.1911162%
All Inclusive Cost (AIC)	3.2696004%
Bond Yield for Arbitrage Purposes	2.7588328%

IRS Form 8038

Net Interest Cost	2.9788985%
Weighted Average Maturity	9.393 Years

I.S.D. No. 2687 (Howard Lake-Waverly-Winsted), MN

\$16,040,000 G.O. School Building Refunding Bonds, Series 2024A

Dated: February 22, 2024

Current Refunding of Series 2014A

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2025	1,160,592.08	1,157,168.69	1,161,695.00	4,526.31
02/01/2026	1,204,350.00	1,204,350.00	1,164,695.00	(39,655.00)
02/01/2027	1,221,850.00	1,221,850.00	1,156,895.00	(64,955.00)
02/01/2028	1,257,350.00	1,257,350.00	1,163,695.00	(93,655.00)
02/01/2029	1,279,850.00	1,279,850.00	1,159,495.00	(120,355.00)
02/01/2030	1,284,850.00	1,284,850.00	1,164,695.00	(120,155.00)
02/01/2031	1,283,100.00	1,283,100.00	1,168,895.00	(114,205.00)
02/01/2032	919,850.00	919,850.00	1,177,095.00	257,245.00
02/01/2033	2,713,100.00	2,713,100.00	3,109,095.00	395,995.00
02/01/2034	2,720,850.00	2,720,850.00	3,137,895.00	417,045.00
02/01/2035	2,722,850.00	2,722,850.00	3,158,835.00	435,985.00
02/01/2036	2,719,100.00	2,719,100.00	3,183,747.50	464,647.50
02/01/2037	2,719,600.00	2,719,600.00	3,205,687.50	486,087.50
Total	\$23,207,292.08	\$23,203,868.69	\$25,112,420.00	\$1,908,551.31

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	1,351,623.41
Net PV Cashflow Savings @ 2.759%(Bond Yield).....	1,351,623.41
Contingency or Rounding Amount.....	3,423.39
Net Present Value Benefit	\$1,355,046.80
Net PV Benefit / \$20,014,196.53 PV Refunded Debt Service	6.770%
Net PV Benefit / \$17,925,000 Refunded Principal...	7.560%
Net PV Benefit / \$16,040,000 Refunding Principal..	8.448%

Refunding Bond Information

Refunding Dated Date	2/22/2024
Refunding Delivery Date	2/22/2024

I.S.D. No. 2687 (Howard Lake-Waverly-Winsted), MN

\$16,040,000 G.O. School Building Refunding Bonds, Series 2024A

Dated: February 22, 2024

Current Refunding of Series 2014A

Current Refunding Escrow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
02/22/2024	-	-	-	0.46	-	0.46
03/26/2024	17,948,221.00	5.520%	89,329.17	18,037,550.17	18,037,550.63	-
Total	\$17,948,221.00	-	\$89,329.17	\$18,037,550.63	\$18,037,550.63	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Unrestricted

Cash Deposit	0.46
Cost of Investments Purchased with Bond Proceeds	17,948,221.00
Total Cost of Investments	\$17,948,221.46

Target Cost of Investments at bond yield	\$17,990,934.17
Actual positive or (negative) arbitrage	42,712.71

Yield to Receipt	5.3264382%
Yield for Arbitrage Purposes	2.7588328%

State and Local Government Series (SLGS) rates for	1/29/2024
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RESULTS OF BOND SALE

Howard Lake-Waverly-Winsted No. 2687

Analysis of Possible Structure for Capital and Debt Levies

January 29, 2024

Levy Payable Year	Fiscal Year	Tax Capacity Value ¹		Existing Commitments					Lease Levy	Existing Tax Rate	Combined Totals			
		(\$000s)	% Chg	Building Bonds ²	Est. Debt Excess ³	Est. Refunding Savings	Net Levy	Tax Rate			Initial Debt Levy	State Aid	Net Levy	Tax Rate
2022	2023	11,777	6.1%	3,102,674	(158,960)	-	2,943,714	25.00	158,023	26.34	3,101,737	-	3,101,737	26.34
2023	2024	14,350	21.8%	3,104,984	(129,068)	-	2,975,916	20.74	158,023	21.84	3,133,939	-	3,133,939	21.84
2024	2025	16,238	13.2%	3,100,100	(150,313)	-	2,949,787	18.17	158,023	19.14	3,107,809	-	3,107,809	19.14
2025	2026	16,481	1.5%	3,100,835	(149,841)	41,638	2,992,632	18.16	158,023	19.12	3,150,655	-	3,150,655	19.12
2026	2027	16,646	1.0%	3,099,470	(139,538)	68,203	3,028,135	18.19	158,023	19.14	3,186,158	-	3,186,158	19.14
2027	2028	16,813	1.0%	3,101,360	(139,476)	98,338	3,060,222	18.20	158,023	19.14	3,218,244	-	3,218,244	19.14
2028	2029	16,981	1.0%	3,100,940	(139,561)	126,373	3,087,752	18.18	158,023	19.11	3,245,774	-	3,245,774	19.11
2029	2030	16,981	0.0%	3,103,565	(139,542)	126,163	3,090,186	18.20	158,023	19.13	3,248,208	-	3,248,208	19.13
2030	2031	16,981	0.0%	3,108,973	(139,660)	119,915	3,089,227	18.19	158,023	19.12	3,247,250	-	3,247,250	19.12
2031	2032	16,981	0.0%	3,120,044	(139,904)	(270,107)	2,710,032	15.96	158,023	16.89	2,868,055	-	2,868,055	16.89
2032	2033	16,981	0.0%	3,264,550	(140,402)	(415,795)	2,708,353	15.95	158,023	16.88	2,866,376	-	2,866,376	16.88
2033	2034	16,981	0.0%	3,294,790	(146,905)	(437,897)	2,709,988	15.96	158,023	16.89	2,868,010	-	2,868,010	16.89
2034	2035	16,981	0.0%	3,316,777	(148,266)	(457,784)	2,710,727	15.96	158,023	16.89	2,868,750	-	2,868,750	16.89
2035	2036	16,981	0.0%	3,342,935	(149,255)	(487,880)	2,705,800	15.93	158,023	16.87	2,863,823	-	2,863,823	16.87
2036	2037	16,981	0.0%	3,365,972	(150,432)	(510,392)	2,705,148	15.93	158,023	16.86	2,863,170	-	2,863,170	16.86
2037	2038	16,981	0.0%	-	-	-	-	-	-	-	-	-	-	-
2038	2039	16,981	0.0%	-	-	-	-	-	-	-	-	-	-	-
Totals				47,627,968	(2,161,122)	(1,999,226)	43,467,619		2,370,339		45,837,958	-	45,837,958	

- 1 Tax capacity value for taxes payable in 2022 and 2023 are the actual values. Estimates for future years are based on the percentage changes as shown above.
- 2 Initial debt service levies (prior to subtracting debt equalization aid) are set at 105 percent of the principal and interest payments during the next fiscal year.
- 3 Debt excess adjustment for taxes payable in 2022, 2023, and 2024 are the actual amounts. The adjustment for 2025 is an estimate using the June 30, 2023 debt service fund balance. Debt excess for future years is estimated at 4.5% of the prior year's initial debt service levy.



RESULTS OF BOND SALE

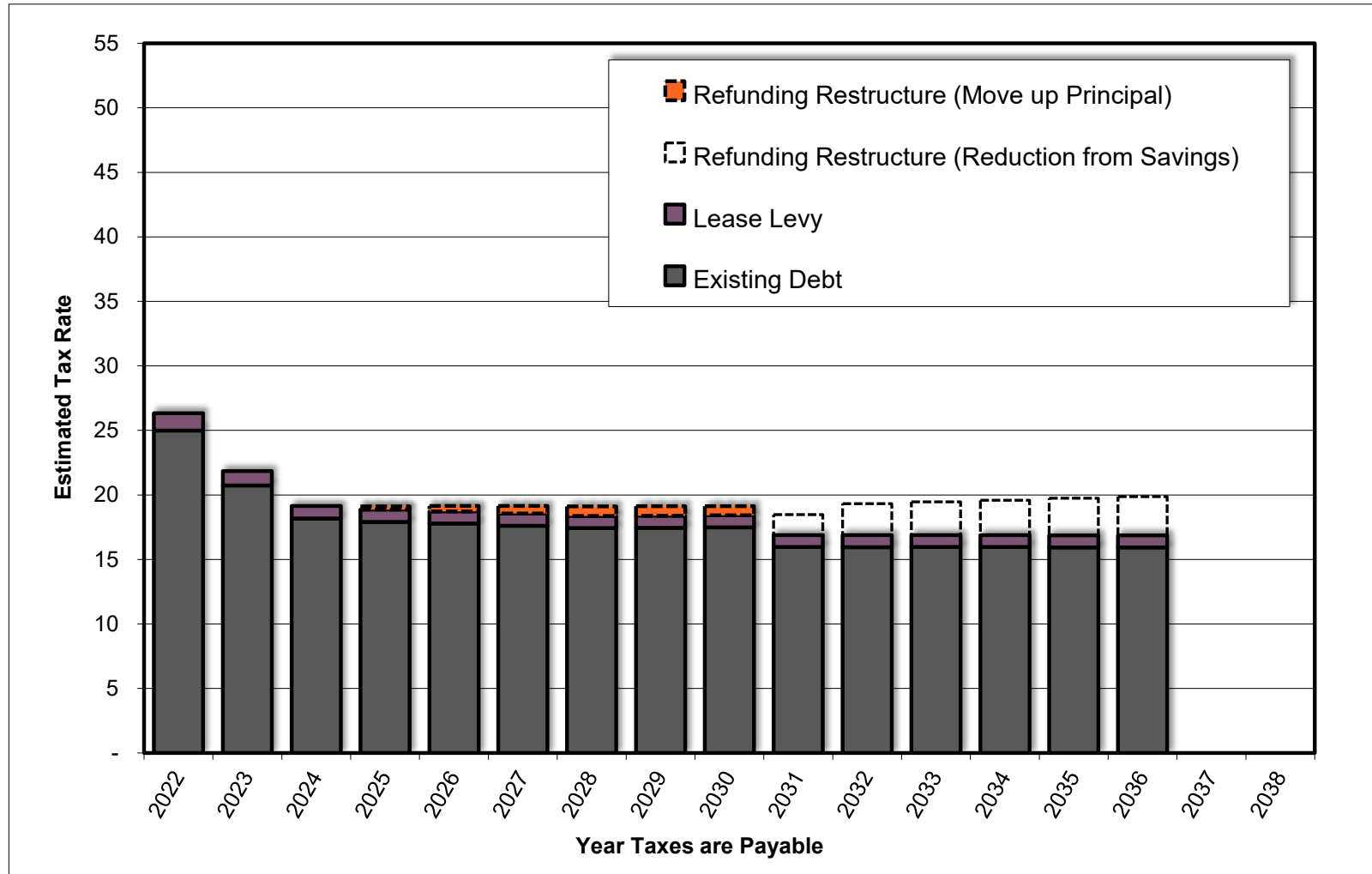
Howard Lake-Waverly-Winsted No. 2687

Estimated Tax Rates for Capital and Debt Service Levies

Existing Commitments including Refunding Bonds

Date Prepared:

January 29, 2024



RatingsDirect®

Summary:

Howard Lake-Waverly-Winsted Independent School District No. 2687, Minnesota; School State Program

Primary Credit Analyst:

Coral Schoonejans, Englewood + 1 (303) 721-4948; coral.schoonejans@spglobal.com

Secondary Contact:

Virginia A Murillo, San Francisco 1-415-371-5098; virginia.murillo@spglobal.com

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Credit Highlights

Outlook

Related Research

Summary:

Howard Lake-Waverly-Winsted Independent School District No. 2687, Minnesota; School State Program

Credit Profile

US\$16.34 mil GO sch bldg rfdg bnnds ser 2024A dtd 02/22/2024 due 02/01/2037

Long Term Rating AAA/Stable New

Underlying Rating for Credit Program A/Stable New

Howard Lake-Waverly-Winsted Indpt Sch Dist #2687 GO

Long Term Rating AAA/Stable Current

Underlying Rating for Credit Program A/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term (program-enhanced) rating and 'A' underlying rating to Howard Lake-Waverly-Winsted Independent School District No. 2687, Minn.'s approximately \$16.3 million series 2024A general obligation (GO) school building refunding bonds.
- At the same time, we affirmed our 'A' underlying rating on the district's GO debt outstanding.
- The outlook is stable.

Security

The district's unlimited-tax GO pledge, with additional security provided by the Minnesota School District Credit Enhancement Program (see below), secures the 2024A bonds. Bonds proceeds will be used to refinance a portion of debt outstanding for interest rate savings.

Credit overview

The 'A' underlying rating reflects our view of the district's growing local economy with incomes and wealth metrics a strength among peers, good financial management practices and policies, and manageable debt burden. The reserve position is nominally thin, and officials expect a modest deficit for fiscal 2024, but with a voter-approved operating levy increase, stable enrollment trends, and proactive cost-cutting measures, officials anticipate increasing reserves in compliance with the formal reserve policy minimum of 8% of operating expenditures by fiscal 2026, which we view as reasonable.

After a long period of balanced-to-surplus operations, the district posted a sizable operating deficit in fiscal 2023, lowering its available operating reserves to \$383,000, or 2.2% of operating expenditures. The deficit resulted in part from expiration of its voter-approved operating levy after failed attempts to renew and increase revenue in 2019, 2020, and 2022 and depletion of Elementary and Secondary School Emergency Relief funds, which were used largely on staffing costs. In November 2023, the district revised the number of ballot questions to one from two and voters

approved a 10-year operating levy increase of \$600 per pupil with an inflationary component built in, with the option for board renewal given recent changes in state statute. Officials anticipate that the levy increase will bring in an additional \$862,000 beginning in fiscal 2025. Furthermore, the district enacted \$540,000 in budget cuts in fiscal 2024 that will result in annual savings. As a result, officials estimate a modest deficit of \$100,000, or less than 1% of budgeted operating expenditures, in fiscal 2024, and plan to increase reserves in fiscal 2025 and beyond.

The underlying rating further reflects our view of the district's:

- Growing economic base with good incomes, a small though stable manufacturing- and agriculture-oriented local employment base with some access to larger employment centers in the wider Twin Cities metro area, ongoing residential development, and extremely strong per capita market value (while our most recent population figure for the district is 9,261, we note that Minnesota State Demographic Center figures reflect a population base of 9,863);
- Good financial management practices and policies, highlighted by monthly review of budget-to-actual and investment performance by the board, robust long-term financial and capital planning that is updated annually, and a formal reserve policy of maintaining unassigned operating reserves at 8% to 20% of operating expenditures, with which the district aims to comply in fiscal years 2025 or 2026;
- Thin reserve position that we believe will likely improve by fiscal 2025 in light of a new operating levy authority, history of stable enrollment, and cost-cutting measures in place;
- Low overall debt burden as a percentage of market value with elevated carrying charges, which includes three privately placed leases that we do not view as a contingent risk to liquidity and that we expect will remain affordable given a lack of plans to issue new debt over the next two years; and
- Minimal cost pressure from pensions and other postemployment benefits with costs unlikely to rise materially in the medium term.

Environmental, social, and governance

We assessed environmental, social, and governance factors and view them as neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that reserves will remain thin in the near term but grow in fiscal 2025 and beyond alongside additional operating levy authority and cost-cutting measures already in place, with other credit factors held constant or improved.

Downside scenario

We could take negative rating action if fiscal 2024 ends with a larger-than-anticipated deficit or if budgetary performance does not improve to at least balanced operations in fiscal 2025. We could also take negative rating action if the debt burden were to considerably increase.

Upside scenario

We could take positive rating action should the financial position substantially improve and be maintained at a level comparable with that of higher-rated peers.

Minnesota School District Credit Enhancement Program

The State of Minnesota Credit Enhancement Program is a standing appropriation program authorized by State Statute, Section 126C.55. Under the program, the state will pay debt service from its general fund if the district fails to do so. State payments have a standing appropriation from Minnesota's general fund that we view as equivalent to a general fund pledge. The standing appropriation is not subject to executive unallotment authority, and eligible projects are central to Minnesota's operations and purpose. We see no unusual political, timing, or administrative risk related to the debt payment. The 'AAA' credit enhancement rating reflects that on Minnesota's GO debt and moves in tandem with the state rating and outlook.

Howard Lake-Waverly-Winsted Independent School District No. 2687 key credit metrics

	Characterization	Most recent	Historical information		
			2023	2022	2021
Economic indicators					
Population				9,261	9,092
Median household EBI as % of U.S.	Good			108	106
Per capita EBI as % of U.S.	Good			99	97
Market value (\$000s)			1,745,524	1,440,274	1,284,039
Market value per capita (\$)	Extremely strong		188,481	155,520	141,227
Top 10 taxpayers as % of taxable value	Very diverse		6.9	N/A	N/A
Financial indicators					
Total available reserves (\$000s)			383	1,143	1,013
Available reserves as % of operating expenditures	Adequate		2.2	6.9	6.4
Total government cash as % of governmental funds expenditures			14.4	19.1	15.5
Operating fund result as % of expenditures			(4.1)	0.3	0.3
Financial management assessment	Good				
Enrollment		1,287	1,282	1,231	1,190
Debt and long-term liabilities					
Overall net debt as % of market value	Low	2.4	2.6	3.3	3.8
Overall net debt per capita (\$)	Moderate		4,892	5,127	5,307
Debt service as % of governmental funds noncapital expenditures	Elevated		15.8	16.9	16.5
Direct debt 10-year amortization (%)	Fairly rapid	69	68	63	58
Required pension contribution as % of governmental funds expenditures			3.5	3.3	3.4
OPEB actual contribution as % of governmental funds expenditures			0.1	0.4	0.2
Minimum funding progress, largest pension plan (%)			68.9	74.5	85.3

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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